

Budget Highlights

Fiscal Year 2076/77

Prepared by



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL

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BUDGET HIGHLIGHTS 2076/77



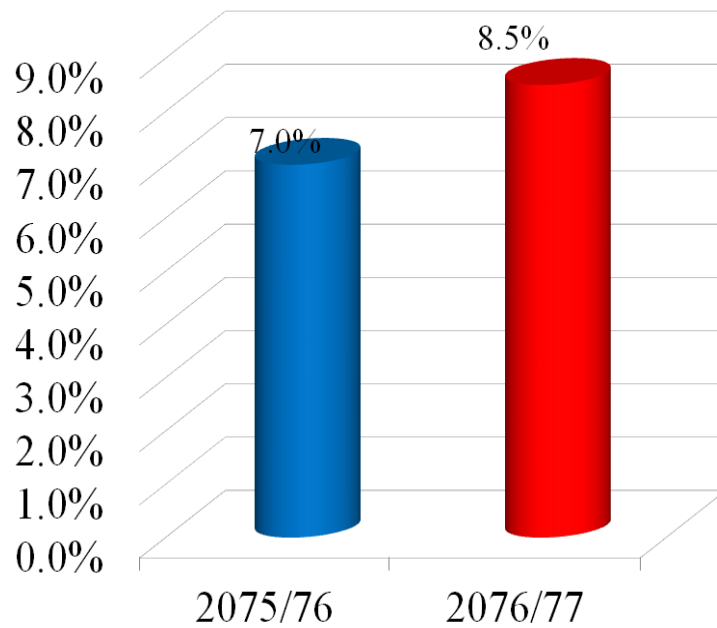


Objectives of the Budget

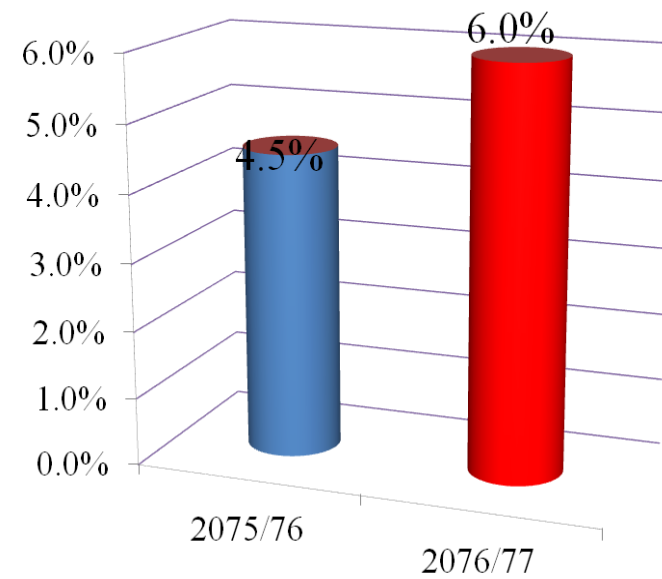
- **Qualitative reform in lifestyle by immediate fulfillment of fundamental rights of citizens.**
- **Rapid economic development with social justice by maximum utilization and judicious distribution of available resources, opportunities and capabilities.**
- **Develop the milestone of prosperous socialism oriented economy by upgrading to medium income earning country within 2030 AD by developing economical, biological and social infrastructure.**



Economic Growth Rate



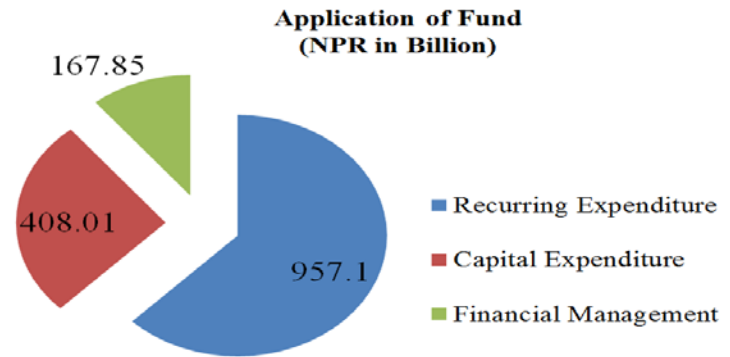
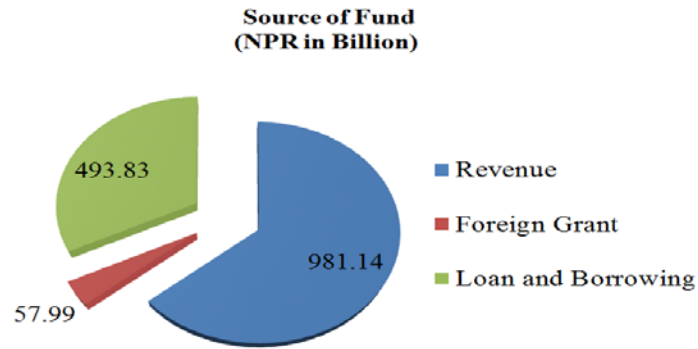
Inflation Rate





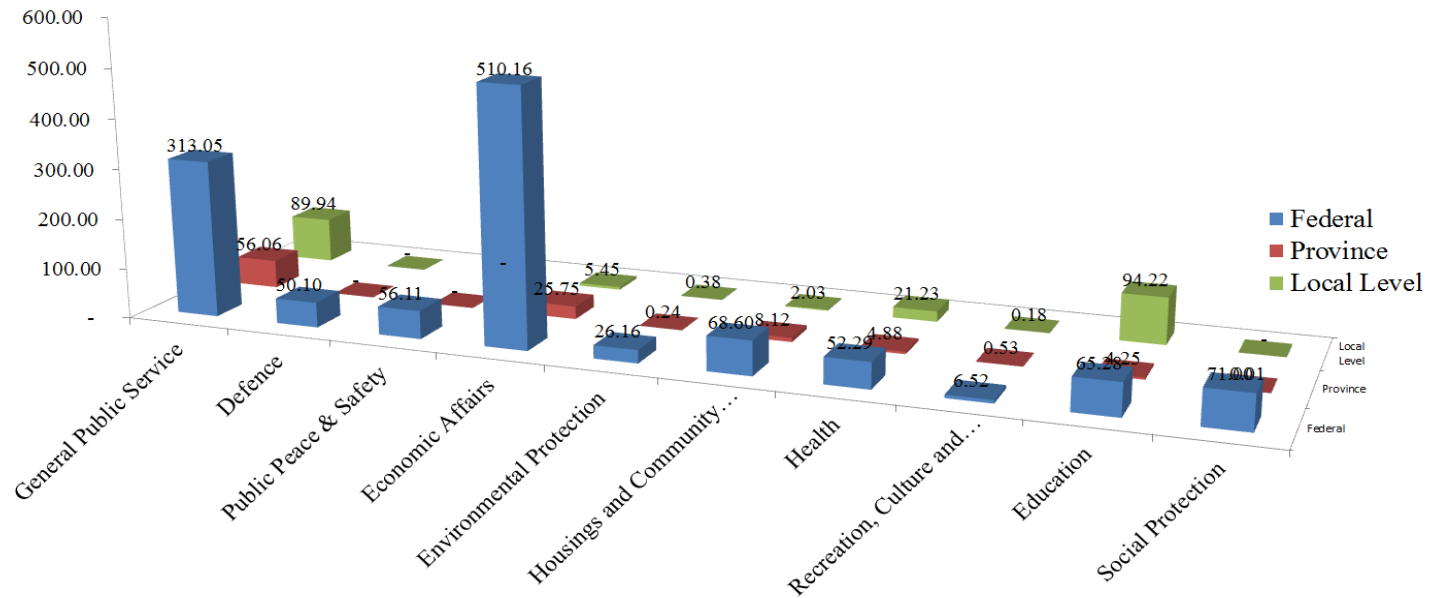
Budget Size

SN	Source of Fund	NPR (in Billion)	Application of Fund	NPR (in Billion)
1	Revenue	981.14	Recurring Expenditure	957.10
2	Foreign Grant	57.99	Capital Expenditure	408.01
3	Loan and borrowing	493.83	Debt Financing	167.85
		1532.96		1532.96





Functional Expenditure Estimate (NPR in Billion)





Budget Highlights

Education Sector:

- **Compulsory education up to fundamental level and free education up to secondary level.**
- **Budget allocated for construction of school buildings and expansion of class rooms.**
- **Encouragement of volunteer teachers.**
- **70 districts targeted for full literacy.**
- **Establishment of Madan Bhandari Science and Technology University has been proposed.**

Health Sector:

- **Health insurance project will be implemented in all districts with insured amount of Rs. 1 Lakh.**
- **Smoking will be prohibited on all public places and public transportations.**
- **Primary health service will be provided free of cost and emergency health service will be ensured.**



Drinking Water and Sanitation Sector:-

- Arrangement has been made for availing drinking water facility to 92% population.

Labor and Employment Sector:-

- Rs. 5.10 arba has been allocated for “*Pradhanmantri Rojgar Karyakram*”.

Social security and Civil Protection Sector:-

- Elderly allowance has been increased to Rs. 3000 per month.
- Differently abled, single women allowance has been increased by Rs. 1000 per month.
- Elder citizen meeting center will be established.

Youth Sector:-

- Youth Scientist Conference will be organized.

Agriculture and Animal Husbandry Sector :

- Rs 8.10 arba has been allocated for Prime Minister Agriculture Project.
- Rs. 9 arba has been allocated as grant for chemical fertilizers.



Land Management Sector:-

- **Necessary arrangement will be made for availing unutilized land for long term utilization in agriculture and use of factories by establishing land bank.**
- **Digitization of all land ownership papers and blueprints will be completed within 2 years.**
- **Illegally held government land will be returned to government within this fiscal year.**

Co-operative Sector:-

- **Credit Information Center and Deposit and Credit Guarantee Fund for co-operative sector will be established.**

Industrial Sector:-

- **Domestic textiles industries registered in Value Added Tax will be provided 50% exemption on electricity bill and grant equal to 5 % of interest on bank loan availed.**
- **Challenge fund will be established for providing seed capital to establish business based on new ideas.**



Commerce and supplies Sector

- In order to control increasing trade deficit ‘Safeguard, Anti-dumping and Countervailing laws’ will be implemented effectively.

Road Infrastructure Sector

- Additional budget has been allocated for highways under construction.

Transport Management Sector

- Facility of electronic card will be made for payment of transportation fares of public vehicles.
- GPS tracking system will be implemented in public vehicles.

Infrastructure Sector

- Necessary studies will be conducted to develop smart cities.
- Necessary arrangement will be made for 24 hour operation of TIA and it will be developed as boutique international airport.
- Budget has been allocated to replace dangerous structures to cross rivers.



Reconstruction Sector

- Budget has been allocated for reconstruction of heritages and educational institutions.

Information and Communication Sector

- Establishment of secured printing press will be initiated for printing of bank notes, excise sticker, postal sticker, land ownership certificate and other important printings.

Financial Sector

- Availability of banking facility in all local level will be ensured.
- Arrangement will be made for investment by Non Resident Nepalese in secondary market also.

Good Governance and Public Service Sector

- Election will be conducted for vacant position of legislators in federal and provincial level.

Economic plan and Statistics Sector

- Long term plan for next 25 years will be implemented in 15th plan of Government with effective from Shrawan 2076 .



Civil Service Sector

Increment of 20% of salary for non-gazetted and 18% of salary for gazetted civil employees, security personnel, teachers and lecturers those remunerated from government fund.



Changes and Reforms in Tax

Indirect tax Highlights

1. Changes in custom rate for promotion of domestic production of agro based and industrial products for self-dependency on production and to discourage import of goods detrimental for public health.
2. For promotion of export, exemption on custom (Mahasul) on export of goods excepts alcohol and tobacco based products, raw material to be consumed domestically, and basic agricultural products.
3. For promotion of export, facility of bonded warehouse is provided to import of all types of raw materials for producers who export their product exceeding 20 %.
4. Custom rate for import of some industrial raw materials reduced in comparison to custom rate for import of finished goods.
5. Exemption of 50 % customs on import of vehicle by agro based cooperatives.
6. 1% of custom rate is applicable for import of following number of ambulances by different local level authorities in recommendation of Ministry of Health and Population :



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- a. Rural Municipality : 2 ambulances
 - b. Municipality : 3 ambulances
 - c. Sub- metropolitan city and metropolitan city : 4 ambulances
7. 1 % custom rate is applicable for import of Mill machinery, spare parts and chemicals for self-utilization by textile industries.
 8. Custom rate is reduced for import of machinery and equipments by industries with high prospects in domestic market such as textile industry, thread industry, tea industry, basic medicine industry, sanitary pad industry , feed supplement industry for their protection and promotion
 9. For promotion of water transport in nation, import of all types of transport medium for water transport is subject to 5% custom rate instead of 15 %.
 10. Nepalese Nationals are allowed to import up to 100 gram gold ornaments while returning from foreign countries by paying applicable custom.
 11. In order to protect and promote the domestic production of goods on which Nation is self-dependent such as tea, coffee, dairy products, ghee, chicken, biscuits, noodles, banana, peas, peanuts, potato chips, ice cream, juice, mineral water, sugar, sakhar, chocolate, chewing gum, pasta, zinc sheet, shoes, sandals, thread, tent and industrial goods, custom rate is increased for import of such goods.



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- 12. VAT refund can be claimed in case of continuous VAT receivable/credit for 4 months instead of 6 months.**
 - 13. Person and Entities enjoying diplomatic facilities can get immediate VAT refund if they purchase goods and services from listed firms.**
 - 14. Unregistered startup businesses operating with innovative ideas, skills, entrepreneurship and technology are exempted on tax, fines, penalties, additional fees and interest applicable (Both income tax and VAT) before fiscal year 2075/76 if they register in VAT and Income tax within Poush 2076;**
 - 15. Custom and excise on products that are detrimental to health such as alcohol, cigarettes, and other tobacco based and other products detrimental to health is slightly increased.**



Direct tax Highlights

1. Basic exemption limit on remuneration tax is changed as under:

Status	Fiscal Year	
	2076/77	2075/76
Individual	400,000.00	350,000.00
Couple	450,000.00	400,000.00

2. To implement policy of “*One man one PAN*”, facility of obtaining pan registration will be made available from every Inland Revenue office.
3. In order to encourage investment in share, applicable tax rate for natural person is reduced to 5 % from 7.5 % and calculation of tax on share transaction will be based on weighted average cost method.
4. Capital gain tax on real-estate business is reduced
5. Tax rate applicable for cooperatives involved in financial transactions is as follows

Cooperatives operating in municipal areas	: 5 %
Cooperatives operating in metropolitan and sub-metropolitan areas	: 10 %



- 6. Transaction based presumptive tax is made progressive. Income tax on social security funds established as per Social Security Fund Act, 2074 is exempted.**
- 7. Income tax facility and exemption on merger of Bank and Financial Institutions and Insurance Companies is available if letter of intent is submitted up to 2077 Ashad End. (Extended for one year).**
- 8. Value added tax is not applicable for accident and health insurance.**
- 9. Any error on tax return submitted can be rectified by submitting revised tax return within 30 days from the date of submission of erroneous tax return.**

Reforms in Tax Administration

- 1. Biometric system will be implemented for reform in tax registration system.**
- 2. Unified tax system will be formulated for simple and transparent tax laws.**
- 3. Necessary arrangements will be made for submitting the documents for custom clearance through electronic medium.**
- 4. Amount to be deposited for administrative review is reduced to 1/4th of disputed tax from 1/3rd of disputed tax.**



- 5. 10 % of VAT of the related invoice will be deposited directly to bank account of buyer on purchase of goods or services through card or online payment system. Withholding tax is not applicable for such deposit.**
 - 6. Import of goods without description of quality, inferior goods, goods that may have detrimental effect on health compulsory labeling will be controlled. Necessary arrangement will be made for sale of such product only with the label of importer and distributor.**
 - 7. Arrangement will be made for payment of all types of tax through online payment system and issuing invoice through electronic mechanism. Simplified arrangement for tax refund form related Inland Revenue office has been made. Facility of providing automatic tax clearance certificate from system of Inland Revenue department to taxpayers without any tax dues.**
 - 8. Arrangement will be made tracking system of different stages such as production, transportation until sales in order to minimize tax evasion.**
- Revenue Board will be established for conducting study and research related to revenue matters, for providing policy related and operational advices to Government, and to handle the affairs currently dealt by Revenue Advisory Committee.**



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For detail follow to the following Links;

[final speech 2076_corrected_20190529022126.pdf](#)

[आर्थिक विधेयक २०७६.pdf](#)



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