

2079/80

NEPAL ANNUAL BUDGET

FOR THE FISCAL YEAR 2079/80

Nepal Budget for FY 2079/80

Objective and priorities of the budget 2079/80

1. To achieve high and sustainable economic growth by building a production-based economy.
2. To create employment and alleviate poverty through internal mobilization of available natural resources, manpower, capital, and technology.
3. To maintain financial discipline and to maintain macroeconomic stability by keeping inflation within the required limits.
4. To establish federalism as a vehicle of prosperity by transferring resources at the state and local levels.
5. To build the basis of self-reliance through economic and social transformation.

Priorities of the budget 2079/80

1. Transformation of the agriculture output
2. Increase productivity, create employment and alleviate poverty in collaboration with government, private and cooperative sectors.
3. Innovation-based local economic development.
4. Human resource development, infrastructure development, and capital formation
5. Hydropower generation, transmission line expansion, and rural electrification.
6. Industrial development, investment promotion, and revival of the tourism sector.
7. Environment protection, disaster management, and mitigation of climate change risks
8. Scientific research and development.

Transform Nepal's agricultural sector to increase production and create employment, export promotion, and import substitution and make the country self-reliant by implementing the following policies-

- a) Imports of basic agricultural products like paddy, maize, wheat, vegetables, and fruits will be reduced by at least 20 percent next year.
- b) Imports that will double next year will be reduced by at least 20 percent to maintain balanced trade over the next five years.
- c) Increase dignified employment by 30 percent annually.
- d) To provide housing to the landless Dalits within the next three years.
- e) To bring 800,000 people above the absolute poverty line annually.
- f) Bring the Human Development Index level to 0.65 by improving health and education system quality



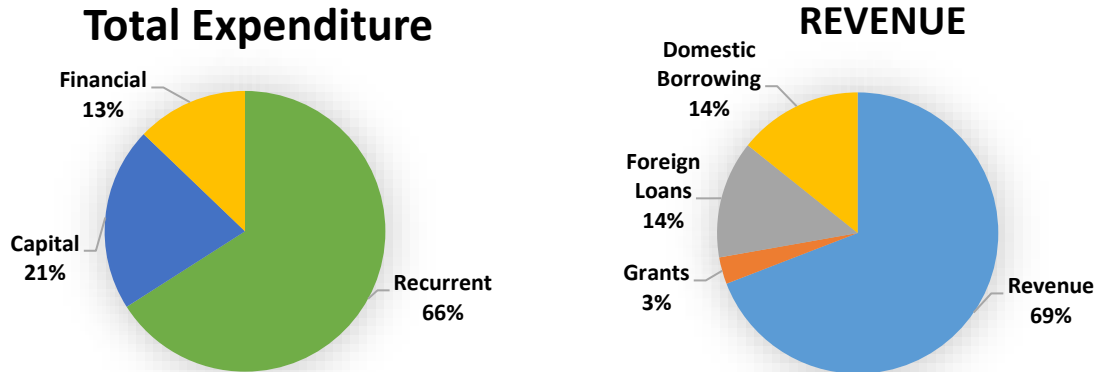
Budget 2079/80 In Figure Highlights

GDP growth rate	8 Percent
Inflation Target	7 Percent

Budget Allocation for FY 2079/80	Amounts (In Billion)	%
Total Expenditure	1,793.83	
Recurrent	1,183.23	66.0%
Capital	380.38	21.2%
Financial	230.22	12.8%
Projected Receipt	1,295.57	
Revenue	1,240.11	95.7%
Grants	55.46	4.3%
Projected Budget Surplus / (Deficit)	498.26	
Projected Deficit Financing	498.26	
Foreign Loans	242.26	48.6%
Domestic Borrowing	256	51.4%



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Budget Heads in Different Sectors

(Amounts in Billion)

S. No	Budget Head	FY 22-22 Amount	%	FY 21-22 Amount	%	FY 20-21 Amount	%
1	Public Sector	573.44	32.0%	484.05	29.0%	494.3	34.0%
2	Defence	55.47	3.1%	52.11	3.0%	49.2	3.0%
3	Public Order & Safety	65.40	3.6%	58.08	4.0%	56.3	4.0%
4	Economic Affairs	466.77	26.0%	442.09	27.0%	389.0	26.0%
5	Environmental Protection	11.02	0.6%	12.58	1.0%	11.7	1.0%
6	Housing & Community Amenities	88.61	4.9%	80.47	5.0%	81.9	6.0%
7	Health	123.26	6.9%	141.55	9.0%	115.1	8.0%
8	Recreation, Culture & Religion	9.63	0.5%	6.70	0.0%	7.2	0.0%
9	Educations	196.89	11.0%	180.04	11.0%	172.2	12.0%
10	Social Protection	203.34	11.3%	189.90	12.0%	97.8	7.0%
Total Budget		1,794	100%	1,648	100%	1,475	100%



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Main sectoral programs and Budget Appropriations

Agriculture Transformation and Employment Growth: Absolute Poverty Reduction and Economic Prosperity

- The coming fiscal year will be declared as the year of a **national campaign for agriculture production** to increase domestic production for self-reliance.
- Rural areas of Nepal will be the centers of agricultural production. Agriculture production will be increased by organizing farmers in agriculture cooperative groups and using the cultivable land as well as barren land. The agricultural sector will be commercialized, mechanized, and modernized.
- To provide seeds, fertilizers, and technology and irrigation facilities to the farmers in an easy way, and to provide concessional loans through microfinance. Guarantees will be made to determine the market for the sale and distribution of agricultural products and to purchase the specified minimum support price of specialized agricultural and livestock products specified by the local level.
- A microfinance fund will be established to disburse loans of Rs. 500 billion. BFI's must mandatorily channel their deprived sector loan towards the fund. Likewise, arrangements shall be made to invest a certain amount in the said fund from CIT, EPF, and SSF.
- Prime Minister's Agriculture Modernization Project shall be restructured and arrangements will be made to transfer various zones of crops and commodities in the state from a technical and economic point of view. A policy will be adopted to link the Agriculture Knowledge Center and Animal Husbandry Expert Center with the farmers to provide services in the production sector. Rs 5.90 billion has been allocated for the above-mentioned purpose.
- To increase the self-esteem and pride of being a farmer, a Farmer Interest Fund will be established to start a contribution-based farmer pension scheme under the government program "**Government with the farmer**". An arrangement will be made by the Government of Nepal to deposit 10 percent of the amount deposited by the farmers in the said fund every month. Arrangements will be made to provide concessions and discounts in public service to the farmers based on farmer identity cards.
- To reduce the risks in agriculture, livestock, and fisheries due to climate change, disease/insect outbreaks, and natural calamities, adaptation management programs including livestock insurance will be implemented. 2079 will be celebrated as the **year of agro-biodiversity**. Rs. 760 million has been allocated to provide an 80 percent subsidy in the premium of agricultural crop and animal insurance.
- Farmers will be encouraged to cultivate cash crops. The grant amount provided by the Government of Nepal to the sugarcane farmers will be provided in the same year of sugarcane crushing. The sugarcane research program will be conducted with priority for the ethnic development of sugarcane. To make the country self-reliant in sugar production, programs will be implemented to produce sugar beets in addition to the sugarcane crop. Rs. 81 crores have been allocated to provide subsidies to sugarcane farmers.



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Industrial Development and Entrepreneurship Promotion

- To increase the production and use of indigenous goods, **“Own Production - Own Consumption” campaign will be conducted.** Arrangements will be made to use indigenous products in government and public bodies. Necessary support will also be provided by the Government of Nepal to the campaigns run by the private sector such as Make in Nepal and Made in Nepal.
- To increase the contribution of the industry sector to the GDP, infrastructure will be constructed for the establishment of manufacturing industries and the import of machinery and industrial raw materials will be facilitated. Additional incentives will be provided to the entrepreneurs who export goods and information technology services based on indigenous raw materials and high-value-added products.
- To develop young entrepreneurs and promote innovation, the program of providing start-up capital in startup business will be continued and the impact of this program will be evaluated and improved. Arrangements will be made to provide a loan based on the project. In such businesses, capital management will be done through venture capital and research will be encouraged. To expand knowledge-based business in partnership with the private sector, a business incubation center will be operated in Hetauda Industrial Area
- In collaboration with the local and state governments, the private sector will be encouraged to cultivate fruits including sugarcane, mango, lychee, kiwi, grape, and apple and to open juice and wine industries for such fruits. Concession will be provided to private sector entrepreneurs to open yarn and textile industries based on indigenous raw materials including ginger, betel leaf, and banana.
- By increasing the production of spices like cardamom, turmeric, ginger, garlic, timmur, cinnamon, coriander, cumin, and chili, domestic demand will be met and exported. Concessions will be provided to the private sector operating industries processing such products.
- Bhairahawa and Simara special economic zones will be fully operationalized. Construction of a special economic zone at panchkhal will be completed within the next fiscal year. Construction work of special economic zone will be started in haraiya of far western province and sunsari of province no. 1.
- Laws related to foreign investment will be amended to attract foreign investment in manufacturing and export-oriented industries and to attract investment from non-resident Nepalis. Arrangements for the demarcation of land required for the establishment of the industry will be reviewed. Arrangements will be made to lease land for 50 years for the operation of the industry.
- Minimum amount for foreign direct investment shall be reviewed to Rs. 20 million. To attract foreign investment, arrangements will be made to approve foreign direct investment up to Rs. 100 million through an automated system. The arrangement will be made to provide preliminary approval within seven days so that pre-preparation work can be done in the case of large investors hitting FDI approval electronically. Arrangements will be made to complete the remaining process related to investment approval and operation of the industry within 6 months.



Import Substitution and Export Promotion

- Exports will be promoted by identifying products with high export potential such as clinker, cement, steel, footwear, treated water, and information technology-based services and business process outsourcing. An arrangement has been made to provide a cash subsidy of up to 8 percent for the export of such goods.
- To develop the industrial sector in the country, attract foreign investment and contribute to import substitution by increasing production and export, an arrangement to give a 15 percent discount in electricity tariff to the industries consuming more than Rs. 100 million per year shall be made.

Private Sector Promotion

- Foreign investment will be promoted for industrial development by encouraging the establishment and operation of productive industries. The construction work of the industrial zone and industrial villages under construction will be completed within the stipulated time and brought into operation. Sick industries run by the private sector will be encouraged to operationalize again.
- Legal arrangements will be made to allow the private sector to sell a maximum of 20 percent units of apartments with more than 100 units to foreign nationals in foreign currency.

Supply Management

- Construction of petroleum pipeline from Siliguri in India to Charali in Jhapa and expansion of petroleum pipeline from Amalekhgunj to Lothar will be started. The distribution system of LP gas, used for commercial purpose will be reviewed.

Tourism Sector

- An arrangement shall be made to waive the annual license and renewal fee for the Fiscal Year 2079/80 for the hotels and other tourism-related businesses affected by the Covid 19 pandemic. There shall be continuity to provide concessional loans for the revival of the tourism sector. Hotel businesses will be encouraged to use food, fish, meat, and other vegetables produced in Nepal.
- The government will start a campaign to bring in 1 million tourists next year.

Aviation Sector

- The project development work will be taken forward through Investment Board Nepal by determining the investment structure for the construction of Nijgadh International Airport. Gautam Buddha International Airport and Pokhara International Airport will be fully operational.



- To manage the pressure of Tribhuvan International Airport by adding new taxi way and for construction of second terminal building 2.20 Billion has been allocated. Based on the analysis of air traffic and passenger pressure the construction work of the second terminal building of Gautam Buddha International Airport will be taken forward.

Cooperatives and Poverty Alleviation

- The savings of the cooperative sector will be encouraged to be mobilized for enterprise development, productive sector, and job creation. Arrangements will be made to mobilize at least 50 percent of the total investment of the cooperative in the productive sector.
- An arrangement will be made to provide a capital grant of 5 percent of the paid-up capital to the cooperatives establishing agro-based industries with a paid-up capital of 200 million.

Labor and Employment

- The structure of the Prime Minister's Employment Program will be modified. Through this program, employment will be provided to the unemployed registered in the employment service center by identifying cultivable barren land in collaboration with the local level in the agriculture and productive sector. Employment will be provided to 200,000 listed unemployed through the employment service center every year.
- Encourage the citizens returning from foreign employees to work in the production and self-employment sector by investing their experience, skills, and capital and also to provide concessional loans for running the business.

Health and Population

- In the coming fiscal year, 655 basic hospitals that are under construction at the local level shall be completed. An allocation of Rs. 10 billion has been made for construction of hospitals. Likewise, old and dilapidated hospitals and health institutions shall also be bought in use with new facility installed.
- To ensure specialized health services to senior citizens, senior citizen ward will be established in central and provincial hospitals. 98 types of different medicine shall be provided free of cost from government hospitals to senior citizens.
- People undergoing Kidney transplantation and dialysis, people with all types of cancer and patient with spiral paralysis shall receive NPR 5,000 for their treatment.
- To make health insurance more systematic and effective, beneficiaries shall avail the facility from community and government hospitals only. Arrangements shall be made to operate the health insurance program through insurance companies to make it more effective.

Education, Science, and Technology

- Under the Presidential Educational Reform Program, school buildings with a technical infrastructure of 1,200 community schools will be constructed in the coming Fiscal Year. A program will be implemented to enhance the quality of education by making an annual action plan to increase the capacity of students and teaching-learning based on teacher capacity building, functional research, and project work.



Drinking Water and Sanitation

- Under the Urban Drinking Water and Sanitation Project, Subhaghat of Surkhet, Panchkhal of Kavre, Khalanga of Darchula, Dadhikot of Bhaktapur, and Shardanagar of Chitwan will be completed within the next Fiscal Year. These projects will provide drinking water service to about 190,000 people. For the urban drinking water and sanitation project, Rs. 4.44 billion has been allocated.

Social Security and Pension

- Under the social security program, social security allowance has been provided to the senior citizens in the age group of 70 years, and from the next Fiscal Year, an arrangement to provide social security allowance to the senior citizens above 68 years of age. Beneficiaries who self-declare not to receive social security allowance will be honored by the government.

Road Management

- Road infrastructure will be constructed and expanded by expanding interconnection through the road network to facilitate traffic, reduce transportation costs, and maintain geographical and demographic proximity, and regional balance. Investment has been increased to develop road infrastructure as a major means of socio-economic transformation. By mapping the road infrastructure, the scope of construction of roads at the federal, state, and local level will be clarified based on utility, geographical remoteness, and provincial balance. Within the next Fiscal Year, an additional 800 kilometers of the road network will be expanded and 257 kilometers of roads will be upgraded.
- The work of widening the East-West Highway to four lanes will be expedited. The Narayanghat-Butwal section extension work will be completed next year. Expansion work of the Kamala-Kanchanpur Road section will be expedited and expansion work of Kamala-Dhalkewar Pathlaiya, Pathlaiya-Hetauda-Narayanghat, Vutwal-Gorusir Kakadvitta Laukhi road section will be started. A detailed feasibility study will be completed for upgrading the remaining sections. For the expansion of the East-West Highway, Rs. 30.50 billion is allocated.
- Construction work of Kathmandu-Terai Madhes Expressway will be completed within 3 years. For this, Rs. 30.07 billion has been allocated.
- Rs. 10.74 billion has been allocated for upgrading and expansion of the Nagdhunga-Nawise Muglin section and Muglin-Pokhara road.
- To manage the traffic congestion in Kathmandu Valley, Rs. 1 billion is allocated. Expansion and upgrading work will be started in four lanes of Suryabinayak Dhulikhel Road of Araniko Highway. The existing road expansion schemes in the valley will be completed. Construction of flyovers in Gwarko, Satdobato, and Ekantakuna of Kathmandu Valley and underpass in Koteshwor and New Baneshwor will be started.



Development of the Energy Sector

- Electricity facilities will be provided to all the citizens within the next two years. Multi-utilization of water resources will be made by developing small and medium hydropower and renewable energy including resource management for large and reservoir projects. Construction of hydropower projects and transmission lines under construction will be completed and an uninterrupted supply of electricity will be guaranteed by constructing substations. Electric energy will be developed as the main tool for maintaining economic development and trade balance. Energy saved from domestic consumption will be exported through bilateral and multilateral trade agreements.
- The projects under construction include 111 MW Rasuwagadhi, 42.5 MW Sanjen, 14.8 MW Upper Sanjen, and 86 MW Solu Dudhkoshi, 82 MW Lower Solu, 54 MW Super 44 MW Super Madi promoted by private investors. 715 MW will be added to the national transmission system by the next fiscal year
- For the development of the hydropower sector, arrangements will be made to mobilize resources through public, and private sectors, and foreign investment. A special energy consumption plan will be formulated and implemented to increase energy consumption and consumption in the domestic, industrial, transportation, agriculture, and irrigation sectors. Per capita, electricity consumption will be increased to 400 kWh annually.
- Nepal Electricity Authority will operate charging stations in 50 places to increase the use of electric vehicles. The private sector will be encouraged to set up charging stations at petrol pumps. Electric stoves, appliances, and means of transportation will be used to encourage more electricity consumption. Transportation services and kitchens of big cities will be gradually converted into electronic systems.
- Arrangements will be made for public bodies to purchase electric vehicles.
- Construction of Butwal-Gorakhpur 400 KV transmission line will be started. Likewise, 400 KV of Butwal Lamahi-Dododhara section and Lapsiphedi-Ratmate-Hetauda and Ratmate-Damauli Butwal 400 KV will also be started. Construction of the transmission line will be expedited. In the coming financial year sub-station with a capacity of, 5,843 MVA will be completed. Feasibility study of 765 K.V transmission line from East to West will be conducted.
- In line with the policy of using information technology in the flow of electricity services, the smart meter connection work started from Kathmandu Valley will be gradually expanded. Continuity will be given to the work of providing free electricity meters to the poor and providing free electricity to the basic class customers who consume up to 20 units of electricity. Power distribution infrastructure strengthened in Kathmandu Valley within the next 3 years.

Water Resources and Irrigation

- Tunnel construction work of the Sunkoshi Marine Diversion Multipurpose Project will be expedited to provide year-round irrigation service in 122,000 hectares of land in five districts of Central Terai. Other construction work including head works and the powerhouse of the project will be started. Rs. 2.70 billion has been allocated for the project.



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- Irrigation facilities will be extended to 10,000 hectares from 4,000 cluster-based shallow tube wells and 5,000 hectares from 100 deep tube wells in the cultivable pocket areas of Terai Madhes. A feasibility study of the Panchkhal Valley Integrated Irrigation Project will be completed. The feasibility study will be done for water storage ponds and projects that can be irrigated by groundwater in hilly areas.
- Arrangements will be made to provide funds in the cost research method if the farmers want to build branch canals for the expansion of irrigation facilities to their lands from the irrigation projects of national pride and big canals.

Innovation Based Local Economic Development

- To implement the concept of one household-one employment, one locality-one economic identity, one ward, one market, a local economic development program based on innovation will be implemented in collaboration with state and local level cost-sharing and the private sector. This program will be linked with agricultural production program for self-reliance. The program will add 100,000 new industries and businesses in the coming fiscal year, develop 1,500 new market centers, operate 2,500 new weekly bazaars, organize 1,500 trade fairs and create an additional 100,000 jobs.
- To connect each local level center with the national road network, at least one road will be constructed for 12 months. Within the next three years, all local level centers will be connected to the state capital or national road network. Rs 2.35 billion has been allocated for the project.

Financial Sector

- Financial sector will be promoted as an important basis for mobilization of the national capital. This sector will be made modern, dynamic, diverse, inclusive, and risk-free through legal and institutional reforms. Arrangements will be made to mobilize the available resources in the financial sector in productive and national priority areas. Resources will be mobilized to the maximum while minimizing the cost of financial intermediation. **A policy will be adopted to differentiate between the interest rates of loans flowing to the productive sector and the commercial sector.**
- A second-tier regulatory body will be established to effectively regulate, inspect and supervise the savings and credit cooperatives and non-governmental organizations conducting financial transactions outside the supervision of Nepal Rastra Bank.
- Arrangement will be made for each branch of Banijya Bank to provide credit flow to at least 5 agricultural production and processing industries. Loans will be provided through microfinance financial institutions to facilitate production credit to entrepreneurs on a project basis.
- The second financial sector development strategy will be implemented. An open market transaction stabilization fund will be set up to promote internal investment and make liquidity management more effective by maintaining stability in the financial system. A hedge fund will be established to reduce the risk of foreign investment in Nepal due to fluctuations in foreign exchange.
- National insurance policy and disaster risk insurance strategy will be formulated and implemented. Access to insurance will be extended to the local level by conducting



necessary programs to realize the concept of one-family one insurance. A necessary study will be done regarding the issuance of insurance catastrophe bonds.

- To develop the insurance business as an important pillar of social protection, micro insurance companies will be established covering the poor, deprived, and agricultural sector. An insurance information center will be established. Encouragement will be given to establishing an insurance college. An arrangement will be made for the insurance company to invest a certain percentage of its investment in infrastructure development projects.
- Arrangements will be made to invest the savings of the Employees Provident Fund, Citizens Investment Fund, and Social Security Fund in productive sectors including agriculture. Of these funds, legal arrangements will be made for the fund manager to invest the money in an integrated manner.
- The secondary market for securities and related structures will be made more competitive. The rights and interests of the general investors will be protected by minimizing the possible risks by expanding and diversifying the capital market.
- The bond market will be developed by managing the secondary market transactions of institutional and government bonds. To promote entrepreneurship and innovation, private equity and venture capital will be facilitated by giving operating permission.
- Arrangements will be made to list the companies in the secondary market by issuing primary that have; paid-up capital of Rs. 1 billion or above, turnover of more than Rs. 5 billion, companies using natural resources, and public limited companies receiving grants, concessions or tax exemptions from the state.
- The scope of the security program and micro-insurance assistance program operated from deposit and loan protection funds will be expanded. The existing limit of deposit insurance is Rs. 3 lakhs to Rs. 500,000 will be repaid.
- Arrangements will be made for Nepalis living in neighboring India to open bank accounts in Nepal and send money through banking.

Planning and Statistics

- Initiatives will be taken to achieve the goal of sustainable development by 2030 by mobilizing necessary resources from the public, private, and community sectors. Resources will be mobilized to increase human potential while maintaining economic and social development as well as sustainability in the environmental sector.
- Necessary strategies and action plans will be formulated and implemented in 2026 to take advantage of the opportunities to be upgraded from Least Developed Countries to Developing Countries and to reduce the potential risks.
- By developing the national statistics system, all kinds of statistics will be updated in the digital medium. The data obtained from the National Census 2078 will be used as the basis for formulating the periodic plan. Infrastructure plans to be implemented at the federal, state, and local levels will be mapped out and clarified.

Public Institutions



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- Arrangement will be made to keep integrated records of physical and financial information technology. Janakpur Cigarette Factory, Agricultural Tools Factory, Gorkhali Rubber Industry, Orient and Magnesite, Nepal Metal Company, Biratnagar Jute Mill, Birgunj Sugar Factory, Hetauda Textile Industry, and Butwal Yarn Factory will be brought into operation in a suitable format.

Public service flow and National service

- Public debt will be mobilized in the field of high return projects and national capital formation. While mobilizing internal loans, bonds will be issued targeting the citizens who have gone for foreign employment and non-resident Nepalese. An annual loan plan will be formulated and implemented based on Medium Term Debt Management Strategy.
- To expedite the implementation of the project, arrangements will be made for the construction business to carry out the construction in **two shifts**. Arrangements will be made to keep the completion time as an indicator in contract evaluation.

Direct & Indirect Tax

Direct tax

- Income tax exemption has been provided to individuals and couples by the Income Tax Act, 2058. By increasing the limit to Rs 500,000 and in case of couple Rs.6 lakhs. Also, the insurance premium for income tax purposes has been limited to Rs. 40,000.
- An arrangement has been made to levy only one percent tax on the person who earns foreign exchange by providing services based on software, electronic services, business process IT sourcing, or similar information technology outside.
- To provide relief to the small entrepreneurs affected by the epidemic of COVID 19, an arrangement has been made to provide a 75 percent income tax exemption to the taxpayers with an annual turnover of up to Rs. 3 million and 50 percent income tax exemption to the taxpayers with an annual turnover of Rs. 3 million to Rs. 10 million.
- An arrangement has been made to give a 50 percent tax exemption on the business taxable income of the tourism sector industries such as hotel, travel, trekking, and movie business which are most affected by the epidemic of COVID 19 as per the objective of the Fiscal Year 2078/79.
- To produce machinery, equipment, or spare parts required for agricultural work. The establishment of such an industry encouraged the opening of agricultural tool factories in Nepal for five years tax-free. An arrangement has been made to give full income tax exemption for 5 years from the date of commencement of business.

Indirect Tax

- Some modifications have been made in the customs duty on raw materials imported by manufacturing industries in line with the policy of reducing the customs duty on manufactured goods by at least one level. In addition, to discourage the import of luxury goods, the rates of import duty including customs duty and excise duty have been increased.



- An arrangement has been made to give 50 percent excise duty exemption on the import of spare parts or raw materials required for the production of vehicles if the industry of manufacturing or assembling four-wheelers is established in Nepal and also a 25 percent discount on customs duty. Similarly, an arrangement has been made to levy only 1 percent customs duty on raw materials or spare parts used by the industries producing electric rickshaws and electric motorcycles or scooters.
- An arrangement has been made to provide a 90 percent discount on the customs duty on the import of sanitary pads. An arrangement has been made to provide a significant discount in the customs rate so that only 1 percent customs duty is levied on the import of raw materials required for the industry producing sanitary pads in Nepal. To distribute according to the program approved by the government or public body
- To assist in the transportation and marketing of agricultural products, the local level has arranged to fully waive the customs duty on the import of an agricultural ambulance or vehicle. The Agricultural Cooperative has made an arrangement to provide a 50 percent discount on the customs duty on the import of a single vehicle for the purchase of agricultural products.
- An arrangement has been made to make a malt maturation of whiskey for the production of quality and high-quality liquor to help in the promotion of export by branding Nepali liquor worldwide.

Non-Tax

- Arrangement will be made to give a 50 percent discount on the fee or fee for renewal of passport, consular services, and renewal of labor permit to the Nepali citizens who are in foreign employment sending remittance through formal channels.
- If the same person buys more than one house or apartment, necessary arrangements will be made so that a 100 percent additional registration fee will be charged for passing the registration of each additional house.



Budget Review & Summary

The Sher Bahadur Deuba-led coalition government on Sunday presented a budget of NPR 1.79 trillion in the parliament for the fiscal year 2079/80. The budget has been increased by 10 percent as compared to the last fiscal year 2078/79 which was Rs 1.6328 trillion, a revision from the first estimate of Rs 1.647 trillion. In regards to the expenditure side, the proportionate recurrent expenditure increased to 42.52% from 41.52%, capital expenditure has decreased from 23.16% to 21.20% and financial expenditure has increased from 11.60% to 12.80%. Fiscal Transfer has increased from 23.72% to 24%. In regards to the income side, the government plans to increase its revenue from 64.36% to 69.13%. Compared to last year, the budget plans to take on additional debt this year.

The budget this year has been published when the economy is trying to balance the swelling trade deficit and control the countries depleting foreign currency reserves. To counter the present scenario, the government envisages boosting agriculture output and increasing domestic output which will generate employment and lead the country to the path of self-reliance. Fertilizer facilities, technology, and irrigation facilities will be provided to make the agriculture sector productive.

The government envisages producing various products locally and providing necessary infrastructure and establishing Special Economic Zones to increase GDP from the industry sector and support the "Make in Nepal" program. Initiation has been taken to substitute import and export promotion of products like clinker, cement, steel, and footwear by providing 8% cash incentives. This policy is particularly focused to encourage companies to be more export-oriented in the future.

To develop the industrial sector of the country, attract foreign investment, and contribute to import substitution by increasing production and export, an arrangement to waive a 15 percent discount on electricity tariff to the industries consuming more than Rs. 100 million bills per year have been made. The government plans to add 715 MW of electricity to the national grid and an additional budget for various transmission lines has been allocated. Apart from that, Nepal Electricity Authority will build and operate charging stations in 50 places to increase the use of electric vehicles. The private sector will be encouraged to set up charging stations at petrol pumps, which may further encourage people to shift their future vehicles to electric vehicles. This budget has encouraged people to use more electricity by replacing gas stoves with electric stoves but the government may face a huge challenge and may have to endure Nepalis' reluctance to convert their cooking habits from LPG to electric stoves.

Post-COVID, the tourism-related business has gradually started returning to normalcy. To provide further support and protection to this sector, this budget has waived the annual license and renewal fee for the Fiscal Year 2079/80 for hotels and other tourism-related businesses affected by the Covid-19 pandemic. Three international airports and an upgrade of Tribhuvan International Airport shall manage tourists' arrival and the Government has an estimated target of 10 lakhs tourists which can be a huge potential for the tourism sector in Nepal.



Perspective from Capital market

- Companies having paid-up capital of more than NPR 1 billion, turnover volume above 5 billion, and public limited companies that are getting subsidies like tax exemption from the government should go for the public offering which will widen the scope and sector for the capital market.
- Insurance premium for income tax purposes has been increased to Rs. 40,000. This shall encourage salaried employees to purchase insurance policy.
- Quota of 10% of a total issue for immigrant workers will be allocated which will bring new investment avenues and increase the remittance in the country by allowing the money to flow through formal channels.
- The government also plans to bring Non-Resident Nepalese (NRN) into the capital market by making an appropriate policy regarding the investment of NRN.
- With an already severe market liquidity crisis, the government intends to accomplish its budgetary goals through internal debt; yet, more internal debt will only serve to aggravate the situation.

Challenges of budget:

The budget size of NPR 1.79 trillion is an increase of 10% in comparison to last year. This ambitious step is being taken by the government when the economy is facing rising inflation, the inability of the current government to make planned capital investment, restriction of import of various items leading to a lower collection of revenue, our dependency on agricultural output with the scarcity of chemical fertilizers in the country and load-shedding problems that has been persistent for years that has continuously hampered our industrial output remains a major challenge in implementing the budget and to achieve the targeted growth.

Last year the budget was downsized after the government was unable to meet its expense target. We can expect similar steps to be taken by the government as it may struggle to make capital expenditures in the coming year as well. The government has imposed various import restrictions but, in the meantime, the government plans to collect revenue of NPR 1240.11 billion which is approximately a 22 percent increase from the previous year's target of 1018.52 billion. The restriction imposed might deter the tax revenue objective thus lacking in its objective and policy.

This budget aims to collect approximately an additional 5% of the debt with respect to GDP. When the government takes an aggressive debt position, there will be fewer loanable funds available for the private sector, likewise, a collection of domestic debt also creates a liquidity shortage in the market at a time when the market is already facing severe liquidity shortage further collection of domestic debt will create more liquidity shortage, increase interest rate which will be a deterrent for the private sector and entrepreneurs to take credit facility. Post Covid Nepal has been taking a significant amount of foreign debt, for a repayment of debt a tool that government uses is to higher the taxes on various items which hence we can expect rising taxes in this fiscal year and in the years ahead as well.

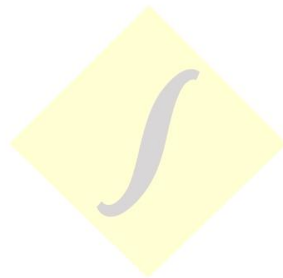
The World Bank, ADB, and IMF forecast a growth rate of about 4%, however the government has predicted a growth rate of 8%. One can always revise their projection when the



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government doesn't accomplish the desired level of economic development. The lofty goal of 8% economic growth is unlikely to be met given Nepal's higher production costs and rising inflation due to global supply chain disruptions and the rise in crude oil prices, power disruption with few hydro power projects in completion pipeline. According to sources and interpretations by Nepal Rastra Bank, the amount of loans for the upcoming fiscal year should increase by roughly 900 billion, or 20 percent, in order to meet the government's goals for growth. Credit expansion is more difficult than one would expect due to the already precarious liquidity condition and lack of loanable capital.

This expansionary budget should now be in line with monetary policy. The monetary policy might not be in line with the fiscal policy and the strategy anticipated by the administration, as evidenced by the observed conflict between the current finance minister and the governor. The goal of an expansionary budget may not be achievable with a contractionary or restrictive monetary policy. In order to combat severe inflation brought on by rising gas prices and the management of a liquidity deficit, coordination between the government and Nepal Rastra Bank is essential for the attainment of the budget aim. The budget appears to be an election-driven budget with populist plans like lowering the old age allowance from 70 to 68 years and raising civil servant pay by 15%, which will put a significant financial burden on the public.



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