

Newsletter - June 2020

COVID-19 update in Nepal

The Government of Nepal has extended the ongoing lockdown imposed to control the spread of the corona virus for the eighth time till 14 June 2020 (32 Jestha 2077). All domestic and international flights & public transport have been suspended till 30 June 2020. The lockdown was first imposed on 24 March 2020 and has completed 76 days as of 7 June 2020.

The number of people testing positive for corona virus is increasing day by day & has reached 3,235 with 13 deaths till 6 June 2020. In spite of increasing number of cases, public outcry to lift the lockdown has begun to emerge, with daily wage workers facing difficulties and businesses complaining of losses. To address the situation Government of Nepal (GoN) has partly lifted restrictions on vehicular movements by implementing the 'time card' system in Kathmandu valley. As per the system, vehicles belonging to essential services, banking & government employees are allowed to ply the Kathmandu roads during specific time periods.

PKF Nepal Updates

Work from home

PKF Nepal team is continuing to provide its services remotely due to extension of lockdown declared by the GoN. PKF Nepal is constantly communicating with the clients through online platforms.

Training conducted for CA trainees

To enhance the capacity and knowledge of CA trainees, PKF Nepal conducted training from 8 May 2020 to 31 May 2020 in two sessions. Partner Sumitra Rijal led the training while managers & supervisors acted as resource person. Training was provided on various topics viz, professional standards, audit process, professional integrity, life- long learning, client handling, business writing skills etc. Training provided opportunity to discuss various critical aspect of audit with practical experience of resource personnel.

Recent Updates

Announcement of budget

On 28 May 2020, the Finance Minister, Dr. Yuba Raj Khatiwada presented Rs 1.474 trillion budget for the fiscal year 2077-78 (2020-21). As the coronavirus pandemic has hard hit the country, the budget has allocated significant resources to the health sector and other major industries that help to rejuvenate the economy. Moreover, the government has set an economic growth target at 7% which is unlikely to be achieved due to the impact in the economy due to the pandemic.



Major changes of finance bill

Income Tax

- ⊗ Tax concession for micro, cottage & small industries has been provided based on their annual turnover.
- ⊗ Period of tax exemption for micro enterprises, travel & tourism industry, special industry has been increased.
- ⊗ Income tax is exempted for Drinking Water and Sanitation Consumer Groups operating as per their objectives. Income tax waived on tax assessed up to FY 2075-76.
- ⊗ Rebate on tax rate in case of hotel, travel, trekking, transport and airline industry.
- ⊗ The contributions made to the Corona Fund shall be deductible for computation of taxable income for the FY 2019-20.
- ⊗ Income tax exemption granted to cooperatives operating in rural municipality whereas, tax rate has been revised in case of cooperatives operating in areas other than rural municipality.
- ⊗ Waiver in tax applicable on retirement payment if approved retirement fund operated in different institutions is transferred to Social Security Fund.
- ⊗ Requirement of PAN for daily wages and expenses has been revised.
- ⊗ Amnesty has been provided to nonregisterd and nonfiler for registration in tax.

Value Added Tax

- ⊗ Exemption of VAT imposed on micro enterprise insurance.
- ⊗ Submission of VAT returns and payment on a trimester basis allowed to tourism, transportation and movie theatres.
- ⊗ VAT exempted on import of raw material by pharmaceutical industries and VAT refund to be provided if the raw materials are procured locally.

Custom duty

- ⊗ Reduction of applicable custom duty on import of machineries and raw material by micro, cottage & small industries, animal husbandries, veterinarians and industries producing masks.
- ⊗ Reduction of applicable custom duty on import of equipment imported by agricultural firms as well as paddy, corn, wheat and vegetable seeds.
- ⊗ Reduction of applicable custom duty on import of raw material for ayurvedic medicines.
- ⊗ Increase in applicable custom duty on import of petroleum products (except aviation fuel and LP gas), gold and gold ornaments.

Excise Duty

- ⊗ Exemption on Excise Duty on internal production of ethanol (to be used as raw material for production of sanitizers) and PPE.
- ⊗ Excise Duty applicable on items over a dozen removed.
- ⊗ Excise Duty imposed on import of all furniture goods

For Finance Bill [click here](#)

For budget highlight prepared by the PKF Nepal [click here](#)

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Notice by the IRD

Extension of deadline

The IRD has extended the dates for filing the monthly/bimonthly VAT returns, excise return, withholding tax return, education service fees, telephone ownership fees, telecommunication service fees for Falgun, Chaitra 2076 & Baisakh 2077 and payment to 21 June 2020 (7 Ashad 2077). Further, the due date of submission and payment of 2nd instalment of advance income tax (70% of the estimated tax for FY 2076-77) has been extended to 29 June 2020 (15 Ashad 2077). For details [click here](#)

Nepal Rastra Bank circular

Amendment on clean note policy

On 24 May 2020, NRB has issued a notice to all Bank & Financial Institutions to implement amended Clean Note Policy. Amendment is made to address difficulty arising in printing & transportation of notes due to COVID 19 & to promote effective use of policy earlier issued. For amended policy [click here](#) & for press release [click here](#)

Directive on refinancing procedure

On 1 June 2020, NRB has issued a draft of refinancing procedure, 2077 with the provision of the refinancing small, micro & domestic enterprises, special & general enterprises as specified by the NRB. The central bank has come up with the procedure with the aim of effectively reviving the business enterprises by minimizing impact of the corona virus on the current economy. As per the procedure industry having good operating condition with average annual return of 20% or more in last three years & tobacco/alcohol based industry will not be eligible for the loan. For draft [click here](#)

Similarly, NRB has requested all stakeholders to provide necessary suggestions on refinancing procedure within the 15 days of issuing the notice. For notice [click here](#)

Notice to all remittance service providers

NRB, using its rights given by Section 12 of foreign transaction act, has issued notice to all remittance service providers to facilitate remittance procedure by making direct coordination with companies where Nepalese workers are working in the foreign country. This notice is issued to ease remittance procedure impacted due to COVID 19. For notice [click here](#)

Insurance Board

Continuance of COVID -19 Insurance Policy

Beema Samiti issued a press release on 5 June 2020, instructing non life insurance companies to continue COVID-19 insurance policy. With increasing number of cases and policy holders insurance companies were refusing to continue insurance policy saying they will not be able to fulfill the liability arising due to COVID-19. For press release [click here](#)

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