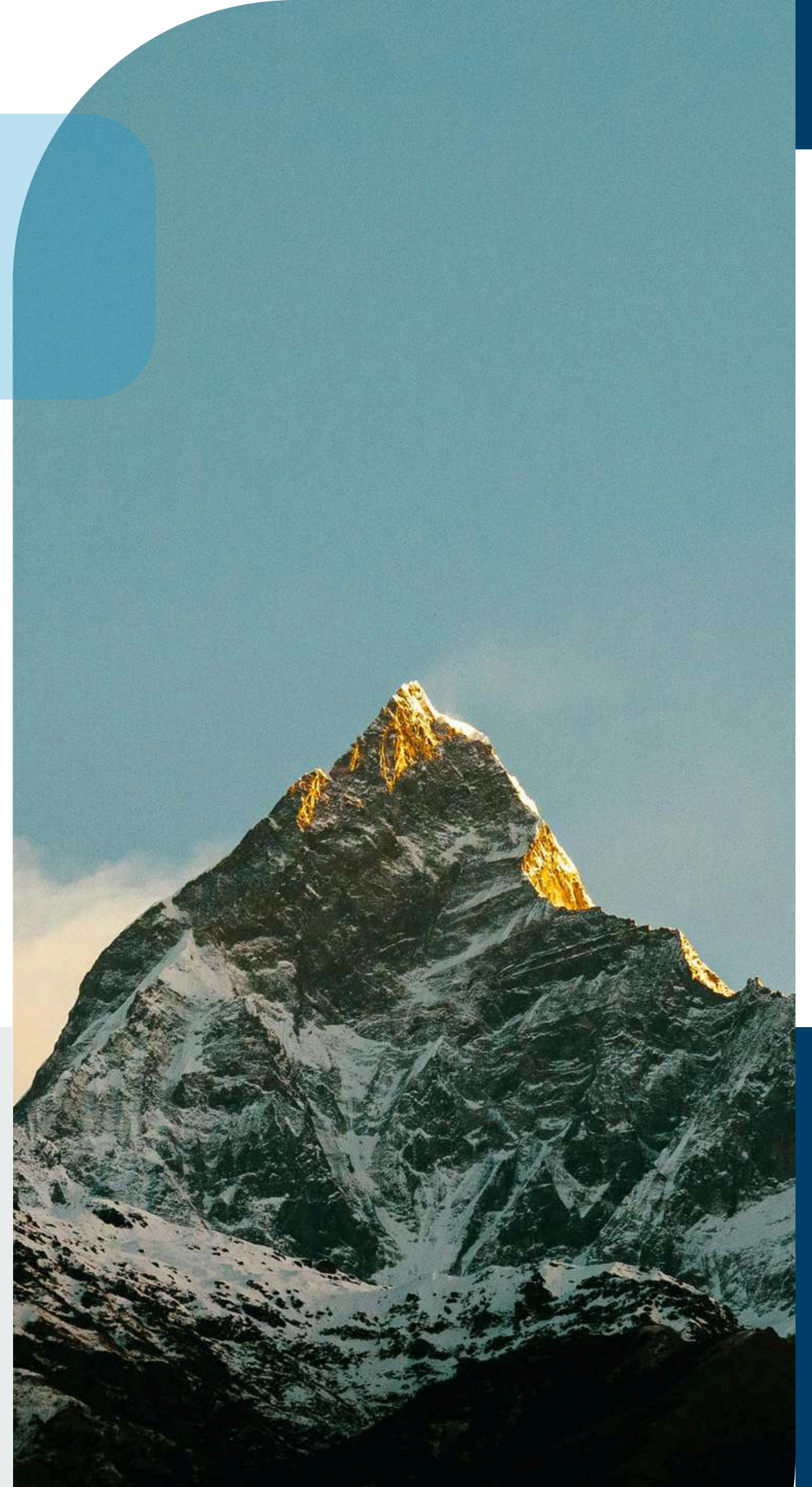


BUDGET HIGHLIGHTS 2082/83



INTRODUCTION

Nepal's fiscal budget for 2082/83 (2025/26) sets a total expenditure ceiling of NPR 1.965 trillion, with an anticipated internal revenue of NPR 1.263 trillion, resulting in a projected deficit of approximately NPR 637.55 billion. To bridge this gap, the government plans to rely on both domestic and external borrowing, raising concerns about the country's increasing debt burden. A significant portion of the budget, over NPR 410 billion, is allocated for public debt repayment. Consequently, capital-intensive ministries such as Energy, Agriculture, and Urban Development are facing budget cuts, while sectors like Home Affairs and Defense see modest increases, reflecting a prioritization of administrative and security expenses over development projects.

In response to these fiscal challenges, the government is emphasizing reforms aimed at enhancing budget efficiency and implementation effectiveness. Initiatives include promoting entrepreneurship among Generation-Z through dedicated startup programs, integrating all government health assistance under the National Health Insurance System, and upgrading sports infrastructure like the Tribhuvan University cricket ground. Additionally, the budget outlines plans for digital transformation, such as expanding services on the Nagarik App, developing virtual education systems, and implementing advanced technologies to combat cybercrime. These measures aim to stimulate economic growth, improve public services, and ensure sustainable development despite financial constraints.

5 MAIN OBJECTIVES



Achieve high, sustainable, and broad-based economic growth with a focus on poverty alleviation.



Promote entrepreneurship and expand public and private investment to create jobs.



Enhance economic capacity through increased use of modern technology.

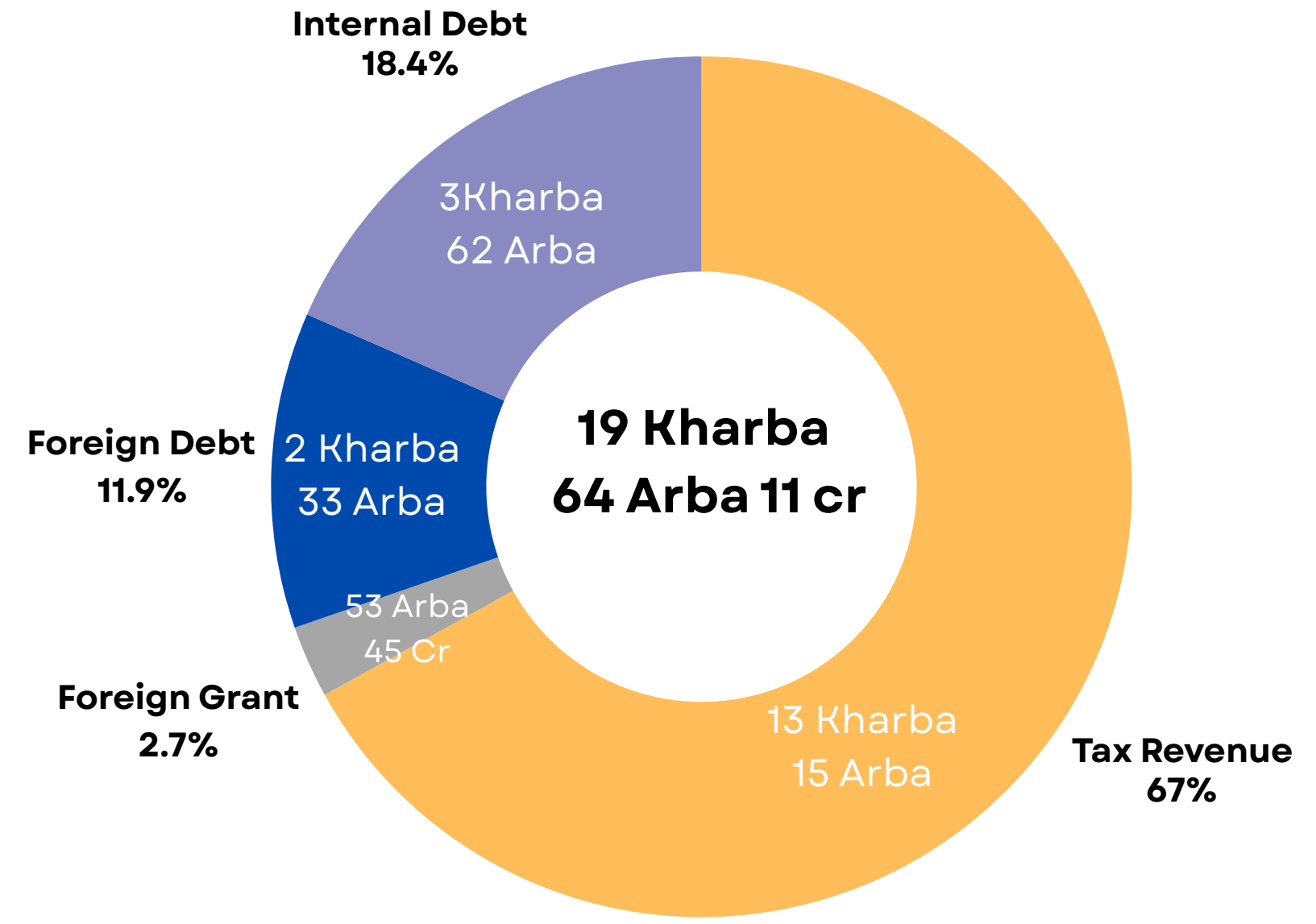


Ensure social justice via social protection and development programs.

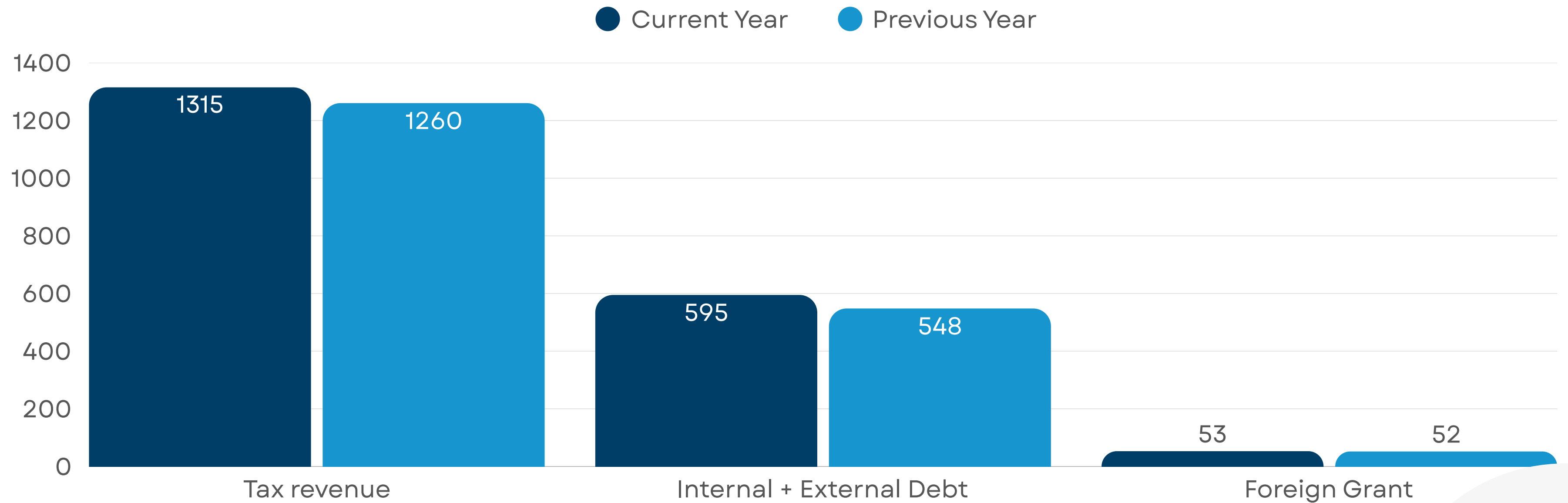


Promote quality public services and good governance.

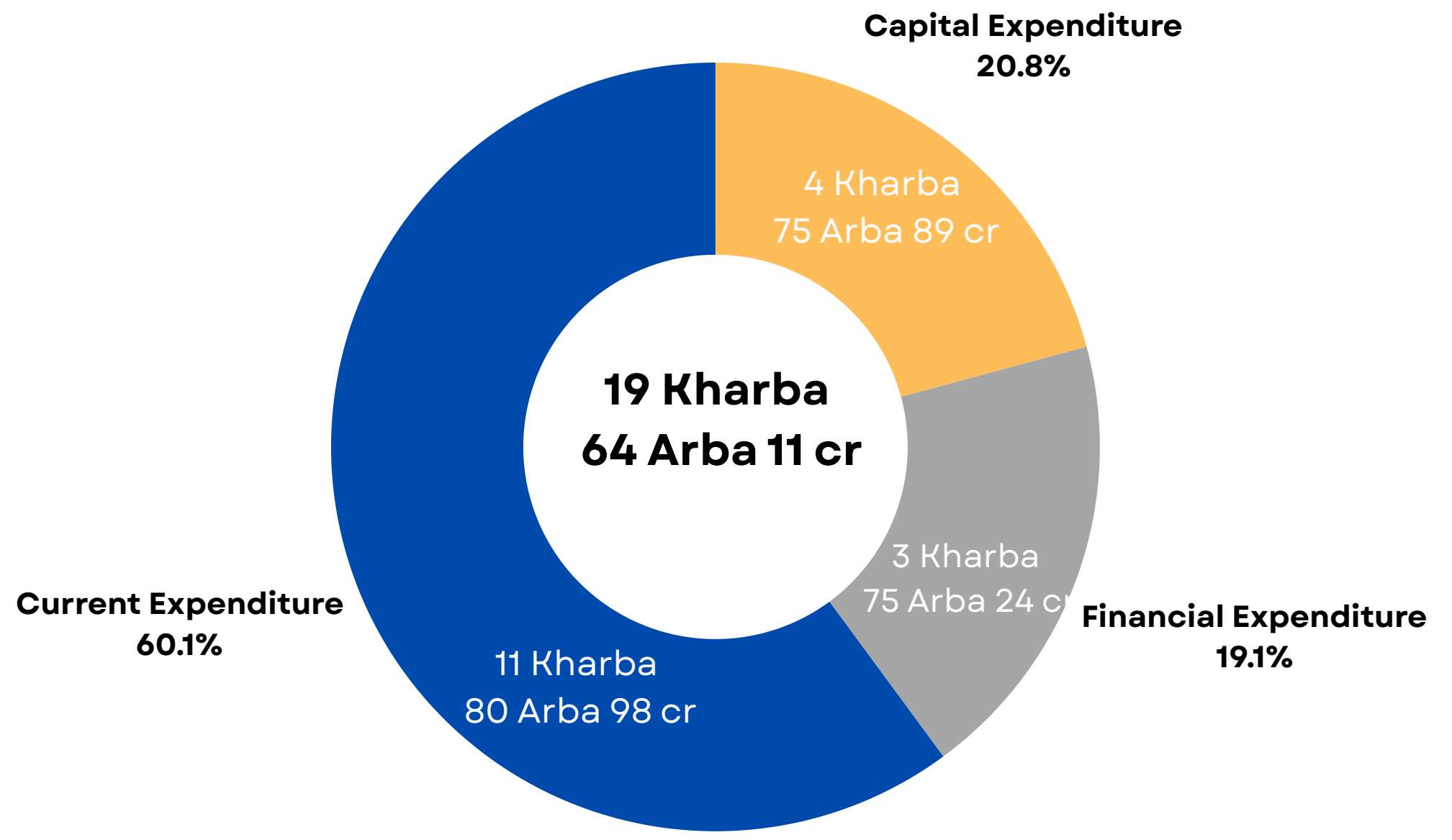
SOURCE OF REVENUE



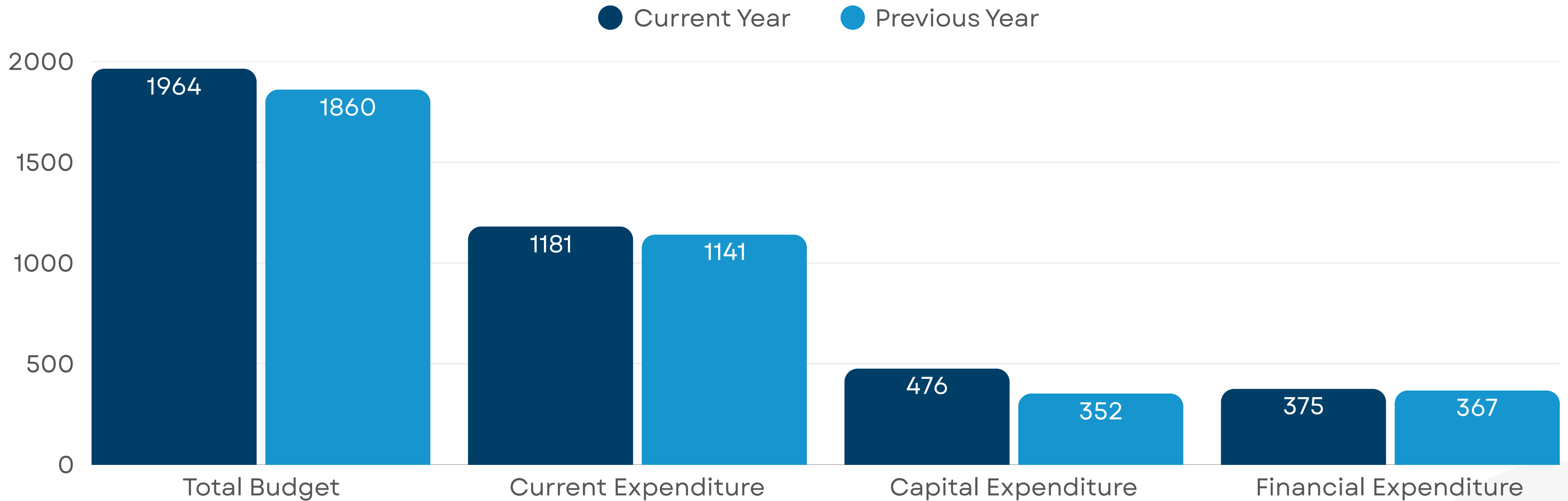
COMPARISON OF REVENUE SOURCE WITH PREVIOUS YEAR



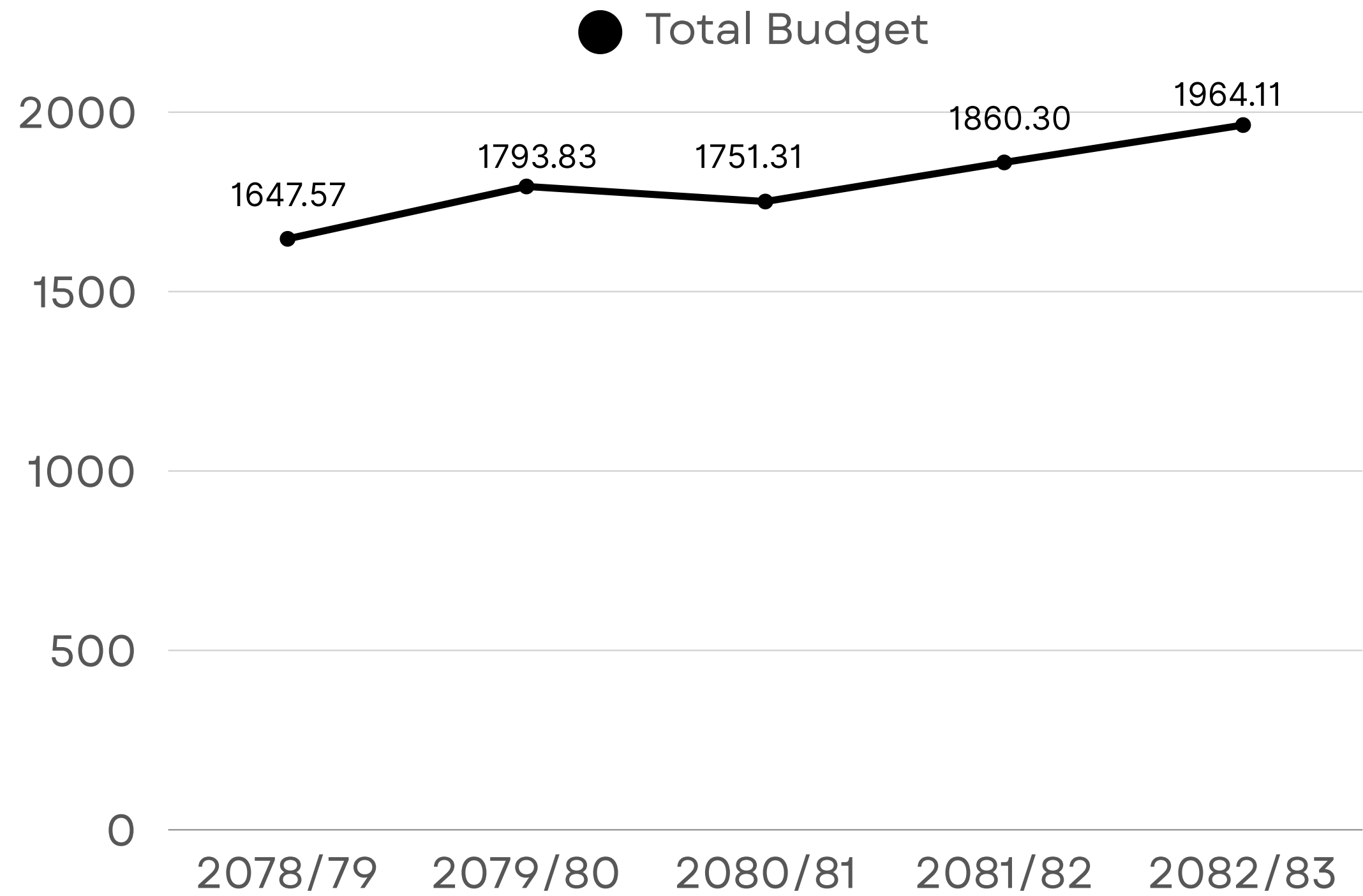
ALLOCATION OF BUDGET



COMPARISON OF EXPENDITURE WITH PREVIOUS YEAR



TOTAL BUDGET (IN BILLIONS NPR)



MAJOR MINISTRY- WISE ALLOCATIONS & CHANGES

Top budget allocations:

The Ministry of Finance (including domestic debt services) and the Ministry of Education, Science, and Technology command the largest shares of the national budget. Education receives Rs. 2,111,669 lakhs, Home Affairs Rs. 2,086,244 lakhs, Urban Development Rs. 1,183,444 lakhs, and Physical Infrastructure & Transport Rs. 1,519,953 lakhs. These sectors remain a priority for nation-building and public welfare.

Key increase and decrease:

Notable increases include: Urban Development (27.75%), Youth and Sports (73.40%), Health and Population (11.10%), and Staff Benefits/Retirement (17.18%). The Ministry of Finance's general allocation sharply declines (-77.61%) due to structural fund shifts. Labour, Employment, and Social Security also see a significant decrease (-47.10%).

New allocations for federalism:

For the first time, dedicated budgets have been allocated directly to provinces (Rs. 672,065 lakhs) and local governments (Rs. 1,088,086 lakhs), underscoring Nepal's push towards federal governance and local empowerment.

INCOME TAX UPDATES

01

Tax Exemptions for Specific Industries:

- IT-based industries, hotels, and resorts will receive income tax and electricity tariff exemptions.
- 75% tax exemption on income from IT service exports.
- For individuals in Nepal exporting services, the income tax rate is reduced to **5% (final tax)**.

02

Start-ups and Green Initiatives:

- Start-ups with an annual turnover of up to NPR10 million exempt from income tax for 5 years.
- Green hydrogen producers and electric vehicle (EV) charging machine producers/assemblers exempt from income tax for 5 years.

03

Digital Services and Payments

- A 2% tax will be levied under the name of Digital Services Tax.

INCOME TAX UPDATES

04

Other Key Changes:

- Abolishment of advance income tax on food grains, pulses, fruits, and plant/animal-based products at customs.
- Removal of minimum tax requirement for taxpayers with no taxable transactions.
- Opportunity for taxpayers with unfiled income statements to settle outstanding dues.
- For public and private vehicles older than twenty years or unable to operate, if the final 2 years of income tax are paid for the purpose of writing off the cost, the remaining income tax will be exempted.
- Taxpayers who have not submitted income statements will be given an opportunity to settle outstanding dues resulting from revised tax assessments by the tax office.
- The existing provision requiring minimum tax even when a taxpayer has not conducted any taxable transactions has been abolished.
- Telecommunication, hotels, and resorts, Information based institutions are now categorized as special industries.

VALUE ADDED TAX (VAT) UPDATES

01

Concessions for Compliance:

- Interest, fees, and penalties waived for late VAT filers upon payment.
- Similar concessions for international airline companies registering for VAT and paying dues.

02

Exemptions:

- AT on clearing house services abolished to promote digital payments.
- VAT on hearing aids for persons with hearing impairment removed.

CUSTOMS DUTY UPDATES

01

Industry-Specific Import Tax Concessions:

- 1% customs duty on imports for:
 1. Machinery for wood seasoning industries.
 2. Equipment for organic/natural fertilizer production.
 3. Materials for stadium construction (football, cricket, multi-purpose).
 4. Solar/wind energy equipment and EV charging machine production.
 5. Tunnel boring machines for infrastructure projects.
- Full exemption for machinery used in green hydrogen production.

02

Increased Duties:

- Higher customs duties on liquor, beer, cigarettes, and tobacco.

03

Process Improvements:

- No additional fees (e.g., entry/route fees) for temporarily imported vehicles/hauling equipment.
- Expedited customs clearance and on-site testing for authorized exporters/importers.
- The requirement of a NPR 3 lakh bank guarantee for obtaining an EXIM code for export has been removed.

OTHER MAJOR UPDATES

01

Youth Loan Scheme:

The government will provide collateral free concessional loans up to NPR 20 lakh to educated youth, based on their certificates and business plans.

02

Social Benefit & Taxes:

- The government has raised the eligibility age for the old age pension from 68 to 70 years.
- The government has not increased civil servants' salaries but has raised the cost of dearness allowance to NPR 5,000.
- The government has increased customs duties on liquor, beer, tobacco, and cigarettes, raised excise duties slightly, expanded the health risk tax, and plans to improve electronic tax monitoring.

OTHER HIGHLIGHTS

- Business owners whose operations have contracted due to a drop in demand will be allowed to reschedule their loan repayments (loan restructuring).
- Travelers are permitted to carry foreign currency up to the equivalent of US \$5,000.
- Nepal's new budget waives fees for registering or renewing businesses and industries in women's names.
- Nepali industries can now invest up to 25% of export earnings abroad. However, 50% of profits from such foreign investments must be brought back to Nepal.
- The government will introduce collective reforms in intellectual property laws and regulate the standards and certification of goods produced in Nepal.
- Electricity rates will now vary based on usage time, with different pricing for industrial and household users.
- The Government of Nepal has announced a plan to introduce a one door system for business registration and closure.
- Nepal's new budget revives plans for Nijgadh International Airport with alternative financing and announces upgrades to regional airports like Bhadrapur, Tarigaun and Surkhet.
- Nepal's new budget introduces "Made in Nepal" and "Make in Nepal" initiatives in partnership with the private sector to boost local production and entrepreneurship.
- Nepal's budget includes infrastructure development and quarterly advisories to reduce cybersecurity risks and regulate social media use.
- From Mangsir 1, production and use of plastic thinner than 40 microns will be prohibited to curb plastic pollution.
- Foreign students studying in Nepal will receive free visas for the academic year, and their guardians will get multiple-entry visas.