

NICCI e-Newsflash

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The Everest Day - 29th May



New Zealander Edmund Hillary and Nepalese Tenzing Norgay reached the top of Mount Everest, the highest mountain in the world, at 11:30 a.m. on May 29, 1953.

NICCI holds pre-budget Interaction with Tax and Customs Officials

Nepal-India Chamber of Commerce & Industry (NICCI) held a Pre-budget Interaction program on Sunday, 18th May in Kathmandu in a bid to provide suggestions for the upcoming budget and to discuss on budgetary issues of its member organizations.

Mr. Tanka Mani Sharma, Director General and his team from Inland Revenue Department and Mr. Surya Prasad Acharya, Director General and his team from Department of Customs as well as officials from Ministry of Finance were present from the Government of Nepal whereas office bearers and Executive Committee member as well as representatives from



NICCI member organizations including Indian joint venture industries were present. NICCI has been pushing for amendments to Income Tax Act, Value Added Tax Act and Excise Act, among others.

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The meeting discussed on the budgetary issues related to Income Tax Act 2058, Excise Duty Act 2058, VAT Act 2052 as well as Department of Customs. The discussion covered the issues like proper implementation of DTAA, setoff losses of one business to another within same PAN number, problem in remittance of dividend against investment in the form of machinery, delay in refund of pre-deposits for matters ruled in favour of assessee, add back to assets written down value, repairs and maintenance cost in excess of 7% of asset WDV and its conditions, an additional option of bank guarantee instead of cash deposit while filing for tax review, income tax related to residential and non-residential people etc.

Similarly the meeting also discussed issues related to Excise Law such as proposal to review blanket restriction in claiming credit on duty and to make a law in the line with international practice for bifurcation of packaging materials into primary and secondary packing, prescribed natural process loss of 2% to liquor industry to be allowed on regular basis without harassment, provision for the Re-refining of liquors in Directive of Excise Duty 2068 and incorporating this provision in the Act itself to give legal status and to remove ambiguity etc.

Likewise, regarding the Department of Customs, issues like duty of raw material to be less than that of finished goods, control of infiltration of product through the open border where similar or sometimes spurious products which come in at cheaper rates, promotion of SAFTA trade, which is now very minimal despite so many years of its practice, currency and signature mismatch problem in SAFTA documents and mismatch in custom tariffs, proposal to add a threshold in term of money in addition to already mentioned 60% of total sales for making large industries eligible to import raw material against bank guarantee for import duty on raw materials, various products and facility of test marketing of the products from the par-



ent company to subsidiary JVs in Nepal in certain percentage of their turnover were discussed.

Regarding hydropower issues related to Ministry of Finance like VAT subsidy for civil construction works of hydropower projects through budget, provision of full tax holiday for first 10 years and 50% for five years thereafter as mentioned in Income Tax Act 2058 and draft Electricity Bill 2064 and to reflect the same in the budget for F/Y

2070/71, equal treatment on registration charge for foreign loan related pledge documents at par with registration charge against domestic loan related registrations which prescribes for registration charge @ 0.0001% only, equal treatment of tax exemption while paying interest to local banks/financial institutions and foreign bank/financial institutions, and provision for PPA in foreign currency to attract FDI in big projects by developing Exchange Risk Mitigation Mechanism acceptable to all the parties were proposed.

Mr. Surya Prasad Acharya, DG, Dept of Customs:

Regarding SAAFTA issue related to problem in verification of signature on SAAFTA documents, Mr. Surya Prasad Acharya, Director General at Department of Customs explained that such happens when signing authorities are transferred and which takes some time to replace specimen signature by procedure itself. He further said "My understanding here is signature must be verified. When concerned signing authorities are transferred in India, in that case, sometimes that specimen comes little bit late, because specimen signature first goes to SAARC Secretariat, then Ministry of Foreign Affairs, then that goes to Ministry of Commerce and Supplies and then it comes to Department of Customs via Minister of Finance then we send to the Custom Offices. We discussed this issue in the past also, it will be something facilitation required, so we will do on that and it should be sorted out at the operational level."



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Regarding Indian rupee and USD issue Mr. Acharya said "I think that has been solved right now. About retention money refund, you have to ask for money timely, if the cases are genuine, then we will be facilitating those issues, otherwise we will give our opinion. It will be sorted out at the operational level."

Regarding the HS Code consistency between the two custom offices, Customs Director General said "recently from 15 July 2013, we have upgraded and implemented the HS versions of 2012 replacing HS Code 2007. This harmonizes the HS code. So now it should not be a problem. You can come to Customs Department also, and then we will be sorting out these problems making the harmonizing of one custom to another customs in the right way."

About problems in the containerized cargo, Mr. Acharya said "After a long effort, now the draft guide/procedure is ready for the discussion. Unofficially I had shared copy of the draft with concerned stakeholders for their study two weeks back. Shortly we will be inviting private sector for discussion and finalize it."

Speaking on computer problem in Birgunj dryport and Birgunj Customs, Director General Mr. Acharya said "Our vision is we are going to replace our existing ASYCUDA++ system by ASYCUDA World which will be a web based system. Recently we have asked for a proposal with United Nations Conference on Trade and Development (UNCTAD). Shortly they are going to submit a proposal and within two months we finalize the issue. So we are going to procure the system and in two years Nepal's Customs Automation Systems will be upgraded in web based system. I believe, soon, Nepal's customs will be very efficient with web based technology and many facilitative IT Solutions and options wherein you can submit your Pragyapan Patra, single administrative document from your business firm. For the time being, if any problem comes



in ASYCUDA++, manual system will be there and additional server will be provided to those major custom offices basically at Birgunj, Dryport, Biratnagar, Bhairahawa, TIA."

Sharing the plans and achievements of Department of Customs, DG Mr. Acharya said "In IT part of our Customs Offices which are taking place to make our system hassle-free, first one is uninterrupted inter connectivity, 24 hours and 365 days. For

this, we are going to provide two linkages- one from the private internet service provider and next one will be the NTC. These two will be combined in one junction. When one server becomes remote, next server will automatically pick up and provide the connectivity. So we are going to solve the connectivity issue, by July 15. Second one is the problem of power supply, for which there will be ample back up with solar and battery. These two basic and most essential infrastructures will be provided by July 15 of this year to all the major custom points."

Regarding the problem of twitting or using FaceBook, he said they have banned using such social network during office hours and now the system doesn't allow using such type of communication.

Mr. Tanka Mani Sharma, DG, Dept of IRD:

Speaking at the program, Mr. Tanka Mani Sharma, Director General of the Inland Revenue Department (IRD), said the department would forward suggestions to the concerned government agencies. He also informed that IRD has established grievances hearing mechanism and administrative review mechanism to facilitate taxpayers.

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GoN Officials and NICCI Members in Pre-budget interaction - Photo Feature



GoN Officials and NICCI Members in Pre-budget interaction - Photo Feature



NICCI holds pre-budget Interaction

Appreciating the efforts of NICCI, Director General of IRD Mr. Tank Mani Sharma said "I came to know some of the issues presented here has already been discussed and presented or submitted to the Honorable Finance Minister as well and these issues we received from the ministry and we are positive in issues and recommendation submitted today and submitted earlier to the Finance Minister. This is high time we are here in a process of finalizing a report of Revenue Advisory Committee and fortunately I am the Chair of taxation system and DG-Custom is Chair of Custom Sub Committee so this is high time. I think you took that opportunity and we will be in the positive line to submit your issues and recommendations."

Briefing the taxation system of Nepal Mr. Sharma said "I would like to mention that our tax system is based on internationally accepted self assessment system. We cannot actually deviate through the system. In this system tax payers are the primary tax officers, you have the right to assess your tax, you have the right to keep your books of accounts, you appoint your auditor, you submit your financial statement through IT System, this is accepted. In this system we conduct assessment in sample basis based on some criteria so our system is compatible with internationally comparable system."

Regarding issues related to DTAA, Mr. Sharma said "We respect the provision of DTAA, we accepted bilaterally and signed the DTAA; we have to respect the Agreement from both sides. If our legal provisions are not compatible with DTAA we can look upon it, address such issues and correct them."

Regarding permanent establishment fees, DG of IRD said "It is also compatible with international practice in our Act. It is already incorporated in the Act and that is compatible with international practices and guidelines prepared and issued by international organizations like OECD and other organizations. We are also preparing guidelines for PEs for local standard, so I think in the coming fiscal year we will be able to issue of new guidelines for PEs. Those provisions will cover all of your issues; all the preparative works have been completed."

Regarding the issue on Value Added Tax in construction works, Mr. Sharma said "It has been provisioned in VAT Act and VAT Law 2066. In this rule what is mentioned is that if any Government system or entity or franchise has to conduct renovation or reform of building or construction works to be conducted above the cost of Rs 20 lacks need to get it done by the registered contractors that means that construction works has to be done through VAT registered company and what is said for the private sector is that if any company has to do construction works above the cost of Rs 50 lacks for commercial purpose or for business purpose, not for individual or residential purpose, that construction works should get done

through the VAT registered construction companies. If it is not done accordingly, then what the VAT Act says that such private companies should pay the VAT calculated at the construction works done."

Giving his argument on VAT on electricity raised by Mr. Gyanendra Lal Pradhan, DG of IRD Mr. Sharma said "A very good point you have raised is imposition of VAT on Electricity. If I start talking on this here even with few people, there might be dispute on that and people may divided into different fraction with views whether VAT should be imposed on Electricity or not that I don't know. What I think is VAT should be imposed on the electricity, all the construction materials and all the services. If it is done then the cost will be low. By imposing VAT cost doesn't go up but it goes down. Because you can get refund the amount equivalent to VAT paid, you can get chance to adjust the amount equivalent to VAT paid, you can have chance to minimize the cost equivalent to VAT, that means if imposed the VAT, any work would not be expensive but would be cheaper. If this is understood by all then it is ok to impose VAT on electricity from tomorrow. It is not spoken by you and me but it was also told by the 3-4 international consultants come from Japan, America, Britain. They had told as very first point on this. They said if you want to make the business, construction, development of Nepal sustainable, first of all impose VAT on electricity. Even they had told that to impose Excise Duty on fuels also. It is very appreciable points, so please keep on raise this issue at various forums, one day it will be implemented."

He further mentioned, "We saw the presentation that VAT should be exempted on Hydro Electricity. VAT is the measure of making cost low and it is not to bear by own, it is to bear by others, just we are the collectors. VAT may be a measure to make cost low. For example, just look at the LP Gas in which VAT is imposed. Hotels are getting LPG Gas at Rs 1100 per cylinder whereas for household use, public need to pay Rs. 1500. So let's think of that fact. There are many items on which if imposed VAT the ultimate cost may be low."

The program was started with welcome remarks by President Mr. Sashi Raj Pandey and ended with vote of thanks by Mr. Shyam Kumar Lohia, Vice President. The general issues on Income Tax Act, VAT Act and Excise Act were presented by Mr. Budhaditya Mukherjee, Vice President of NICCI and the issues on hydro-power related to Ministry of Finance were presented by Mr. Narendra Prajapati, Treasurer of Independent Power Producers Association of Nepal (IPPAN). Apart from issues raised through presentation, number of questions related to Income Tax Act, VAT Act and Excise Act, Department of Customs, hydro power issues related to Ministry of Finance were raised from the floor as well. ◦

NICCI bids farewell to Mr. Jaideep Mazumdar, DCM at Embassy of India

NICCI hosted a farewell reception to bid farewell to Mr. Jaideep Mazumdar, Deputy Chief of Mission at Embassy of India, Kathmandu on Sunday, 11th May 2014 in Kathmandu, who is returning from Nepal after his four year tenure.

On the occasion, delivering farewell remarks, President Mr. Sashi Raj Pandey said "Mr Jaideep Mazumdar, who was here with us as Deputy Chief of Mission of Embassy of India for last four years, and in these four years he has just not supported but always helped NICCI to flourish and overcome obstacles. Whenever we needed any advice or guidance he was there for us."

Congratulating Mr. Mazumdar for his future assignment, Mr. Pandey said "We know it will be a very important portfolio and with my experience with him I know he will do wonders."



government, there was a political locked jam, constitution writing was in limbo, business confidence was at its perhaps lowest kept and in a heartbeat things today are much better. In this space of four years, Nepal managed to undertake the integration of former combatants both into the army as well as into the society, managed to have focal election whose results, Nepal will reap soon in the days to come."

Extending aspiration for a bright prospects of Nepal, Mr. Mazumdar further said "I can say is there is a great optimism in the year, both politically that things will get done, a constitution get written, politics of consensus will take shape and also along with that comes a great sense of optimism in business and industry. During my time, of course I did not see a single large foreign investment from India but I also didn't see any inves-



Bidding the farewell remarks President Mr. Pandey opined "NICCI will certainly miss you but as I have mentioned in my earlier good bye for our other friends from Embassy - that the friendship and bonding we developed in this short time does not end here. Some of our colleagues in NICCI have shared a wonderful relation of mutual respect with Mr. & Mrs. Mazumdar. I wish them a great future and also wish to see him back in Nepal in soon."

Reciprocating the farewell remarks, Mr. Jaideep Mazumdar, Deputy Chief of Mission of the Embassy of India said "I am honoured with all of your presence for my farewell. Four years period is a long time in the career of a diplomat, but I didn't feel that way. Four years is like a heartbeat in the life of a nation. When I came first to Nepal in the summer of 2010, it was a very different Nepal from what it is today. There was a care taker



tor leave Nepal so which is a positive. I see only bright prospects ahead or even today two of the letters of exchange that were pending from in Nepal side now that have been approved by the government of Nepal which facilitate trade and trans shipment."

Mr. Mazumdar expressed "So these are the beginnings of the dividend that the elections will bring about and so I can only see that the immediate future is one of great optimism and NICCI should take advantage of this atmosphere, you know how a bilateral Chamber of Commerce can change, can be a game changer in the economic relationship between two countries and this is so important, because Nepal is a great country and its people deserve better. So I look forward to our continued association and extend by best wishes to Nepal." ◦



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Nimbus, Maiti Nepal agree to collaborate agri-centre to run by women

Nimbus has collaborated with Maiti Nepal, an organisation run by CNN Hero Anuradha Koirala to run agriculture centres known as Nimbus Krishi Kendra where quality products will be offered at standardized prices.

Under the cooperation agreement, girls and women associated with Maiti Nepal will be given priority in hiring at the Krishi Kendra. Nimbus plans to open 200 of such specialized agri input centres across the country in the next two years. "Girls will be provided training to equip them with the expertise needed to run Nimbus Krishi Kendras," said the company in a statement. "This is a step forward to uplift the under-privileged women of the country and provide them with the right base for a better life."

According to the company, Nimbus Krishi Kendras are being established with a commitment to uplift the agricultural system. The products sold at the centres will range from seeds, crop protection, fertilizers and plant nutrients to veterinary medicines, feed supplements, agricultural equipment, machinery and tools.

These stores will also act as a direct linkage between producers, processors and retailers. "This is a major attempt towards enhancing the capacity of farmers and strengthening the role of women in the economic development of the nation," said Nimbus. ◦

New technology reduces bridge construction cost

A new technology in bridge construction adopted this year has brought several benefits including reduction in project cost, according to officials. The 'Prestressed Post Pillar' technology uses cables that is pulled and tightened while fixing blocks of the floor of the bridge, making the structure more strong. It also reduces the number of pillar required to support the bridge structure, leading to drop in project cost. The distance between the two pillars in the new technology can be increased to 40 meters from 20 meters using old technology.

Umesh Jha, chief of the Bridge Project at Department of Roads (DoR), said they were preparing to award contract for around three dozen bridges featuring new technology within this fiscal year. The project has already implemented the new technology in Kothiyaghat bridge over Karnali River and Sitka bridge over Sunkoshi River as well as in Bagmati and Kamala bridges. "Though the technology was introduced in the 1970s and 1980s

in projects implemented under foreign grants, no one was ready to take the risk in projects being implemented by mobilizing internal resources. But we took the risk and it is paying dividends," added Jha.

The technology was used to different build bridges along the East-West Highway and Siddhartha Highway. Officials say there is no need to use steel plates while constructing bridges using the new technology. Concrete blocks are used instead of steel plates. Umeshananda Mishra, chief of Postal Roads Project, said bridges built using new technology don't disturb waterways, opening the possibility of operating water transportation in the future. He claimed the adoption of new technology has reduced construction cost by around 15 percent. Though the technology was widely used in foreign countries, Nepal is adopting it after half century. ◦

We solicit suggestions/feedback from all members and readers for NICCI e-Newsflash at secretariat@nicci.org

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