

## Trade and Industrial Policy

### Annexure 1

#### A. 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 (Thanka 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 Narcotic 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 therefor.

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.

#### B. Products under Quantitative Restriction

Products as notified by His Majesty's Government in the Nepal Gazette from time to time.

#### C. Products Allowed for Free Exports

All products other than banned ones and under quantitative restrictions. Notes:-

1. The Ministry of Commerce will decide from time to time the goods to be included under the category of quantitative restriction.

2. The Ministry of Commerce will interpret as to which of the products listed above will be permitted to export.

### Annexure 2

#### Products Banned for Imports

##### 1. Products injurious to health

(a) Narcotic drugs like, opium and morphine

(b) Liquor containing more than 60 percent alcohol

2. Arms and ammunitions and explosives (except under import license of His Majesty's

Government)

(a) Materials used in production of arms and ammunition

(b) Guns and cartridges

(c) Capes without paper

(d) Arms and ammunitions, and other explosives

3. Communication equipment: wireless, walkie-talkie, and similar other audio communication equipment's (except under import licence of Nepal Government)

4. Valuable Metals and Jewelleries (except permitted under baggage rules)

5. Beef and beef products

6. Any other product notified by His Majesty's Government in the Nepal Gazette.

Industry

Classification of Industries:

### **Manufacturing Industries**

Industries which produce goods by utilizing or processing raw materials, semi-processed materials by products or waste products or any other goods.

### **Energy Industries**

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

### **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, horticulure and herb processing, vegetable seed farming, mushroom, vegetable farming or vegetable processing, tissueculture, green house, bee-keeping, honey production, rubber farming, floriculture and production, and forestry related businesses such as lease-hold forests, agro-forestry, etc.

### **Mineral Industries**

Mineral excavation or processing thereof.

### **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, etc.

### **Service Industries**

Workshop, printing press, consultancy service, ginning and baling business, cinematography, construction business, public transportation business, photography, hospital, nursing home, educational and training institution, laboratory, air services, cold storage, etc.

### **Construction Industries**

Road, bridge, ropeway, railway, trolley bus, tunnel, flying bridge and industrial, commercial and residential complex construction and operation.

### **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 in

Annexure 3.

**Small Industries**

Industries with a fixed asset of up to an amount of thirty million rupees shall be named as small industries.

**Medium Industries**

Industries with a fixed asset between thirty million rupees and one hundred million rupees shall be named as medium industries.

**Large Industries**

Industries with a fixed asset of more than one hundred million rupees shall be named as large industries.

**Facilities and Concessions to be Accorded to Industries :**

No income tax in excess of twenty percent shall be levied on the income derived from any industries other than the ones producing cigarettes, bidi, cigar, chewing tobacco, khaini and industries producing other goods of a similar nature utilizing tobacco as their basic raw materials, and alcohol or beer producing industries.

Except for cigarettes, bidi, cigar, chewing tobacco, khaini, industries and industries producing other goods of a similar nature utilizing tobacco as their basic raw material. Industries producing alcohol or beer, and saw mill and catechu industries, any other industry using eighty or more than eighty percent of indigenous raw materials in its products and supplying all its manpower from among Nepali citizens shall be granted a rebate at the rate of 10 percent of the income tax.

Any national priority industry, which constructs and operates road, bridge, tunnel, ropeway, flying bridge, and manufactures and operates trolley bus and tram as enlisted in Annex-4 , shall be granted a rebate of fifty percent of the income tax on their income for a period of ten years from the date of operation and other industries as enlisted therein shall be granted a rebate of fifty percent of the income tax on their income for a period of seven years from the date of operation.

Any industry, established in any Remote, Undeveloped, and Underdeveloped Areas as enlisted in Annex-5, other than cigarettes, bidi, cigar, chewing tobacco, khaini industries and industries producing other goods of a similar nature utilizing tobacco as their basic raw materials, and industries producing alcohol or beer, shall be granted a rebate of thirty, twenty-five and twenty percent of the income tax respectively and thirty-five, twenty-five and fifteen percent of the excise duty respectively for a period of ten years from the date of operation.

Fruit based fruit processing and cider and wine industries with a fixed asset of up to two million five hundred thousand rupees established in Mugu, Humla, Jumla, Dolpa, Kalikot, Bajura, Darchula, Bajhang, Achham, Mustang, Manang, Solukhumbu, Sankhuwasabha and Taplejung districts shall be entitled to an excise duty exemption for a period of ten years, and fruit based alcohol industries shall be entitled to excise duty exemption for a period of five years. On completion of such exemption period, His Majesty's Government may grant excise duty exemption to the fruit based alcohol industries for up to an additional period of three years.

While calculating depreciation on the fixed assets, industries shall be entitled to add one third to the rate of depreciation allowed under the existing income tax laws.

If an industry diversifies itself through reinvestment in the same or any other industry, or expand its installed capacity by 25 percent or more, modernizes its technology or develops ancillary industries, it shall be entitled to a deduction of 40 percent of new additional fixed assets from its taxable income. Such remission may be deducted on a lumpsum or on an instalment basis within a period of three years.

Permission shall be granted for a reduction of up to 50 percent from the taxable income for the investment of any industry on process or equipment, which has the objective of controlling pollution or which may have a minimum effect on the environment. Such remission may be deducted on a lumpsum or on an instalment basis within a period of three years.

Pre-operation costs incurred by any industry in connection with skill development training shall be allowed to be capitalized.

After an industry comes into operation, 10 percent of the gross profit shall be allowed as a deduction against taxable income on account of expenses related with technology, product development and efficiency improvement.

An industry donating an amount of up to 5 percent of its gross income to any school, college, university, hospital, religious place and in social activities shall be entitled to a deduction of such donated amount in course of assessing the taxable income.

Up to 5 percent of gross income spent for the advertisement of the products or promotion services, hospitality and any other similar expenses shall be allowed to be deducted while assessing the taxable income.

If any industry provides direct employment to six hundred or more than six hundred Nepali citizens round the year, it will be, in addition to other facilities, granted an additional income tax rebate at the rate of ten percent for that year.

If any other industry utilises locally available raw materials, chemicals and packing materials, etc. on which excise duty is already imposed, the excise duty shall be reimbursed to the industry utilizing such raw materials chemicals and packing materials. The amount to be so reimbursed shall be refunded within sixty days after an application to that effect has been duly submitted.

The customs duty is excise duty on raw materials and auxiliary raw materials, etc. utilized by any industry in connection with its product during its production shall be reimbursed on the basis of the quantity of the export.

In cases where any industry sells its products in the Export Promotion House, the customs duties levied on the raw materials imported for producing the products so sold as well as the excise duty levied on the products so produced shall be reimbursed to the concerned industry on the basis of the quantity of sale and export.

If an industry sells its product within the Kingdom in any foreign currency, the excise duty and custom duty on such product and customs duty, excise duty levied on the raw materials and auxiliary raw materials, etc. utilized in such product shall be reimbursed.

The customs duties and excise duty on the production materials of intermediate goods to be utilized for the production of exportable industrial goods and excise duty levied on the product shall be reimbursed to the concerned industry producing the intermediate goods, on the basis of the quantity of export.

No tax, fee or charge of any kind shall be levied on the machine, tool, equipment, machinery and raw material to be employed by an Export Promotion Industry as well as on the products of such industry. Provided that if, for any reason, any product of such industry is required to be sold within the country, tax, fee or charge thereof shall be required to be paid on the basis of the quantity of sale.

An industry will be entitled, for the purpose of the income tax to deduct the amount of expenses incurred by it for the long-term benefit provided to its workers and employees including housing, life insurance, health facilities, education and training.

The rate of customs to be levied on the basic raw materials which are not produced in Nepal and are required for the production of industrial machinery or of any other goods may not be more than the rate of import duty that may be levied on the import of industrial machinery or ready made goods as is produced with the use of such raw materials.

If an 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 will be allowed to be adjusted on the basis of the quantity utilized by the industry producing the finished goods. Provided that such a finished goods producing industry shall be required to have been registered for the purpose of excise duty.

Forest-based industry may be made available any forest on a leasehold basis.

No royalty shall be imposed if any industry generates electricity for its use.

Nepal Government may, by notification published in the Nepal Gazette, grant additional facilities to the Export Promotion Industry, and prescribed industries established in the Export Processing Zone and in the government or non-government industrial estate.

On the recommendation of and with the decision of the Council of Ministers, and by notification published in the Nepal Gazette, additional facilities may be granted to any National Priority Industry or any industry established in Nepal by the way of invention therein.

Cottage industries provided with additional facilities.

### Annexure 3

#### Cottage Industries

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, alcohol and beer producing industries, Handloom, Pedalloom, Semi-automatic loom. Warping, Dyeing and Printing, Tailoring (Other than Readymade Garments), Knitting, Handknitted Woollen Mat and Blanket (Radi, Pakhi), Woollen Carpet, Pashmina, Woollen Garments, Carpentry, Wooden Artistic Product, Cane and Bamboo Works, Natural Fibre Products, Handmade paper and Goods made up thereof. Gold, Philigiree 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 and cottage industries with the fixed asset of up to two hundred thousand rupees.

**Note :**

- i. Unless otherwise mentioned specifically, machines of the above mentioned industries should not employ through electric motors of diesel or petrol or crude oil engine more than a total of five kilowatt. Power looms shall not be included under Cottage Industries.
- ii. Permission shall be required for the establishment of mechanised woollen spinning and mechanised woollen carpet manufacturing.

**Industries Requiring Permission**

Industries producing explosives including arms, ammunition and gunpowder, security printing, bank notes and coin industries. 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.

**Annexure 4****National Priority Industries**

1. Agro and forestry-based industries.
2. Engineering industry (producing agricultural and industrial machine).
3. Industry manufacturing fuel saving or pollution control devices.
4. Solid waste processing industry.
5. Road, bridge, tunnel, ropeway and flying bridge constructing and operating industry, and trolley bus and tram manufacturing and operating industry.
6. Hospital and nursing home (only outside the Kathmandu valley).
7. Industries producing ayurvedic, homoeopathic and other traditional medicine, and industries producing crutch, 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.

**Annexure 5****Foreign Investment**

Permission will not be granted for foreign investment in the industries specified in Annexure 6 .

Rest of the industries a permission is required.

Foreign investments will be permitted up to 100 percent except the negative list.

Permission can be granted to use foreign technology in the industries specified in Annexure 6 .

Repatriation of capital & profits is allowed. - Priority will be given in supplying electricity to the industries.

No intervention will be made in fixing prices of the products of any industry.

Business visas shall be granted to foreign investors or their dependent family members or authorised representatives and their dependent family members to stay in the kingdom of Nepal so long as they maintain their foreign investment. Provided that a Foreign Investor, who makes a lump sum investment of at least US\$ 100,000, or an equivalent amount in any convertible foreign currency, and his dependent family members shall be granted residential visas so long as he maintains his investment.

**Annexure 6****List of Industries not to be Granted Permission for Making Foreign Investment**

**Clause (a)**

1. Cottage industries.
2. Personal service (such as hair-cutting, beauty parlour, tailoring and driving training etc.).
3. Arms and Ammunition industries.
4. Explosive, gunpowder.
5. Industries related to Radio active materials.
6. Real Estate business (except construction industries).
7. Motion picture business (produced in national languages and the language of the nation).
8. Security printing.
9. Currencies and coinage business.

**Clause (b)**

1. Retail business.
2. Travel agency.
3. Trekking agency.
4. Water rafting.
5. Pony trekking.
6. Horse-riding.
7. Cigarette, bidi (tobacco), Alcohol (excluding those exporting more than 90 percent).
8. Internal courier service.
9. Atomic energy.
10. Tourist lodging.
11. Poultry farming.
12. Fisheries.
13. Bee-keeping.
14. Consultancy services, such as management, accounting engineering and legal services.