

ANNEX-I
Doing Business in Nepal: Some Policy Highlights

Classifications of Industries
(As per Industrial Enterprises Act, 1992)

Category wise

a. Manufacturing Industries:

- Industries which produce goods by utilizing or processing raw materials, semi-processed materials, by-products or waste products or any other goods.
- Production and packing of photographic film roll by cutting, slitting, confecting, perforating, spooling and capping from Jumbo roll; production of cinematographic film, medical and industrial x-ray film, graphic art film, photographic paper by cutting, slitting process from imported Jumbo and pan cake industry. *(As per Nepal Gazette published on 4th Shrawan 2055 - July 20 1998).*

b. Energy-based Industries:

- Industries generating energy from water resources, wind, solar, coal, natural oil and gas, biogas or any other sources.

c. Agro and Forest – based Industries:

- Business mainly based on agriculture or forest products such as integrated sericulture and silk production, horticulture and fruit processing, animal husbandry, dairy industry, poultry farming, fishery, tea gardening and processing, coffee farming and processing, herb culture and herb processing, vegetable seed farming; bee-keeping, honey production, rubber farming, floriculture and production, and forestry related businesses such as lease-hold forests, agro-forestry etc.
- Mushroom, vegetable farming or vegetable processing, tissue-culture, green house *(As per first amendment of Industrial Enterprises Act, 1992 on 1996/01/24).*
- Cotton farming, production and processing of cotton seeds. *(As per Nepal Gazette published on 4th Shrawan 2055 - July 20, 1998).*
- Horticulture and cash crop farming; Cane and bamboo farming & their products; Hatchery; Establishment, protection and management of botanical garden. *(As per Nepal Gazette published on 6th Jestha 2059 - May 20, 1998).*

d. Mineral Industries:

- Mineral excavation or processing thereof.

e. Tourism Industries:

- Tourist lodging, motel, hotel, restaurant, resort, travel agency, skiing, gliding, water rafting, cable car complex, pony-trekking, trekking, hot air ballooning, Para sailing, golf-course, polo, horse-riding;
- Construction & operation of amusement park *(As per Nepal Gazette published on 26th Poush 2056- January 10, 2000).*

- Rural tourism (*As per Nepal Gazette published on 21st Bhadra 2058 – September 6, 2001*).
- Other Adventurous tourism (*As per Nepal Gazette published on 6th Jestha 2059 - May 20, 1998*).

f. Service Industries:

- Workshop, printing press, consultancy service, ginning and bailing business, cinematography, construction business, public transportation business, photography, hospital, nursing home, educational and training institution, laboratory, air services, cold storage.
- Production (having less processing activities) of cut to length sheet, photo film slitting, photo paper slitting, tissue paper slitting, ball bearing assembly; Repacking of imported goods in bulk quantity. (*As per 90th Industrial Promotion Board Meetings*).
- Housing complex business; Telephone service (cellular telephone, mobile telephone, pager service), Television broadcasting (satellite television and cable television); Textile & yarn dyeing, yarn sizing and textile printing (except for textile knitting industries using for their own product) (*As per Nepal Gazette published on 21st Mangsir 2050 –December 6, 1993*).
- Development of Computer Software (*As per Nepal Gazette published on 10th Baisakh 2053 – April 22, 1996*)
- Public transport (Three or four wheelers) operated by electricity or battery; Battery charging for those electrical vehicles (*As per Nepal Gazette published on 3rd Asadh 2053 - June 17 1996*).
- Security service business providing security to bank and financial institutions, industry, hotel, office complex, diplomatic institutions and residential complex.; Advertising agency; Publications house ; L P gas refilling for domestic use; Mapping business by digitations process (Digital mapping services); Production of teledrama, telefilm advertisement, health education programme and other documentary films broadcasting on television; L.P.gas refilling depot on vehicles (motorcar and tempo); Construction of radio station and broadcasting service (*As per Nepal Gazette published on 4th Shrawan 2055 – July 20, 1998*).
- Cargo business (*As per Nepal Gazette published on 16th Phalgun 2056 –February 28, 2000*).
- Public carrier transport service (*As per the Departmental Directives on 31st Jestha 2058 – June 13, 2001*).
- Shipping business; Packaging and refilling; Courier, telephone system; Dry-cleaners; Catering; Video- audio recording; V-sat; Internet; Beauty parlour; Milling, grinding and extracting of grain on commercial basis; Interior decoration; CD Rom recording (*As per Nepal Gazette published on 21st Bhadra 2058 – September 6, 2001*)
- Operation and management of Inland clearance depot (*As per Nepal Gazette published on 1st Magh 2058 – January 14, 2002*).
- Renting, repairing and operating service of construction heavy equipment; Veterinary medical service; Diagnostic services to human health (Clinic); Operation of conference & auditorium hall, drainage and wastage/garbage collection and processing thereof, water supply, pipelining of fuel, fuel related gas supply, warehousing and storage, airport, sports complex, rope way, road, Irrigation, energy house, railway and maintenance thereof (*As per Nepal Gazette published on 6th Jestha 2059 – May 20, 1998*).
- Transportation service by animal. (*As per Nepal Gazette published on 25th Phalgun 2060 – March 8, 2004*)

- f. **Construction Industries:** Road, bridge, ropeway, railway, trolley bus, tunnel, flying bridge and industrial, commercial and residential complex construction and operation.
- Office and residential complex construction and operation. (*As per Nepal Gazette published on 10th Baisakh 2053 – April 22, 1996*)
 - Sports complex, swimming pool, airport, film studio construction and operation. (*As per Nepal Gazette published on 21th Bhadra 2058 – September 6, 2001*)
 - Infrastructure building of auditorium and conference hall; drainage system; water supply system (pipelining), fuel and gas supply system (pipelining); irrigation system, energy house (power house) and energy distribution system (transmission line) and operation and management thereof. (*As per Nepal Gazette published on 6th Jestha 2059 – May 20, 1998*).

Scale wise:

- a. **Cottage Industries:** The traditional industries utilizing specific skill or local raw materials and resources, and labour intensive and related with national tradition, art and culture as mentioned overleaf.
- b. **Small Industries:** Industries with fixed assets of up to an amount of thirty million rupees.
- c. **Medium Industries:** Industries with fixed assets between thirty million rupees and one hundred million rupees.
- d. **Large Industries:** Industries with a fixed asset of more than one hundred million rupees.
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Source: Industrial Enterprises Act, 1992 and various amendment and Nepal Gazette notified by The Government of Nepal from time to time.

Cottage Industries

- Handloom; Pedal loom; Semi-automatic loom; Warping; Tailoring (Other than Readymade Garments);
- Knitting; Hand knotted Woollen Mat and Blanket (Radi, Pakhi); Carpentry; Wooden Artistic Product;
- Cane and Bamboo Works; Natural Fibre Products; Hand Made Paper and Goods made up thereof;
- Gold, Filigree Products including Silver, Brass, Copper; Precious and Semi-Precious Stones;
- Ornaments; Sculptures and Pottery; Honey; Chyuri; Cardamom Processing; Clay or Ceramic Pottery;
- Leather Cutting and Tanning; Rural Tanning and Leather Goods producing Works; Jute; Sabai Grass;
- Babio; Choya; Cotton Thread Products; Artistic Products made up of Bones and Horns;
- Stone Carving; Ceramic Fine Arts; Pauwa; Boutique; Incense Stick (Dhup); Dolls and Toys Industries;
- Alcohol and beer producing industries.
- Cottage industries with the fixed asset of up to two hundred thousand rupees (with the exception of cigarettes, *bidi*, cigar, chewing tobacco, *Khaini* industries) and industries producing other goods of a similar nature utilizing tobacco as the basic raw material;

Notes:

1. Unless otherwise mentioned specifically, cottage industries should not power by electric motors or diesel or petrol or crude oil engine more than a total of five kilowatt. Power looms shall not be included under Cottage Industries.
2. Permission shall be required for the establishment of mechanised woollen spinning and mechanised woollen carpet manufacturing.

Industries Requiring Permission

1. Industries producing explosives including arms, ammunition and gunpowder, security printing, bank notes and coin industries.
2. Cigarettes, *bidi*, cigar, chewing tobacco, *khaini* industries and industries producing goods of a similar nature utilizing tobacco as the basic raw material and alcohol or beer producing industries.

National Priority Industries

As per Industrial Enterprises Act, 1992 and various amendments:

1. Agro and forest-based Industries
2. Engineering (producing agricultural and industrial machine) Industries
3. Industry- manufacturing fuel saving or pollution control devices.
4. Solid waste processing Industries

5. Road, bridge, tunnel, ropeway and flying bridge constructing and operating industry, and trolley bus and tram manufacturing and operating Industries
6. Hospital and nursing home (only outside the Kathmandu valley).
7. Industries producing ayurvedic, homoeopathic and other traditional medicine, and industries producing crutches, seat belt, wheel chair, stretcher and stick and so on to be used in aid of the disabled and orthopaedic
8. Cold storage installed for the storage of fruits and vegetables
9. Cement Industries based on Lime stone

As per the decision of Industrial Promotion Board Meeting on 13th Chaitra 2062

1. Modern Pharmaceutical Industry
2. Sugar Industry
3. Chemical and Bio-fertilizers Industry
4. ICT Software Industry
5. Hydropower (Hydro power Generation and Distribution) related Industries
6. Alternative Energy Generation Industries
7. Mineral based Industries (except boulder, stone and sand)
8. Yarns and Textiles Industries
9. Multi-Storey residential and commercial building construction Industry
10. Cable car Construction and Operating Industry
11. Gems making industries by cutting precious and semi-precious stones
12. Water Transportation
13. Ropeway system under Gravitational Forces
14. Other industries except service industries established in Remote areas

New industries that can be established within Kathmandu Metropolitan City, Lalitpur Sub-Metropolitan City and Bhaktapur Municipality

1. Traditional Cottage Industry (excluding Rural Tanning)
2. Travel / Trekking Agency
3. Hotel, Resort, Restaurant
4. Food Processing (with machinery of up to 0.2 million Rs and excluding meat processing)
5. Electronic Assembling
6. Candle Stick (with machinery of up to 0.1 million Rs.)
7. Stationery and Products made of Paper (with machinery of up to 0.1 million Rs.)
8. Wooden Furniture (Band saw is not allowed and with machinery of up to 0.05 million Rs)
9. Woollen Thread Spinning (Hand spool)
10. Resin Bags (with machinery of up to 0.1 million Rs.)
11. Leather Goods (with machinery of up to 0.1 million Rs.)
12. Ayurvedic Medicine (with machinery of up to 0.05 million Rs.)
13. Flyover Bridge
14. Office, Commercial and Residential Complex
15. Trolley Bus Service (Outside Municipality area if having workshop and garage)
16. Service Industries

Following service industries will not be allowed:

- Medium and large chemical laboratories
- Workshop (with machinery of more than 0.2 million Rs.)
- Cut to length sheets, strips and tube
- Repacking industry except tea, domestic spices, sugar, wheat flour, salt, pulses etc.
- Film processing laboratory
- Washing, dyeing plant, printing (textile)
- Cold Storage

Industries that cannot be established in Kathmandu Metropolitan City, Lalitpur Sub-Metropolitan City and Bhaktapur Municipality

1. Tannery
2. Chemical Fertilizer
3. Cement
4. Steel Melting and Foundry (Medium and Large Scale)
5. Pulp and Paper (except traditional handmade paper and small scale recycling plant)
6. Caustic Soda, Chemical Manufacturing Industries
7. Oil Refineries, Petroleum Product (Petrol, Diesel, Kerosene, Lubricant, Furnace Oil etc.)
8. Dyeing (Medium and Large Scale)
9. Acid Manufacturing
10. Fermentation, Distillation and Blending (Distillery and Beer)
11. Electroplating and Galvanisation (Medium and Large Scale)
12. Smelting Ferrous and Non Ferrous (Medium and Large Scale)
13. Sugar Productions and Khandsari
14. Rubber Processing (Tube and Tyre Manufacturing)
15. Paints Industries (Medium and Large Scale)
16. Bleaching Powder

Note: **All above** and **Stone Crushing Industries** cannot be established within other Municipality area as well. Taking pollution control and security measures, all kind of industries is allowed within Industrial Districts.

Source: Department of Industries.

Industries Requiring EIA (Environmental Impact Assessment) Report

1. Chemical Industries such as primary acid and alkali with production capacity greater than 100 Mt/ day.
2. Petrochemical processing works of all sizes, including plastics and synthetic rubber.
3. Ferrous, Non- ferrous metal industries (primary smelting excluding re-rolling, re – melting & fabrication).
4. Non - metallic industries:
 - a. Cement more than 30 Mt/ hr (based on lime stone), more than 50 Mt /hr (based on clinker).
 - b. Lime-with production over 50 Mt / day.
 - c. Asbestos industries of all sizes.
 - d. Radio active related industries of all sizes.
5.
 - a. Bulk drug-manufacturing industries.
 - b. Extremely hazardous chemicals such as isocyanides, mercury etc.
6. Pulp and paper with capacity more than 100 Mt/ day.
7. Mine based large industry; forest based medium and large industry.
8. Tannery with a capacity of over Sq.ft./day.
9.
 - a. Distillery works which include boiling and fermentation with production capacity of over 500,000 liters / day.
 - b. Brewery works which include boiling and fermentation with production capacity of over 500,000 liters / day.
10. Brick and tile industry with capacity more than 10 million pieces per annum.
11. Chemical processing of bone and horn etc.
12. Manufacturing of chemical fertilizer and insecticide (except blending).
13. Mine based industry having more than 50 million fixed assets investment.
14. Sugar industry (including Khadsari) with capacity of over 3000 Mt /day.
15. Arms, ammunition and explosions.

Industries Requiring IEE (Initial Environmental Examination) Report

<u>Sector: Industry -A</u>	<u>Sector: Industry -B</u>
<ol style="list-style-type: none"> 1. Alcohol manufacturing by blending process and distillery works which include boiling and fermentation with capacity up to 500,000 liters/day 2. Brewery and wines works which include boiling and fermentation with capacity up to 500000 liters/day 3. Chemical industry such as primary acid & alkali with capacity up to 100 Mt / day. 4. Tannery processing up to 5000 s.ft/day. 5. Stone crushing and paint industry. 6. Electroplating and galvanizing. 7. Cooking and natural gas filling, refilling, manufacturing and distribution. 8. Dairy industry. 9. Lubricants manufacturing by blending, reprocessing, reclamation 10. Foam industry. 11. Dry and wet cell battery manufacturing 12. Sugar industry including khadsari up to 3000 Mt /day. 13. Textile dying, printing, washing including carpet except traditional industry. 14. Pulp and paper industry with capacity up to 100 Mt / day except traditional pulp and paper industry. 15. Brick and tile industry with capacity up to 10 million pieces annually. 16. Cement industry with capacity up to 30 Mt / hr based on limestone or up to 50 Mt /hr based on clinker. 17. Lime industry with capacity up to 50 Mt / day. 18. Pharmaceutical 19. Chemical fertilizer (blending), insecticides (blending) 20. Waste plastic recycling industry 21. Match factory 22. Auto workshops (except two wheeler) 23. Coke, briquette manufacturing from coal. 	<p>Industries having fixed assets investments more than Rs.1 million:</p> <ol style="list-style-type: none"> 1. Plastic processing (virgin) 2. Tyre, tube, rubber, processing & manufacturing 3. Soap, detergent & cleaning shampoo 4. Photo processing 5. Foundry 6. Cigarette, Bidi, tobacco, pan masala 7. Slaughter house 8. Glass 9. Food processing 10. Metal (ferrous, non- ferrous), re-melting, re-rolling and fabrication. 11. Bitumen & emulsion 12. Cold storage 13. Yarn spinning 14. Vegetable ghee & oil 15. Herbal processing 16. Manufacturing of articles of bone and horns 17. Rosin and turpentine, veneer & katechu. 18. Meat processing 19. Packaging industry 20. Animal feed 21. Machine shop

Source: Department of Industries.

Classification of Districts on the basis of Industrialization (As per Industrial Enterprises Act, 1992)

Remote Area

- | | | |
|-----------------|----------------|-------------------|
| 1. Darchula | 2. Bajhang | 3. Bajura |
| 4. Humla | 5. Jumla | 6. Mugu |
| 7. Kalikot | 8. Dolpa | 9. Mustang |
| 10. Manang | 11. Solukhumbu | 12. Sankhuwasabha |
| 13. Khotang | 14. Bhojpur | 15. Achham |
| 16. Dailekh | 17. Jajarkot | 18. Rukum |
| 19. Okhaldhunga | 20. Myagdi | 21. Tehrathum |
| 22. Ramechaap | | |

Un-developed Area

- | | | |
|--------------------|----------------|-------------|
| 1. Taplejung | 2. Rolpa | 3. Baitadi |
| 4. Rasuwa | 5. Gulmi | 6. Parbat |
| 7. Dadeldhura | 8. Pyuthan | 9. Doti |
| 10. Salyan | 11. Paanchthar | 12. Baglung |
| 13. Sindhupalchowk | | |

Under-developed Area

- | | | |
|--------------|----------------|--------------------|
| 1. Kailali | 2. Surkhet | 3. Arghakhanchi |
| 4. Palpa | 5. Syangja | 6. Dhading |
| 7. Lumjung | 8. Tanahnu | 9. Gorkha |
| 10. Sindhuli | 11. Udayapur | 12. Dhankuta |
| 13. Ilam | 14. Kanchanpur | 15. Bardia |
| 16. Dang | 17. Nuwakot | 18. Kavrepalanchok |
| 19. Dolakha | | |

Source: Industrial Enterprises Act, 1992 and various amendment and Nepal Gazette notified by The Government of Nepal from time to time.

Industry, Tax and Trade Policy Highlights 2009

A. Facilities and Incentives to be accorded to Industries as per Industrial Policy, 1992:

- The duty drawback scheme is available for the refund of import duty paid on imported raw materials and intermediate goods required for the production of exportable products.
- Export Promotion Zone (EPZ) and Special Economic Zone (SEZ) to be established in major industrial border and export potential areas like Bhairahawa, Birgunj, Paanchkhal and other areas of Nepal.
- No duty levied on raw materials and auxiliaries imported by industries in EPZ / SEZ.
- Industries exporting more than 40 percent of the production to be granted similar facilities as given to industries in EPZ.
- Any industry selling its products to the Export Promotion House, the customs duties and excise duty levied on the raw materials and auxiliary raw materials imported for manufacturing the final product are reimbursed on the basis of quantity of sale and export.
- An industry selling its product within the country in foreign currency, are treated as deemed export and the excise duty and customs duty on such products, excise duty levied on the raw materials and auxiliary raw materials are reimbursed.
- Any industry producing intermediate goods sells its products to any other industry producing finished goods, the custom duty and excise duty to be levied on such products are allowed to be adjusted on the basis of the quantity utilized by the industry producing the finished goods.
- No royalty is imposed if any industry generates electricity for its use.
- After an industry comes into operation, 10 percent of the gross profit is allowed to deduct against taxable income on account of expenses related with technology, product development and efficiency improvement.
- The customs duty & excise duty on raw materials and auxiliary raw materials, etc. utilized by any industry in connection with its product during its production is reimbursed on the basis of the quantity of the export.
- Foreign currency required for import is made available by the commercial banks at the market rate.

B. Facilities and Incentives to be accorded to Industries as per Income Tax Act, 2002:

- All business related expenses are deductible from taxable income including expenses occurred to reduce pollution and minimizes the adverse environment effects and research & development expenditure.
- Manufacturing industry providing employment to 300 or more Nepali citizens during the whole year gets additional facilities of income tax rebate at the rate of 10% on the applicable tax.
- Industries established in certain underdeveloped, remote and semi-developed areas are given rebates on income tax. The rebate may range from 50 - 70% of the applicable tax for ten years depending on the level of development of the district.

- Ten years income tax-holiday for Industries established in certain underdeveloped areas (22 districts) as well as for industries established in hilly region and prescribed special zone of mountain region and 50 percent income tax rebate on the applicable tax rate after 10 years.
- Five years income tax - holiday for Industries established in Special Economic Zone (SEZ) or Export Processing Zone (EPZ) and 50 percent income tax rebate on the applicable tax rate after 5 years.
- Fifty percent income tax rebate on income of foreign investors generated from industry established in SEZ providing services such as foreign technology, management fee and royalty.
- Information technology industries established in Prescribed Information Technology Park are granted an income tax rebate at the rate of 25 percent.

C. Tax system and Tax rates- F.Y. 2066/67 (2009/2010):

1. Direct Tax:

1.1 *Income Tax*

- Nepalese income tax system generally follows the prevailing international practices
- Resident taxpayers (Individual or entities) are taxed on worldwide income while Non-resident taxpayers are taxed only on their income earned in Nepal.

1.2 *Tax Rates for individual & Family:*

Annual Basic Exemption amount

- For Individual Rs. 160,000
- For Family / Couple Rs. 200,000

Taxable income

- On income of up to Rs. 100,000 beyond the exemption amount 15%
- On all further incomes beyond 25%

1.3 *Corporate Income Tax:*

Registered private and public limited company and other organizations including private firms levied at a flat rate of (in percentage):

a. Banks, Financial Institutions, General Insurance Business, Petroleum Business and cigarette & Beverage business	30
b. Others	25
c. For Non-Resident Persons	25
d. Enterprises accepted as industry by Industrial Enterprise Act (except alcohol & tobacco based units)	20
e. Enterprises, which construct and operate road, bridge, tunnel, ropeway, flying bridge, trolley bus, tram	20
f. Entities engaged in building and operating public infrastructure to be transferred it to Government of Nepal	20
g. Entities wholly engaged in power generation, transmission or distribution for an income year	20
h. Export business	20
i. Dividend Tax	5

j.	Capital Gain Tax:	Natural
-	For Entities	Rate
-	For Natural person if ownership exceeds 5 years	5
-	For Natural person if ownership is within 5 years	10

- 1.4 *Income derived from shipping, air transport or telecommunication by non-resident persons* 2
- 1.5 *The repatriated income of a foreign permanent establishment of a non-resident persons* 10

2. Indirect Tax

2.1 Value Added Tax (VAT):

- VAT is levied at a single rate of 13 percent. In certain cases, the rate may be zero and certain goods and services are exempted from VAT.
- Value Added Tax is collected at every (manufacturing, distribution, wholesale and retail) stage of selling goods and services.
- Exports of taxable goods are zero-rated.
- A firm whose annual turnover of goods and services is less than Rs.2 million is exempted from VAT. But they can register voluntarily.
- Certain products such as primary foodstuffs, primary agricultural products, and industrial machineries are exempted from VAT.
- A firm registered with the VAT Office may claim credit on tax paid on inputs / purchases.
- VAT paid on inputs can be adjusted while collecting the VAT on finished products.
- Industries that exported more than 60 percent of total sales in past 12 months and which have a minimum of 20 percent of value addition can import raw materials providing bank guarantee on account of the payable VAT.
- **VAT Exempted Goods and Services:**
 - Basic Agricultural Products
 - Live animals, animal products, animals feed and feed supplements
 - Education services
 - Health Services
 - Books, Newspapers and Publications
 - Cultural and Artistic goods and Services
 - Others goods and services such as postal service, financial & insurance service, buying & selling of real estate.
 - Goods of Basic needs
 - Agricultural inputs
 - Transport services
 - Raw materials for pharmaceutical industries
 - Industrial machinery
 - Specified personal & Professional Services
- **Zero Rated goods and services:**
 - Goods exported or services provided abroad
 - Goods & Services imported by accredited diplomats

2.2 Excise Duty:

Excise duty is levied on certain goods (tobacco, alcohol, plastic, cement, vehicles, marble) produced in and imported to the country of Nepal and certain items specified by the fiscal act. The rates may be advalorem as well as specific.

D. Depreciation:

- Depreciation of depreciable assets owned and used by taxpayer during the year in the production of the taxpayer's income (business or Investment) is deductible from taxable income.
- Depreciation can be charged only in Diminishing Balance Method value of pool of assets basis.
- One third additional rate of depreciation can be charged for manufacturing industry, export business and public infrastructure entities.

Classification, Pooling and Rates of Depreciable Assets:

Class	Assets	Rate in %
A	Building structure & similar work of permanent nature	5
B	Computer data handling equipment, fixture, office furniture & office equipment	25
C	Automobiles, minibus & buses	20
D	Construction & earth moving equipment and depreciable assets not included in other class	15
E	Intangible assets others than class D depreciable assets	Divided on useful life

E. Loss Recovery :

- Business loss can be carried forward up to 7 succeeding years from any source of income.
- Investors can forwards losses up to 7 succeeding years from investment income
- In addition to above facilities, Banking & General Insurance business loss can be carried forward up to 5 proceeding years.
- Infrastructure development and petroleum business can forward up to 12 years.
- In case of long term contract, loss can be carried back as per the notice of the Internal Revenue Department

F. Facilities and Incentives to be accorded to Trade Policy,1992 :

- The government is to work as a catalyst to expand the role of private sector in trade.
- Tax system is harmonized with international tax systems and minimizes procedural complexities.
- No Licenses required for exports of any products other than banned or quantitatively restricted items
- No license required and no quantitative restriction on the import of raw materials and finished products (except stipulated).

- Foreign currency required for import is made available by the commercial bank at the market rate.
- Exporters allowed to retain their export earnings in their own foreign currency account.
- No quantitative restrictions on the exportable products carried by tourists while returning from Nepal.

G. Tax and Duties on Foreign Trade:

Export:

- Export is generally free of custom duty.
- Custom duty on export is levied on the basis of FOB price determined by calculating the cost incurred including in transporting the goods up to custom point when exporting the goods.
- Generalized System of Preferences (GSP) is available to Nepal's export as a Least Developed Country.
- NRs.600 as customs service fee is charged per custom declaration form at custom point on export.

Import:

- Almost all goods are in OGL (Open General License).
- The customs value is calculated on CIF basis (Cost, Insurance and Freight) on import.
- Nepal has adopted General Agreement on Tariff and Trade (GATT) valuation system.
- Principle of lower rate of customs duty on the import of raw materials compared to finished goods is in use.
- Prevailing custom duty rates are 80%, 30%, 25%, 20%, 15%, 10% and 5%.
- Goods imported from India into the Nepal are granted a rebate of 7 % based on ad valorem (except specific duty) on chargeable customs duty of up to 25 percent and 5 % on above than 25 % duty.
- Goods produced in China and imported from Tibet are granted a rebate of 4% based on ad valorem (except specific duty) in the chargeable customs duty if imported through L.C.
- The ASYCUDA system is in use at ten major custom points.
- Agriculture Improvement fee of 5% is levied on import value on imported agricultural goods if imported from Tibet and India.
- NRs.500 as customs service fee is charged per custom declaration form at custom point on import.

Products Banned for Exports

1. **Articles of Archaeological and Religious Importance**
 - 1.1 National and foreign coins of archaeological value.
 - 1.2 Idols of gods and goddesses, palm leaf inscription (Tad Patra), plant leaf inscription (Bhoj Patra).
 - 1.3 Scroll (Thangka paintings) of historical importance.
2. **Conserved wildlife and Related Articles**
 - 2.1 Wild animals.
 - 2.2 Bile and any part of wild animals.
 - 2.3 Musk.
 - 2.4 Snake skin, Lizard skin.
3. **Narcotic Drugs - Marijuana, Opium, Hashish (as defined in the Single Convention on Narcotics, 1961).**
4. **Articles of Industrial Importance**
 - 4.1 Explosives material and fuse or materials needed there for.
 - 4.2 Materials used in the production of arms and ammunition.
5. **Industrial Raw Materials**
 - 5.1 Raw hides and skin (including dry salted).
 - 5.2 Raw wool.
 - 5.3 All imported raw materials, parts and capital goods.
6. **Other products**
 - 6.1 Mamira.
 - 6.2 Log and timber.

Products Banned for Imports

1. **Products injurious to health**
 - 1.1 Narcotic drugs like, opium and morphine
 2. **Arms and ammunitions and explosives (except under import license of Government of Nepal)**
 - 2.1 Materials used in production of arms and ammunition
 - 2.2 Guns and cartridges
 - 2.3 Capes without paper
 - 2.4 Arms and ammunitions, and other explosives
 3. **Communication equipment:**
 - 3.1 Wireless, walkie-talkie, cordless, transmission machinery, satellite equipments, satellite receiver, link radio equipments and other similar audio – visual, database radio communication equipments (except under import license of Government of Nepal)
 4. **Others:**
 - 4.1 Beef and beef products
 - 4.2 Plastics rags and recycled plastics goods
 - 4.3 118 Azo dyes hazardous to environment and detrimental to export sector
 - 4.4 Any other product notified by Government of Nepal in the Nepal Gazette.
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Source: Various amendments of Acts / Policies and Documents published by the Government of Nepal.

**Products Allowed for Import from India under the Payment of Convertible
Foreign Exchange**

As of 14 December 2009 (Mansir 29th 2065)

S.N.	H.S. Chapter	Products
1.	13.01.02	Extracts
2.	15.20.00	Glycerol (Glycerin)
3.	17.02.30	Dextrose Anhydrous I.P.- Glucose and Glucose Syrup
4.	21.06.90.40	Soft drink concentrate (of non-alcoholic)
5.	25.23.10.00	Cement Clinkers
6.	27.10.19.11	Furnace Oil
7.	27.10.19.16	Mineral Turpentine Oil (MTO)
8.	27.10.19.90	Petrosol
9.	27.13.20	Bitumen
10.	28	All industrial chemicals except chemical to be used for preparation of life saving medicine (human medicine)
11.	28.03	Carbon black
12.	29.01.10	Light Liquid Paraffin (LLP)
13.	29.02.20	Benzene / Toluene
14.	29.05.13.00	N. Butanol
15.	29.05.14.00	Iso Butanol
16.	29.05.11	Methanol
17.	29.05.16.00	2-Ethyl Hexanol
18.	29.05.31	Ethylene Glycol
19.	29.05.44.00	Sorbitol
20.	29.12.60.00	Para formaldehyde
21.	29.15.00	Methyl Salicylate
22.	29.15.21.00	Acetic Acid
23.	29.15.32	Vinyl Acetate Monomer
24.	29.16	Unsaturated Acyclin Mono carboxylic Acid
25.	29.16.12	Butyl Acrylate Monomer / Butyl Hexyls Acrylate
26.	29.17.34	Dibutyle Phthalate
27.	29.17.35	Phthalic Anhydride
28.	29.17.36	Terephthalic Acid
29.	29.22	Oxygen -Function Amino-Compounds
30.	29.24	Carboxamide -Function-Compounds
31.	29.33	Heterocyclic Compounds
32.	29.33.61	Melamine
33.	29.34	Nucleic Acids
34.	29.35.00	Sulphonamides, Sulphamethoxazole, Sulphafurazol, Sulphadiazine, Sulphadimidine, Sulphacetamide
35.	29.35.11	Sulphamethoxazole
36.	29.35.12	Sulphafurazol
37.	29.35.13	Sulphadiazine

S.N.	H.S. Chapter	Products
38.	29.35.14	Sulphadimidine
39.	29.35.15	Sulphacetamide, Sulphamethoxy, Pyridarine, Sulphamethiazole, Sulphamoxole, Sulphamide
40.	29.35.21	Sulphamethoxy, Pyridarine
41.	29.35.22	Sulphamethiazole
42.	29.35.23	Sulphamoxole,
43.	29.35.24	Sulphamide
44.	29.41	Antibiotics
45.	29.42	Other Organic Compounds
46.	32.12.90.00	Xialine, light solvent naphtha
47.	32.15	Printing Ink
48.	33.02.10	Essence Flavor
49.	33.02.90	Flavor (raw material to be used in Tooth paste), Odoriferous Substance & Perfume
50.	34.02.90.10	LABSA (raw material to be used for detergent)
51.	35.03	Gelatin capsules
52.	38.17.10	Mixed Alkyl benzenes
53.	38.23.11.00	Stearic Acid
54.	38.23.19.00	Palm stearin DFA / Palm Kernel DFA
55.	38.24.90	Alkyl Ester (Bio-fuel)
56.	39.01.10 /20	Polyethylene
57.	39.02.10	Polypropylene
58.	39.03.19.00	Polystyrene
59.	39.05.30	Poly Vinyl Alcohol
60.	39.05.42.00	Penta Arithritol
61.	39.07.60.00	Plastic Pet Chips / Pet Resin
62.	39.11.90	PVC Resin
63.	39.20	Polyethylene; Film of Polyester, Polythelyne, BOPP, PVC, OPP, CPP
64.	39.20.20	Polypropylene Films / Noodles Strapper
65.	39.20.59	Printed Laminated Web
66.	39.20.59.00	Seasoning Wrapper
67.	39.21.19	Printed wrapper
68.	39.23.90	Plastic Lollypop stick
69.	40.01	Natural Rubber
70.	40.02	Synthetic Rubber
71.	48.01.00.00	News print paper
72.	48.02.00	Papers (Uncoated Paper & paper board used for writing, printing & graphic purposes, in rolls or sheet)
73.	48.06.00	Papers (Vegetable parchment, greaseproof papers, tracing papers & glassine & other glazed transparent or translucent papers, in rolls or sheets)
74.	48.10	Paper

S.N.	H.S. Chapter	Products
75.	48.23.90 (76.07.20)	Chewing gum wrapper
76.	50.04 / 50.05	Silk Yarn
77.	51.06	Yarn of carded wool (except hosiery yarn)
78.	51.07	Yarn of combed wool (except hosiery yarn)
79.	51.08	Yarn of fine animal hair (except hosiery yarn)
80.	52.01	Cotton
81.	52.05/52.06	All cotton yarn
82.	52.05.11 to 52.05.14 & 52.06.11 to 52.06.14	Cotton yarns and yarn
83.	54.02	Artificial oriented polyester yarn (except partially oriented polyester yarn of 54.02.42.00 & synthetic
84.	54.02.42	Filament yarn as per section 54.02.49)
85.	54.02.49	Synthetic filament yarn
86.	54.03/ 55.09/ 55.10	Artificial yarn (except hosiery yarn)
87.	55.01/02 / 03/ 04/ 06/ 07	Man made staple fibers
88.	55.03.20	Polyesters fibers
89.	55.04.10	Viscose Rayon (fibers)
90.	59.02	Tyre cord fabrics
91.	70.10.20	Stoppers, Lids and Other closures
92.	70.10.90.00	Carboys, Bottles, Flasks, Jar, Pots
93.	72.01.10.00	Pig iron
94.	72.03.10.00	Sponge iron
95.	72.04.49	M. S. Scrap
96.	72.06	Iron Ingots
97.	72.07	Mild Steel billet
98.	72.08.27.00 / 36.00 / 37.00 / 38.00 / 39.00 / 51.00 / 52.00 and 72.08.51 / 72.08.52	Hot rolled sheet in coil and Hot rolled sheet not in coil
99.	72.09/15/16/17/18	Cold rolled sheet in coil
100.	72.10.12	Tin plate
101.	72.11.14.00	Hot Rolled Sheet in Coil
102.	72.11.19.00	Hot Rolled Sheet in Coil
103.	72.11.23	CRCA Strips (76.20 mm)
104.	72.13.91.10	M.S. Wire Rod in coil
105.	72.16.22/40/50	Angle
106.	72.17.20/30/90	Bead wire (copper coated)
107.	72.18.99	Steel beam
108.	72.19	Steel plate
109.	72.26.11	Silicon Steel
110.	72.28.20.00	Flat Spring
111.	74.03.11.00	Cathodes sections g cathodes
112.	74.04.00.00	Copper Waste and Scrap

S.N.	H.S. Chapter	Products
113.	74.07.10.00	Copper Rods
114.	74.08.11.00	Copper Wire
115.	76.01	Aluminum Ingot Billet
116.	76.01.10.40	Aluminum wire Rod
117.	76.02.00.00	Aluminum Waste and Scrap
118.	76.04 / 05	Aluminum Rod in Coil
119.	76.06.91	Aluminum Circle
120.	76.07	Aluminum foils
121.	76.12.10.00	Tubes
122.	78.01.10.00	Pure / Refined Lead
123.	78.01.91.00	Antimony Lead Alloy
124.	79.01.11.00	Zinc
125.	79.01.12.00	Zinc
126.	79.01.20.00	Zinc Alloy
127.	83.09.10.00	Metal Crown Corks
128.	84	All Machinery, Equipments (except parts)
129.	85.01/02	Electric Motor, Generating Sets
130.	85.04.22.00	Transformer (3000 KVA)
131.	85.04.90	Amorphous Metal cores
132.	85.07.90.00	PP Battery Container & Battery Separator
133.	85.29.90	TV Picture Tube
134.	85.40.11	Spare Parts for TV Receiver
135.	Not Prescribed	Fabrics as raw material imported by exporting garment industries to the extent amount up to 50 percent of foreign currency earned.
136.	--	LP Gas

Note: * As per only the notice of Ministry of Environment, Science and Technology. Referring under the HS code 85.01 and 85.02 Generating Sets can be imported by School, College, University, Hospital, Nursing Homes including organized sectors (except individual) for professional purposes not for commercial purposes.

Only Nepal Government and registered licensed holder wholesale trader has the authority to import the LP Gas.

Source: Nepal Rastra Bank.