



# THE NEPAL CHARTERED ACCOUNTANT



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## नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था

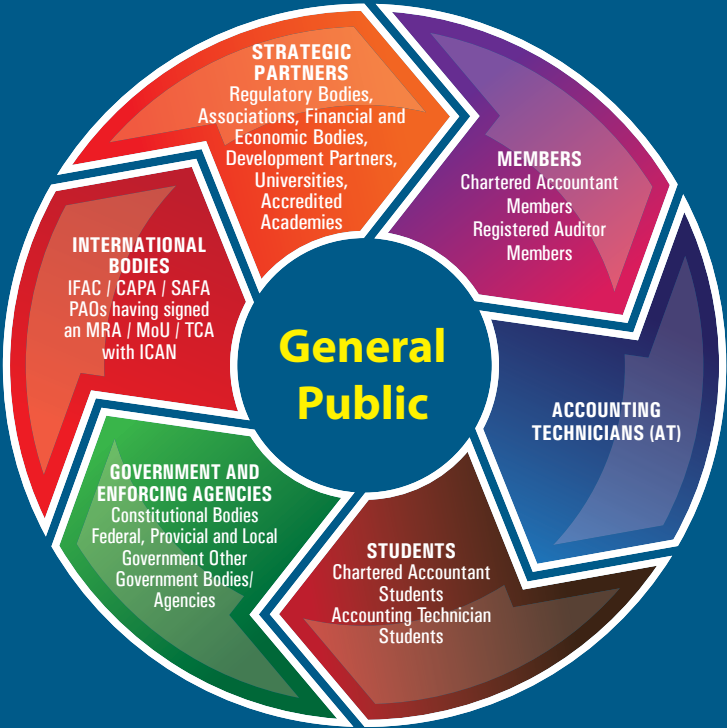
**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL**

Established under the Nepal Chartered Accountants Act, 1997

# Strategic Intent of the Strategic Plan



# Key Stakeholders of ICAN





# THE NEPAL CHARTERED ACCOUNTANT

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## About the Journal

The Nepal Chartered Accountant (ISSN 2961-1504 print and ISSN 3021-9302 online) is a peer reviewed Journal published quarterly on March, June, September and December every year. The Journal provides a forum to the members of the Institute, professors, professionals, researchers and others to present their original views, critical appraisals of contemporary issues, opinions and experiences on professional matters. The purpose of the Journal is to disseminate accounting, auditing, financial market and innovative information to enrich the knowledge to its members, students and stakeholders.

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## Insights on ICAN's New Chartered Accountancy Syllabus

Mandated by the Nepal Chartered Accountants Act of 1997, CA education has been a key strategic priority of ICAN since its inception. As ICAN is the member of the International Federation of Accountants (IFAC), compliance with Statement of Membership Obligation (SMO) is the responsibility of ICAN. Application of the International Education Standards (IESs) issued by IFAC for its members is a part of the SMO 2 - International Education Standards for Professional Accountants and Aspiring Professional Accountants. In this connection, the latest Five-year Strategic Plan (2024/25 – 2028/29) of the Institute envisages to launch new CA education curriculum in accordance with IES under the intent “Expanding Reach and Credibility of Accounting Profession”. The key motivation behind the new syllabus is to adhere to the requirements of IESs 1 to 7 and ensure the benchmarking with international qualifications to facilitate mutual recognition. Hence, the Institute launched a new Chartered Accountancy Syllabus on 13th May 2025 with effective from December 2025, December 2026 and June 2028 for the Foundation, Application and Advisory level respectively.

Routine upgrading of syllabus is vital to maintain the relevance of the profession and make it respectable and reliable. Over 28 years of its establishment, ICAN has regularly revised its CA education syllabus. After the initial enrollment for CA education in 1999 in ICAN, major updates on CA syllabus occurred in 2007, 2013 and 2016. The new syllabus has been prepared in technical consultation with The Institute of Chartered Accountants in England and Wales (ICAEW). Hence, the new syllabus ensures the benchmarking with international qualifications to facilitate the mutual recognition.

The new syllabus has integrated business, professional ethics, professional skepticism, sustainability, technology and Public Financial Management in all the levels as appropriate and it has been designed to focus on both academic and professional development

of the aspirants. Further, the new CA syllabus also achieves clear expression of purpose and identifies progression from one level to another measured in terms of skills and competencies via learning outcomes.

The new CA syllabus is structured into three levels: Foundation, Application and Advisory, totaling 16 papers over a four-and-a-half-year period. The Foundation level has 4 papers and takes 6 months; the Application level has 6 papers and takes 9 months whereas the Advisory level has 6 papers which spread across 3 years with articleship training period.

<sup>1</sup>The Institute has also issued the modality of new syllabus highlighting the rationale, key highlights of new syllabus, transition phase, switchover to new syllabus, level / subject exemption, enrollment criteria, registration validity, passing criteria and examination question pattern. Transition from existing to new syllabus has been defined whereby, the last examination under existing syllabus for CAP I, CAP II and CAP III level shall be held in December 2026, June 2028 and December 2030 respectively. High quality Learning Materials comprising of textbook, question bank and mock exams developed in technical collaboration with ICAEW in line with the new syllabus is expected to significantly enhance the overall quality of CA education imparted by the Institute.

ICAN has a vision to position itself as a leading professional accountancy body of global relevance, driving sustainable economic development and promoting financial transparency and good governance. And this initiative of the ICAN towards upgrading CA syllabus shall lead ICAN towards its vision. ICAN is working towards the development of professionals who can drive institutions, support national economy and uphold public trust. Switchover to new syllabus is really challenging and support of stakeholders is crucial. The Institute expects the support from all stakeholders for the successful implementation of this initiative of the Institute.

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<sup>1</sup> [https://en.ican.org.np/\\_browsable/file/general/Modality\\_of\\_New\\_CA\\_Syllabus\\_-\\_Website.pdf](https://en.ican.org.np/_browsable/file/general/Modality_of_New_CA_Syllabus_-_Website.pdf)



# President's Message



**CA. Prabin Kumar Jha**  
*President, ICAN*

## Dear Esteemed Professional Colleagues,

You may be aware that my one-year term as the President of the 10<sup>th</sup> Council (FY 2024/25) is about to end on 18<sup>th</sup> July 2025. I take this opportunity to share my last Communiqué before handing over the reins of Institute to the incoming President.

Reflecting on this meaningful journey, I am filled with a deep sense of gratitude. The unwavering support, resilience and commitment demonstrated by my fellow Council members and our valued members have been instrumental in navigating the challenges and driving our shared mission forward. I would also like to take this moment to reassure all members that the current Council comprises a team of highly motivated individuals with exceptional capabilities, energy, commitment, integrity and vision. I am confident that this team will continue to take our profession to even greater heights. It has been both a privilege and an honor to lead and be part of such a dedicated and forward-looking group.

My journey with the Institute began in 2003, when I became a member and embraced the accounting profession. Over the years, I have remained closely engaged with the Institute in various capacities continuously. I had the privilege of being elected as a Council Member for the first time in the 9<sup>th</sup> Council (FY 2021/22 to FY 2023/24), and in the final year of that term (FY 2023/24), I was

entrusted with the responsibility of serving as the Vice President. In 2024, I was re-elected to the 10<sup>th</sup> Council (FY 2024/25 to FY 2026/27), and with great humility, I accepted the honor of serving as the President during the first year of this term. After over two decades of service to the profession, it has been one of the greatest honors of my career to serve as the 28<sup>th</sup> President of our esteemed Institute. Representing this prestigious organization and serving its committed and vibrant membership has truly been a privilege I will always cherish.

We are pleased to present this edition as we approach the close of Fiscal Year 2024/25. I take this opportunity to share with you the progresses and key achievements made by the Institute during the period from April to June 2025, along with a few significant milestones accomplished during my tenure as the President. Below are some of the notable highlights:

One of the key milestones during this period has been the development of the Institute's Five-Year Strategic Plan for FY 2024/25 to FY 2028/29. This strategic roadmap outlines the Institute's operational priorities and future direction, categorized under the following four strategic intents:

## Strategic Intent 1: Expanding Reach and Credibility of Accounting Profession

During the period, the Institute issued several key regulatory and reference materials aimed at enhancing professional standards and practices. Notably, the first amendment to the Guidelines on Anti-Money Laundering and Counter Financing of Terrorism, 2078 (First Amendment, 2082) was published. Additionally, the Monitoring Bylaws, 2082 were introduced, repealing the earlier Monitoring Committee Bylaws, 2074. The First Amendment to the Guidelines on Marketing Professional Services, 2023 was also issued to align professional conduct with evolving practices. Furthermore, the Institute published two significant reference materials: the Information System Audit Manual, 2025 and the Internal Audit Manual, 2025, aimed at promoting uniformity and quality in information system audits and internal audits across the profession. Moreover, the Guidelines on Continuing Professional Education (CPE) have been revised to address the evolving situation. Further, the institute has also published format of financial statements for SMEs and other entities as a reference material.

Another significant achievement during the period was the launch of the new Chartered Accountancy syllabus on 13<sup>th</sup> May 2025. The revised curriculum will be implemented in phases—beginning with the Foundation Level from December 2025, followed by the Application Level from December 2026, and the Advisory Level

from June 2028. This new syllabus has been developed in technical collaboration with the Institute of Chartered Accountants in England and Wales (ICAEW), ensuring alignment with global standards and emerging professional needs. I am pleased to share that 1,009 students have enrolled in the first batch of the Foundation Level under the new syllabus for the December 2025 examination—an encouraging response that reflects growing confidence in our reforms.

In addition, the Institute introduced updated syllabus for the 60-hour and 40-hour Information Technology (IT) training programs. The revised 60-hour IT training is applicable to students registered for the June 2025 CA examination, while the updated 40-hour training applies to students appearing in the December 2025 examination.

I am also pleased to share the outstanding achievements of our students at the SAFA Quiz and Public Speaking Contest 2024, hosted by CA Sri Lanka in Colombo on 30<sup>th</sup> April 2025. The two students nominated by ICAN proudly secured the Championship Title in the SAFA Quiz Contest 2024, while another student achieved the position of Second Runner-Up in the SAFA Public Speaking Contest 2024. My heartfelt congratulations to these students for their exceptional accomplishments and for making ICAN proud. In addition, ICAN also facilitated the participation of three students in the 39<sup>th</sup> International CA Students' Conference, held in Colombo on 29<sup>th</sup> April 2025, further enhancing their exposure and learning at an international platform.

During this period, the Institute awarded scholarships for FY 2024/25 to a total of 229 students across various levels. To support academic success, ICAN introduced a Pre-Examination Preparation Test system for CAP-II and CAP-III level students appearing in the June 2025 CA Examination, offering them an opportunity to take mock exams in a simulated environment. The CA Examination and CA Membership Examination for ACCA, June 2025 session, were conducted in the Kathmandu Valley and across six additional locations outside the Valley. Out of 6,353 registered candidates, a total of 5,774 students appeared in the examinations. Similarly, the Institute also conducted the Registered Auditor Upgrading Examination for June 2025. Furthermore, the results of the Accounting Technician (AT) and CA Membership Examinations held in March 2025 were published, with 1 candidate qualifying under the AT category and 43 candidates qualifying for CA Membership, respectively.

## Strategic Intent 2: Engaging Members and Collaboration with Stakeholders

In line with its objective to unite the voice of accounting professionals from across the nation and to gather valuable insights on contemporary issues, the Institute successfully organized the 4<sup>th</sup> National Convention of Accounting Professionals on the theme “Transforming Economies

Through Modernizing Tax and Public Financial Management (PFM).” The convention was honored by the esteemed presence of Hon’ble Deputy Prime Minister and Finance Minister, Mr. Bishnu Prasad Paudel, as the Chief Guest, and SAFA President, Mr. Ashfaq Yousuf Tola, as the Special Guest and key note speaker, along with several other national and international dignitaries.

Spanning two days, the convention featured seven sessions and drew the participation of 1,044 delegates. I firmly believe that this convention underscored the growing relevance of the Institute and its members in the areas of Taxation and Public Financial Management, while reinforcing ICAN’s role as a thought leader among key stakeholders.

As part of the budget formulation process for FY 2025/26, a delegation led by me presented ICAN’s recommendations for reform in the Government’s tax policy to the Hon’ble Finance Minister. Following the unveiling of the national budget, the Institute promptly issued key highlights of the Federal Budget 2025/26 along with a synopsis of the Finance Bill, 2025 to inform stakeholders. Furthermore, the Institute organized post-budget interaction programs in Kathmandu, Butwal, and Birgunj to discuss the rationale behind the budget and its anticipated impact across various sectors of the economy.

My heartfelt thanks to all the members who actively participated and provided valuable inputs to the Task Force on Tax Policy Reform, led by the Vice President. Your contributions have been instrumental in shaping the Institute’s recommendations for reforming the Government’s tax policy.

During the period, the Institute organized three online post-qualification courses to support the continuous development of its members. The Forensic Audit and Fraud Detection (FAFD) course and the Information System Audit (ISA 3.0) course were conducted in technical collaboration with the Institute of Chartered Accountants of India (ICAI). Additionally, the Public Financial Management (PFM) course was independently organized by the Institute. The examination and results of the 2<sup>nd</sup> batch of the PFM certification course were also published during this period.

Moreover, the Institute continued to deliver its regular Continuing Professional Education (CPE) training programs and Member Capacity Development Trainings across the country, reinforcing its commitment to professional excellence and lifelong learning.

## Strategic Intent 3: Expanding Role as Government’s Partner for Economic Prosperity and Elevating Global Standing

In a landmark step toward strengthening Public Financial Management (PFM) in government organizations,



ICAN signed a Memorandum of Understanding (MoU) with the Financial Comptroller General Office (FCGO) on 5<sup>th</sup> May 2025 at the FCGO office. The MoU aims to establish a framework for collaboration on matters related to PFM and associated initiatives. I believe this agreement provides a formal foundation for sustained cooperation with FCGO and other government departments, enabling ICAN to contribute meaningfully to reforms and improvements in the public sector. This strategic partnership reflects the Institute's strong commitment to working closely with the government to enhance transparency, accountability, and efficiency in public financial management.

The Institute also organized an interaction program on "Proposed Format on Financial Statement and Disclosure Requirements of Cooperative Organization" with stakeholders at ICAN head office. Likewise, a delegation led by me comprising of Council Members and Past-President attended an interaction program organized by the Office of Auditor General Nepal (OAG) in their premise in context of finalization of Auditor General's 62nd Annual Report before submitting to the President.

In the international front, we actively participated in SAFA, CAPA and IFAC meeting/programs through physical and virtual mode. The Institute also hosted 86<sup>th</sup> SAFA Committee Meeting along with various SAFA Committee meetings in Kathmandu on 7<sup>th</sup> April 2025. I also attended Confederation of Asian and Pacific Accountants (CAPA) Annual General Meeting (AGM) hosted by the CAPA Secretariat virtually on 26<sup>th</sup> June 2025.

### Strategic Intent 4: Ensuring Operational Resilience and Sustainability

Recognizing the need to ensure the Institute's continued operational sustainability, the Council has decided to implement a revision in membership and student fees effective from FY 2025/26. This adjustment comes after a decade without any change in the fee structure. The Institute has also continued to prioritize staff training and development, organizing regular capacity-building programs to enhance institutional efficiency and service delivery.

### Closing Remarks

During my tenure, we made sincere efforts to deliver to the best of our abilities and to give momentum to the Institute's activities, though I acknowledge that much more remains to be achieved.

Several important initiatives are currently in the pipeline. These include, among many others, drafting process for the amendment of the Nepal Chartered Accountants Act, study to explore the possibilities of encourage practitioners to forge into partnerships so as face the constantly evolving challenges of the accounting profession, revision

in syllabus and course modality of Accounting Technician (AT) course and working towards recognition of ATs so as to address the vast demand of mid-level accounting manpower in the business field.

I remain hopeful that the new leadership will carry forward these initiatives and continue the progress towards strengthening the Institute in the days to come.

I feel privileged to congratulate and welcome 208 newly inducted members who were granted membership and 51 members who were upgraded to Fellowship during this fiscal year (upto June 2025). I also humbly request all members to regularly visit the Institute's official website, where all notifications, announcements, and updates are published. Staying informed through the website will help members remain updated on important developments and opportunities related to the Institute.

### Thanking Remarks

I would like to take this opportunity to thank all council colleagues for their all-time support for the cause of the profession and I am also grateful to the Past Presidents of the Institute for their guidance, suggestions and interventions on the institutional and professional matters. I am particularly thankful to CA. Nil Bahadur Saru Magar, Vice President for supporting me and working hand to hand in fulfilling my responsibilities in the capacity of President.

I would like to express my gratitude to each member of the Institute, Government authorities, stakeholders, entire staff, students and all those who have been part of my reformatory journey. I assure you all that I shall remain dedicated to the enhancement of our profession and keep contributing to its cause as a proactive member.

Before concluding my thoughts, I wish to congratulate the Editorial Board and support staff of Journal for all their commitments and achievements. And also express my heartfelt gratitude to all our contributors.

I appreciate the untiring efforts of the management team led by Executive Directors, CA. Sanjay Kumar Sinha and CA Surendra Bhusan Shrestha for smooth operation of Institute. I would also like to recognize Mr. Binod Prasad Neupane and CA. Kiran Kumar Khatri for their support during my tenure while serving as the Acting Executive Director. I also welcome CA. Bimal Dangol, who has assumed the role of the Executive Director of ICAN from 8<sup>th</sup> July 2025, I have pretty confident that that his long professional experience will be helpful for running the affairs of the Institute efficiently. And I urge all of you to actively participate in the initiatives of the Institute that lie ahead.

Best Wishes,

**CA. Prabin Kumar Jha,**  
President, ICAN

## आ.व.२०८२/८३ को सदस्यता, पेशागत प्रमाणपत्र तथा लेखा व्यवसायी फर्म नवीकरण गर्ने सम्बन्धी सूचना

यस संस्थाका सदस्यहरूलाई समयमै आफ्नो सदस्यता, पेशागत प्रमाणपत्र तथा लेखाव्यवसायी फर्मको नवीकरण गर्नुहुन यसै सूचना मार्फत सूचित गरिन्छ। नेपाल चार्टर्ड एकाउन्टेन्ट्स नियमवाली, २०६१ अनुसार नवीकरण सम्बन्धी व्यवस्था निम्नानुसारको रहेको व्यहोरा सम्पूर्ण सदस्यहरूको जानकारीको लागि यो सूचना प्रकाशित गरिएको छ।

नियम	नवीकरणको समयावधि	अतिरिक्त शुल्क सम्बन्धी व्यवस्था
४६(१), ५०(२), ५९(३)	आर्थिक वर्ष शुरु भएको मितिले ६० दिन भित्र	कुनै अतिरिक्त शुल्क नलामे
४६(२), ५०(३), ५९(४)	आर्थिक वर्ष शुरु भएको मितिले ६१ दिन देखि १२० दिन सम्म	१५ प्रतिशत अतिरिक्त शुल्क लामे
४६(२), ५०(३), ५९(४)	आर्थिक वर्ष शुरु भएको मितिले १२१ दिन देखि १८० दिन सम्म	२५ प्रतिशत अतिरिक्त शुल्क लामे
४६(३), ५०(४), ५९(५)	आर्थिक वर्ष शुरु भएको मितिले १८० दिन पछि	सदस्यको सदस्यता, पेशागत प्रमाणपत्र तथा लेखाव्यवसायी संस्थाको दर्ता प्रमाणपत्र स्वतः रद्द हुनेछ

### नवीकरणको लागि अन्य आवश्यक जानकारी निम्नानुसार रहेको छ :

- स्वदेश तथा विदेशमा रहनुभएका सदस्यहरूले संस्थाको Website मा रहेको Member Login Portal भित्र गई Online Renewal गर्दा E-sewa, Connect IPS र कार्डबाट भुक्तानी गरी नवीकरण गर्न सकिनेछ।
- सि.पि.ई. तालिम सम्बन्धी व्यवस्था निम्नानुसार रहेको छ :

सदस्यको वर्गीकरण	प्रत्येक वर्ष चाहिने न्यूनतम सि.पि.ई. क्रेडिट आवर		तीन वर्षमा चाहिने न्यूनतम सि.पि.ई. क्रेडिट आवर	
	सदस्यता नवीकरण गर्न	पेशागत प्रमाणपत्र नवीकरण गर्न	सदस्यता नवीकरण गर्न	पेशागत प्रमाणपत्र नवीकरण गर्न
चार्टर्ड एकाउन्टेन्ट, 'ख' र 'ग' वर्गका दर्तावाला लेखापरीक्षक	१५	३०	६०	१२०
'घ' वर्गका दर्तावाला लेखापरीक्षक	१५	२०	६०	९०

- पेशागत प्रमाणपत्र नवीकरण गर्न Biometric विवरण अनिवार्य रुपमा अद्यावधिक गरेको हुनुपर्ने र सदस्यता नवीकरण गर्न Biometric विवरण अद्यावधिक गर्न ऐच्छिक मात्र रहेको छ। साथै, पहिले Biometric विवरण अद्यावधिक गरिसकेका सदस्यहरूले पुनः Biometric विवरण अद्यावधिक गर्नु पर्ने छैन।
- पेशागत प्रमाणपत्र, लेखा व्यवसायी फर्म, शाखा कार्यालय तथा विदेशको लेखा व्यवसायी संस्था वा सोको सञ्जालसँगको वार्षिक आवद्धता नवीकरण गर्न निम्न व्यवस्था रहेको छ :
  - पेशागत प्रमाणपत्र र लेखा व्यवसायी फर्म नवीकरण गर्न लेखा व्यवसायी फर्म (एकल तथा साभेदारी) को आ.व. २०८०/८१ को कर चुक्ता प्रमाणपत्र अनिवार्य रुपमा पेश गर्नु पर्नेछ।
  - आ.व. २०८१/८२ मा दर्ता भएका नयां लेखाव्यवसायी फर्मको हकमा स्थायी लेखा नम्बरको प्रमाणपत्रको प्रतिलिपी पेश गर्नु पर्नेछ।
  - शाखा कार्यालय भएका लेखाव्यवसायी फर्मले आ.व. २०८२/८३ बाट प्रति शाखा रु २,००० का दरले शाखा कार्यालयको नवीकरण दस्तुर तिर्नु पर्नेछ।
  - विदेशको लेखा व्यवसायी संस्था वा सोको सञ्जालको स्वामित्व राख्ने संस्थाको सदस्यता प्राप्त गरेका लेखाव्यवसायी संस्थाले वार्षिक आवद्धता नवीकरण गर्न उक्त विदेशको लेखा व्यवसायी संस्था वा सोको सञ्जालसँगको आवद्धता नवीकरण भएको प्रमाण संस्थामा पेश गरी रु २५,००० शुल्क तिरी वार्षिक आवद्धता नवीकरण गर्नु पर्नेछ।
- सम्पूर्ण सदस्यहरूले नवीकरण गर्नुभन्दा अगाडि अनिवार्य रुपमा आफ्नो Know Your Member (KYM) अद्यावधिक गर्नु पर्नेछ।
- लेखा प्राविधिकहरूले संस्थाको प्रधान कार्यालय वा शाखा कार्यालयबाट अनुमतिपत्र नवीकरण गर्नु पर्नेछ।

यस सम्बन्धी आवश्यक जानकारीको लागि ईमेल [member@ican.org.np](mailto:member@ican.org.np) वा सम्पर्क नं ५४३०८३२ र ५४३०७३० Ext २०२/२१२/२१३ र संस्थाको शाखा कार्यालयहरूमा सम्पर्क गर्न सकिनेछ।



# Roles and Responsibilities of Local Level Leadership in Public Financial Management



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## Background

The Local Government Operation Act, 2017 has been enacted to implement the provisions related to local level government to ensure the delivery of quality public services through coordination among federal, provincial and local levels, to institutionalize legislative, executive and judicial practices at the local level, and to strengthen democracy from the grassroots level. The Intergovernmental Fiscal Arrangement Act, 2017 appears to have been formulated to make legal provisions for the revenue rights, revenue allocation, grants, loans, budget management, and financial discipline of all three tiers of government including the local levels. The Financial Procedures and Fiscal Accountability Act, 2019 and related regulations have been formulated to regularize and systematize the financial procedures to operate and manage the funds. As per these legal provisions, the activities of PFM cycle such as planning and budget formulation, disbursement, incurring expenditure, accounting and reporting of financial transactions, internal control, auditing, and other financial activities are regulated. The Audit Act, 2019 provides legal provisions regarding auditing. This article discusses the role and responsibility of local level leadership in public financial management, primarily focusing on the issues covered by these legal provisions.

## Legal and Structural Arrangements of Local Level

Regarding the role and duties of local levels, Constitution of Nepal, Article 214 states, the executive power of local level shall be vested in the Village or Municipal Executive. According to Article 221, the legislative powers shall be vested in the Village and Municipal Assemblies. Articles 228, 229, and 230 state the provisions relating to the local financial procedures. Schedule 8 of the Constitution provides a list of powers of local level including tax duties, development projects, education and senior citizens, and Schedule 9 contains the list of concurrent powers of the 3 tiers of government including Local level. According to Section 102 of the Local Government Operation Act (LGOA), 2017, local levels can make rules, directives, procedures, and standards. In this context, according to the Local Government Operation Act, 2017, local levels leaders have the power to provide general direction, control, and operation of the governance system at the local level.

Currently, there are 753 local levels in Nepal, out of which there are 6 Metropolitan Cities, 11 Sub-Metropolitan Cities, 276 Municipalities and 460 Rural Municipalities based on the number, boundaries, population, geography, administrative convenience, infrastructure development status, economic capacity, availability of natural resources and linguistic-cultural and community structure. The Local Government Operation Act, 2017 provides that 5 to 15 wards in a Rural Municipality and 9 to 35 wards in a Municipality shall be constituted. In this context, considering the provision of elected leadership in each local level from ward level to Mayor and Chairperson, almost 36 thousand representatives are working in the country. Their roles and responsibilities to establish sound public financial management is critical.

Reviewing the functions, duties and powers seems adequate to local level leadership to carry out their operations independently although local level has to depend on central government for financial support. The local level representatives and the officials or employees of the local level governments are the center pillar to discharge the functions of local level entrusted

by the constitution and legal provision. However, some improvement is needed in the context of planning, budgeting, service delivery, financial management, procurement management, revenue management, assets Management etc. as indicated in the Auditor General's reports.

## Local Level Public Financial Management

Local Level Public Financial Management (PFM) refers to the system by which local governments—such as municipalities and rural municipalities—plan, mobilize, allocate, spend, and account for public resources. It plays a critical role in ensuring that local development priorities are addressed effectively and that public funds are used efficiently. The PFM process includes key stages such as participatory planning, budget formulation, revenue mobilization (through local taxes, fees, and intergovernmental transfers), expenditure control, procurement, accounting, financial reporting, and audit.

A sound local PFM system promotes transparency, accountability, and good governance. It helps to deliver quality services, build public trust, and ensure financial discipline by minimizing misuse of funds and responding to audit recommendations. When properly implemented, local PFM strengthens democratic practices by involving citizens in planning and oversight processes such as public hearings and social audits, ultimately supporting sustainable and inclusive development at the grassroots level.

## Role and Responsibilities of Local Leadership in PFM

It is assumed that leader of local bodies are the pillars of development and Nepal. During the Maoist insurgency for a long period in the past development activity was almost halted due to leadership vacant in local level. However, after the promulgation of the new constitution, the election of local bodies was held and development activities have taken momentum with the active involvement of elected representatives.

Local level leaders such as Mayors, Deputy Mayors, Chairperson and Vice-Chairperson, Ward Chairperson, members of the Local level Executive and local level assembly are primarily responsible for maintaining financial discipline. There are other various stakeholders of PFM system that include state and non-state actors such as the general people, political parties, civil society, media etc. These stakeholders are directly or indirectly engaged in the PFM cycle that

contributes in effective use of public resources and helps to maintain accountability.

The Local leader plays a vital role in designing and implementing the PFM system. Their roles and responsibilities include setting priorities, formulating plans, framing annual policies and programs, preparing legislation, determining guiding policies, and collaborating with stakeholders at local level. Leaders of local level have also played an important role in promoting transparency and accountability in the mobilization of resources. In addition, they are responsible for ensuring the proper and effective use of public resources in service delivery and uplifting the life of the local community. It is the vital responsibility of local leaders to operate the development activities for the benefit of people by utilizing scarce resources in a transparent and accountable manner. The major concern of local people is to get quality service delivery which is the responsibility of local level government. In this context, service delivery should be the top priority of the local representatives. Local leaders can act as facilitators in bringing the stakeholders together by collaborating with them on the matters of community development, service delivery and local needs.

It is the responsibility of local governments to provide goods and services for their citizens in an efficient and effective manner. In this context, public financial management remains at the center for the socio-economic system of the country. PFM is practiced by the government entities which are anchored on legal and institutional frameworks. The local level leadership has a crucial role in PFM including formulation and preparation of the budget, budget execution and expenditure management, internal controls and audit, procurement, monitoring and reporting arrangements, and external oversight and audit. In most of the local levels there have their own Financial Procedure Acts and rules thereof that covers the entire PFM cycle. PFM-related main role and responsibilities of local level leaders are given as follows:

- **Setting Priorities and Formulating Development Plan:** In Public Financial Management (PFM), budget formulation is a core activity that involves formulation of development plans in line with set priorities. Local leadership is crucial in this process, responsible for crafting demand and priority-driven plans, estimating financial resources, and ensuring their efficient allocation and management. Their role extends to fostering participatory development, overseeing construction projects, and instilling a sense of community ownership. Therefore, local leaders



are crucial in devising economic strategies and determining priorities for social and economic development initiatives within their communities.

- **Budgeting:** The local leaders are involved in the budgeting process that starts from ward level meeting to align with the community priorities considering the availability of resources. Local level leadership engages communities to identify and prioritize development needs through ward-level consultations. They lead annual planning process and oversee the preparation of the annual program and budget in line with the local development plan and Medium-Term Expenditure Framework (MTEF). Inclusivity is ensured by promote participatory planning that includes involvement of marginalized groups, women, and disadvantaged communities. The main role of local level leadership is to approve budget within the fiscal calendar, which is presented as a budget proposal to the local level assembly.
- **Revenue Mobilization:** Local level leader helps to enhance local revenue sources. They develop policies and laws to improve the collection of local taxes, fees, charges, and service-based revenues. The implementation of revenue related laws such as property tax, business tax, and vehicle tax are monitored by local level leader to ensure effective enforcement. They also facilitate timely coordination with federal and provincial governments for intergovernmental fiscal transfers and conditional grants.
- **Expenditure Management:** Local level leader specially Mayor or Chairperson authorize to incur expenditure. They also monitor expenditures as per the budget plan and ensure the alignment with procurement laws and financial procedures. The local level leaders oversee the implementation of infrastructure and service delivery projects to ensure quality and timely completion.
- **Procurement:** Procurement is one of the major areas of PFM where a substantial budget is allocated to most of the local governments. The procurement process is a complex system. So local leaders should be vigilant in the procurement process to ensure transparency, fairness and efficiency to achieve value for money. The local level leaders are responsible for framing procurement regulation in line with Public Procurement Act and supervise the procurement process to prevent corruption and favoritism.
- **Monitoring and Evaluation:** Local level leaderships are responsible for monitoring, evaluation and regular tracking of the budget execution. They assess whether public spending is effectively contributing to community development and service delivery or not. Based on these evaluations, they take necessary corrective actions to improve performance and ensure better outcomes. As per the legal arrangement a monitoring committee is constituted in each local level under the chairmanship of Deputy Mayor or Vice-chairperson, which has specific roles and responsibility to monitor all projects and program before making payment.
- **Citizen Engagement and Social Accountability:** Local level leaders facilitate and organize public hearings and social audits to receive feedback on financial and program performance. They involve citizens in budget discussions and service monitoring to promote civic participation that promote sound public financial management.
- **Audit and Accountability:** Local level leaders play a vital role in promoting audit and accountability by supporting both internal and external audit processes. They ensure timely internal audits and actively cooperate with the Office of the Auditor General during external audits. Additionally, they are responsible for addressing audit findings by taking corrective actions to resolve any identified irregularities. To uphold transparency and build public trust, local leaders also ensure that financial reports and audit summaries are made accessible to the public. As per legal provision, the account committee is constituted involving the member of the local level assembly to review and settle audit observations reported by the external auditor.

Local level leaders are pivotal to ensure that public funds are used effectively, transparently, and in ways that directly benefit their communities. Many of them are involved in the committee such as good governance committee, the financial committee and account committee etc. Their proactive engagement in each stage of the PFM cycle contributes to good governance and improved public service delivery.

## Status of Discharging the Roles and Responsibility by Local Leaderships

Since the implementation of federalism in Nepal, local level leadership has gained significant constitutional and legal authority to manage public finance including

planning, budgeting, executing, monitoring. The Local Government Operation Act, 2017 and the Constitution of Nepal provide a strong legal foundation for these roles. However, the extent to which these roles and responsibilities are being effectively discharged varies across local levels, and several key observations can be made:

#### a. Strengths and Achievements

- **Improved Service Delivery and Development:** In many areas, local leaders have played a proactive role in prioritizing the resources and improving basic services such as education, health, drinking water, and local infrastructure.
- **Participatory Planning:** Local level leaders have increasingly encouraging participatory planning and budgeting practices, engaging citizens through ward-level consultations and public hearings.
- **Enhanced Local Revenue Mobilization:** Some local level leaders have made commendable efforts in mobilizing local taxes, fees, and charges, thereby increasing their financial independence.
- **Inclusiveness:** Local leadership has ensured representation of women, Dalits, and marginalized groups in financial management.
- **Monitoring:** The monitoring roles played by local leader is praiseworthy. Their activeness in oversight function has enhanced the efficiency and effectiveness in resource utilization.

#### b. Challenges and Gaps

Local level leaders in Nepal have made important strides in delivering on their responsibilities since the implementation of federalism. However, the public financial management of local level government has not been improved, which can be noted from the Auditor General in his 62<sup>nd</sup> Annual Report related to fiscal year 2023/24. The report has highlighted that internal audit has not been conducted in 327 local levels government, bank account un-reconciled and understated by Rs. 326.6 million in 66 local level, periodic plans were not prepared in majority of local level, annual plan and budget was not passed by 55 local level. Such issues are not appropriate considering the principle of accountability. Likewise, Mid-term expenditure framework in various local level was

not prepared, Virement made by 116 local level contravening the Local Government Operation Act, substantial amount by 315 local level under unallocated heading, direct procurement worth Rs 7 billion made by 557 local level, revenue of Rs.426.3 million found recoverable in 87 local level, overpayment of Rs 424.97 million made by 471 local level. It is a matter of concern that irregularities in local level are increasing every year although the size of the budget is also increasing. Many of the audit irregularities are repetitive nature and settlement of irregularity is not satisfactory.

These are some instances that the local level leadership are not performing their roles and responsibility properly. In this context, the role of local level elected representatives becomes crucial to maintain financial discipline through oversight and timely monitoring of the activities conducted by the local level. The causes of gaps in discharging roles and responsibility by local level leadership are given as follows.

- **Capacity Constraints:** Many local leaders lack technical and administrative capacity, particularly in areas such as financial management, procurement, and project monitoring.
- **Political Interference:** Excessive politicization of local governance often hinders fair decision-making and accountability. Sometimes development priorities are set based on their political interests rather than community needs.
- **Weak Implementation of Plans:** Although plans are often well-prepared, implementation remains weak due to delays in budget release, lack of skilled manpower, and poor coordination among stakeholders.
- **Lack of Accountability:** Audit reports from the Office of the Auditor General have repeatedly highlighted financial irregularities at the local level, indicating gaps in compliance, transparency, and internal control systems. The role of local leadership in irregularity clearance is vital. However, they are not focusing on this matter.
- **Limited Use of Technology:** Digital systems like the revenue model of Subnational Treasury Regulatory Application (SuTRA) are not fully utilized across all local governments, leading to inefficiencies in





financial reporting and transparency. The local level leader are unable to encourage in using technology.

## Way forward

Primarily the local level governments have the responsibility for social development and public service delivery within their jurisdiction. The local leadership could be catalytic for financial discipline. It is necessary to ensure that local leaders can fully and responsibly discharge their constitutional and legal roles in the spirit of federalism and inclusive development. The following are key areas where local level leadership can enhance the effectiveness of their roles and responsibilities to establish sound public financial management.

- **Coordination and cooperation-** While implementing federalism, local Levels leadership should work in coordination and cooperation with each other. Coordination and cooperation should be made effective through the Provincial Coordination Council. Coordination and cooperation should be maintained among all 3 tiers of government including Local levels on matters of common powers conferred by the Constitution in PFM specially revenue mobilization and setting plan and program.
- **Audit and Accountability-** Audit should be conducted and report should be implemented in a timely manner to establish sound financial management and fiscal discipline., In this regard, the local leadership should work responsibly and accountably. The account committee and local level assembly should be vigilant to discuss the issues raised in audit and action should be taken against the responsible officials who fail to submit accounts for audits. Leadership should regularly monitor and evaluate the work done by the concerned officials and establish system of reward and punishment.
- **Procurement and Contract Management-** Local leadership should play a crucial role in effective procurement management by allocating resources in comprehensive training and capacity building programs, establishing clear legislation, guidelines and standardized procedures for procurement, promoting a culture of accountability and transparency in procurement, monitoring the procurement activities. Such roles of local leadership will contribute to improve public financial management.
- **Revenue Management** – The local leadership should improve revenue management of local level government by determining prudent fiscal policies, and determining effective revenue administration, promoting transparency and accountability to build public trust and encourage compliance, leveraging digital tools for efficient tax collection and record-keeping, and strengthening community engagement to identify and tap into local revenue sources, that ultimately contribute for sound public financial management.
- **Prepare Project Bank and Prioritize Plans** - Planning and budgeting is the crucial steps in public financial management. The local leadership should set priority to large and production-oriented projects that increase the long-term income level of the people, and fragmented and distribution-oriented programs should be discouraged. Local level leader should be vigilant to formulate plans and programs in such a way that there is no duplication of work among 3 tiers of government. Periodic plans, medium-term expenditure and budget should be coordinated and programs should be conducted. Leadership should be aware to prepare project bank and only feasible projects are to be selected from project bank to include in the budget. Leadership should strictly follow the budget principles to maintain budget discipline, which is the burning problems prevalent in the local level government.
- **Promote Good Governance-** Local leadership should promote legal compliance to maintain fiscal discipline, financial accountability and transparency. The governance committee constituted in local level should play vital role to promote good governance in local level by formulating appropriate laws, system and practices.
- **Monitoring and Evaluation-** Local leadership should strengthen monitoring and evaluation (M&E) to establish sound public financial management in local level government by empowering the capacity of monitoring and evaluation committee with the necessary knowledge and skills, emphasizing participatory M&E approaches that actively involve community members, establishing clear reporting mechanisms and feedback loops from the grassroots to leadership levels, regular dissemination of M&E findings to all stakeholders and adopting result based monitoring strategy.

## Conclusion

Citizen elects their representatives to govern and manage local bodies. It is worth noting that the Local leaders play a crucial role in laying a foundation for accountability, ensuring quality of service delivery and promoting the responsible use of public money. It is the duty of local representatives to establish the function of public financial management in the local government. The functions of public financial management include planning budgeting, resource mobilization, expenditure management, recording, reporting, audit and oversight. There are several legislations in every local level necessary to carryout their operations including PFM. The local leadership must consistently focus on making progress in line with established indicators of financial discipline. In this regard, local leadership including Mayors and deputy Mayors, Chairperson and Vice-chairperson, ward chairperson, representative of local level assembly can help improvement pathways to establish sound public financial management by formulating legislation, system and guidelines with strong monitoring evaluation mechanisms.

Considering the number of complaints filed in the Commission for Investigation of Abuse of Authority and the matters pointed out in the Auditor General's annual report, the public financial management at the local level is not satisfactory condition. Audit observations raised by them should be cleared / settled in the timeframe specified by the Financial Procedure and Accountability Act. According to the annual report of the Auditor General, in the fiscal year 2080/81, the irregularity percentage in local level is 2.23 compared to the audit amount. The updated cumulative Irregularity of 753 local levels is seen to be 209 billion 289 million rupees. This is 28.54 percent compared to the total updated cumulative irregularity amount. These are the indication of poor financial governance. The local level leaderships are also responsible for such a situation.

The leadership of the local level has to perform duties and responsibilities in accordance with the legal, social and ethical values. Achieving and strengthening good governance requires strong coordination, cooperation, and proactive engagement in fulfilling these obligations. The focus of public financial management is to provide services to the people by optimizing the use of public resources. In this connection, the role of local level government is crucial for establishing sound financial management. It can be achieved by improving legislation, complying with the existing legal provision, enhancing capacity of local leadership, reducing political interference and strengthening accountability ecosystem.

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# Innovative Public Financial Management Through Digital Transformation: Nepal in the Global Context



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## 1. Background

The management of public finances is a central pillar of effective governance and sustainable development. In the past decade, the rapid advancement of digital technologies has begun to reshape the landscape of public financial management (PFM). Governments around the world are increasingly turning to digital solutions not only to streamline their financial operations but also to enhance transparency, accountability, and citizens' engagement. However, the journey towards fully digital PFM is complex, with both significant opportunities and formidable challenges.

PFM comprises the systems, rules, processes, and institutions that guide how governments raise revenue, allocate resources, spend funds, maintain accounts, conduct audit and ensure financial accountability. Traditionally, these functions have relied on paper-based processes, scattered information systems and manual interventions. As a result, inefficiencies, errors, and opportunities for corruption have persisted, limiting the effectiveness of public service delivery to the citizenry. This article provides a study of the digital transformation in PFM system. It synthesizes global and regional trends, and Nepal's own journey at this end. The discussion covers the rationale for digitalization, its impact on efficiency and transparency in fiscal governance, the practicalities of implementation and way forward.

## 2. The Rationale for Digitalizing PFM

The transformation of PFM is not a luxury but a necessity. Governments today operate in an environment of complex public demands, resource constraints and the need for transparency and accountability in its functions. Digital technology enables high-quality financial management systems to make more efficient, transparent, accountable and accurate which are the attributes for good governance.

The importance of digitalization lies in its ability to address the challenges in PFM. Digital tools strengthen the entire public financial ecosystem by ensuring timely flow of funds, preventing leakages, detecting fraud, and enabling evidence-based decision-making. Equally important is their role in promoting inclusiveness by ensuring that subsidies, payments, and services reach the right people at the right time. Other key benefits of PFM digitalization are given below: PFM is so crucial that the tax-paying citizens expect their public finances to be well-managed by the political players.

**a) Enhancing Efficiency and Effectiveness:** Digital PFM systems significantly improve the efficiency of public financial operations. Automation reduces manual errors, saves transaction processing time and enables real-time reporting. For example, treasury single account optimizes cash management, preventing fund shortages and ensuring timely disbursements. E-procurement platforms speed up project execution by streamlining tendering and contract management, which supports to reduce the collusion.

In the context of Nepal, it has shown that the speed of processing financial transactions in digitalized public sectors has reduced the financial reporting time. The Financial Comptroller General Office (FCGO) has initiated the practice of real-time reporting of revenue and expenditure of the government. Automation tools and digital platforms have reduced the time required for financial reporting and FCGO is submitting consolidated financial statement of three tier of

government within the deadline stipulated in the Financial Procedure and Fiscal Accountability Act after the application of digital system.

**b) Promoting Transparency and Accountability:**

Transparency is a cornerstone of good governance. Digital PFM makes financial data accessible, comparable, traceable, and auditable, that promote transparency and accountability. Open data initiatives, digital dashboards, and blockchain provide citizens and oversight bodies with real-time insights into budget execution, revenue mobilization, procurement and expenditure patterns. Thus, digital PFM has significantly enhanced the transparency of financial transactions and eventually promote accountability.

Currently, transparency levels over the government financial performance have elevated with the adoption of digital technologies. This has helped public access to financial documents and data as well as reduce irregularities and enable independent verification and monitoring.

**c) Strengthening Participation and Citizen Engagement:**

Digital PFM platforms facilitate two-way communication between governments and citizens. Online portals, feedback mechanisms, chatbots and participatory budget formulation and monitoring tools enable citizens to provide input in budget formulation and monitor public spending and hold authorities accountable. The publication of financial information in open format strengthens the citizen engagement and fosters an inclusive approach to governance.

**d) Combating Corruption:**

The digital PFM automatizes processes and maintain digital audit trails that reduces opportunities for corruption and manipulation. Faceless audit and paperless accounting limit discretionary interventions, while real-time monitoring allows for timely detection of irregularities. The ICT system creates robust internal control environment and a significant reduction in corruption risks.

**d) Ensuring Compliance and Rule of Law:**

The integration of ICT into PFM procedures strengthens the legal compliance. Some laws, such as Public Procurement Act, Income Tax and Value Added Tax Act can only be implemented through electronic government procurement (eGP) or digital tax systems. Digital systems also facilitate property and assets recording and tracking for tax assessment, supporting the enforcement of financial regulations and so on.

**e) Improving Revenue Collection:** In case of revenue collection, digital tax systems, e-filing, and e-payment platforms enhance compliance and reduce tax evasion. Automated audits and big data analytics enable early identification of discrepancies in tax filing, while digital customs and VAT systems minimize revenue leakage and facilitate monitoring mechanism. These improvements through ICT system result into higher revenue collection and better fiscal outcomes.

**f) Aligning with International Standards:**

ICT system developed in Digital PFM aligns with global best practices and standards set by organizations such as the International Monetary Fund, the World Bank, International Federation of Accountants and Organization for Economic Cooperation and Development. With the adoption of digital solutions, governments can meet international benchmarks for accounting, auditing, taxation, fiscal transparency, budget credibility, and effective resource use, supporting development goals.

### 3. Digitalization Models in PFM

The digitalization of PFM can be used through several interaction models such as:

- **Government to Government Model:** Under this model, ICT facilitates the work of one government agency with another. It helps in communicating information and correspondence from one agency to another. In Nepal, Line Ministry Budgetary Information System (LMBIS), Computerized Government Accounting System (CGAS), Single Treasury Account (TSA), Revenue Management Information System (RMIS), Sub-national Treasury Regulatory Application (SUTRA), Nepal Audit Management System are the example of Government-to-government model.
- **Government to Citizen Model:** This model is used to establish a relationship between the government and the citizen. It is implemented to provide services from the government entities to the citizen electronically or to provide information to the citizen on behalf of the government in an easy and simple manner. In Nepal, e-passport system, electronic driving license and vehicle registration system, voter registration software, case management system, Nagarik app are the example of Government to Citizen model.
- **Government to Business Model:** The government to business model is a system used to provide services to businesses in a simple and easy





manner, and for businesses to submit information or proposals or tax return to the government and pay the revenue due to the government. In Nepal Integrated Tax System, The Automated Systems for Customs Data (ASYCUDA), Company Administration Management information system (CAMIS), Electronic Government Procurement (eGP) are the example of Government to Business model.

- **Government to Employee Model:** The government uses the government to employee model to organize, monitor and regularly provide information to its employees. In Nepal, Personnel Information System, and Payroll Management System, e-attendance system, Pension Management System are some instances of Government to Employee model.

These models are not mutually exclusive; rather, they form an integrated digital ecosystem that supports the entire public financial management.

#### 4. Global Trends in Digital PFM: Lesson to Learn from the Region

Across South Asia and Southeast Asia, several countries have taken major steps in digitalizing PFM. The following paragraphs offer valuable insights and inspiration in digital PFM journey.

##### India: A Pioneer in Digital PFM

India has made remarkable progress in digitalizing its PFM systems. The Public Financial Management System (PFMS) tracks fund flows, monitors government schemes, and ensures direct benefit transfers to beneficiaries. The Budget Estimation, Allocation & Monitoring System (BEAMS) supports budget preparation, while geo-tagging tools monitor the physical progress of infrastructure projects. In revenue management, the Goods and Services Tax Network (GSTN) manages tax collection, returns, and compliance. It has integrated AI features for fraud detection and risk assessment. The Income Tax Department leverages big data analytics to detect evasion, while the Indian Customs Electronic Gateway (ICEGATE) platform streamlines customs duty payments and cargo clearance.

Treasury management is centralized through the e-Kuber system, which enables real-time accounting and cash management. E-procurement platforms such as the Central Public Procurement Portal (CPPP) and Government e-Marketplace (GeM) facilitate transparent and efficient tendering processes. India's auditing and oversight mechanisms are also digital,

with the Audit Online System by the Comptroller & Auditor General (CAG) and the PRAGATI dashboard providing AI-assisted analytics and project monitoring. Emerging technologies such as blockchain, AI/ML, and cloud computing are being piloted for secure land records, predictive analytics, and system migration.

##### Bangladesh: Centralization and Automation

Bangladesh has implemented the Integrated Budget and Accounting System (iBAS++), a centralized platform for budget preparation, execution and accounting. The electronic National Board of Revenue (eNBR) automates tax administration, including VAT. The country also uses ASYCUDA World for customs automation and has institutionalized e-Government Procurement (e-GP) for ensuring transparency in public tenders. Central Procurement Management System (CPMS) tracks procurement performance and compliance aspects. The treasury module of iBAS++ and Bangladesh Bank's e-payment system digitize salary, pension, and vendor payments. The CAG's Audit Management System enables digital audit work flow and risk-based auditing.

##### Pakistan: Integration and Innovation

Pakistan's journey includes the Project to Improve Financial Reporting and Auditing (PIFRA), which forms the backbone of federal and provincial accounting. The Integrated Revenue Information System (IRIS) handles tax processes. Procurement is digitized through e-PADS, which is mandatory for all federal procurement, online bidding, evaluation and blacklisting checks. Additionally, Pakistan is piloting blockchain in invoice tracking and using AI chatbots to assist taxpayers.

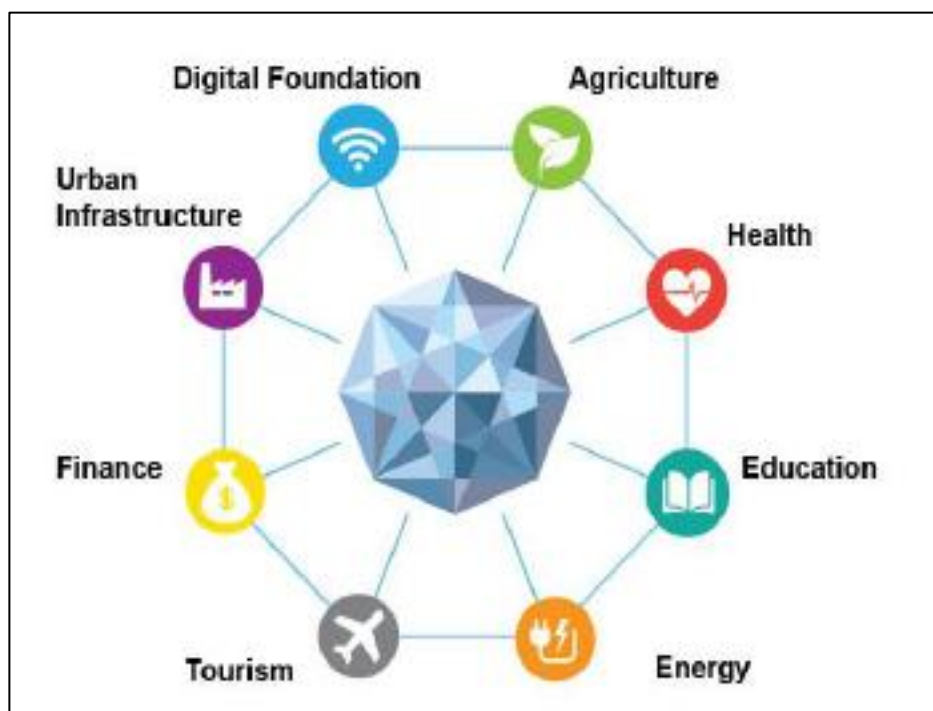
##### Thailand: Using Disruptive Technology

Thailand stands out for its advanced use of AI and blockchain. Its Government Fiscal Management Information System (GFMIS) integrates budget execution, accounting, payments, and procurement. The e-Tax system uses AI for risk analysis, and blockchain is being piloted for VAT verification and audit trails. The e-GP system now includes AI-supported bid evaluations, and the audit process leverages predictive analytics for fraud detection. Thailand's government cloud (G-Cloud) ensures data availability, resilience, and cost efficiency.

These examples show how digital tools, when tailored to context, can create more agile, efficient, and trustworthy public financial systems. However, most of the counties are using similar types of system in customized versions.

## 5. Nepal's Digital PFM Journey: Foundations and Innovations

Nepal's push for digital transformation in public financial management is guided by the **Digital Nepal Framework (2019)**. This national strategy lays the groundwork for leveraging digital technologies across PFM sector. The framework emphasizes infrastructure development, digital literacy, interoperability of systems, and citizen-centric services. The framework has determined various strategy in eight sectors such as digital foundation, agriculture, health, education, energy, tourism, finance, and urban infrastructure as shown in diagram.



The digital foundation includes initiatives such as the Government of Nepal mobile application, paperless office implementation, biometric national ID cards, and digital signatures. The country has also introduced public Wi-Fi hotspots and is working toward deploying AI policies to ensure ethical and effective use of emerging technologies.

In the context of PFM digitalization, the Ministry of Finance has developed Line Ministry Budgetary Information System (LMBIS) through which each line ministry formulates program and budget, authorization for spending is received through the system. The Computerized Government Accounting System (CGAS), Single Treasury Account (TSA), Revenue Management Information System (RMIS) and Sub-national Treasury Regulatory Application (SUTRA) have been implemented to manage the accounting and reporting system between government agencies. Similarly, a Public Asset Management System (PAMS) has been implemented to maintain systematic records of all government assets. The Office of the Auditor General has implemented the Nepal

Audit Management System (NAMS) to conduct audit of government agencies, communicate irregularities to the concerned agencies, receive response to the irregularities by the concerned agencies, and provide information on the audit of irregularities electronically. The Office of the Prime Minister and Council of Ministers is using the electronic Project Monitoring and Evaluation System, to which priority projects are linked. It has become easier for them to get information about physical and financial progress as well as problems faced during implementation. These systems have helped in controlling the budget, obtaining timely reports of revenue and expenditure, managing cash, maintaining up-to-date records of assets, and preparing a consolidated report of the entire government in a timely manner, monitoring the progress and conducting audit efficiently which results to sound public financial management.

Likewise, Passport Department has implemented e-passport, which provides online application, document processing, authentication, maintaining information security, deposit revenue and printing of



passports. The Department of Transport Management has implemented an electronic driving license and vehicle registration system to receive online applications for obtaining a driver's license and maintain electronic records of licensees.

Similarly, the Public Service Commission has made arrangements for submitting and processing online applications from candidates using software. The Election Commission is using voter registration software to maintain and update voter information records and issue voter ID cards. The Supreme Court has managed case through software, in which the status of daily ongoing cases and other information related to the cases are available. The Department of Land Management and Records has introduced a system to manage all land records with digital maps. The Nagarik app has also tried to integrate all types of government services on a single platform. All these systems are being used by the government agencies to provide services to citizens quickly, efficiently and hassle-free manner.

The Department of Internal Revenue has implemented an Integrated Tax System to record, regulate and monitor taxpayer transactions. Each taxpayer must submit tax details through this system. The Customs Department has been executing the ASYCUDA World for custom clearance through which importers submit invoices and other documents to determine import duties through an online system. The Department can monitor the assessment process through an online platform.

Department of National Personnel Record (Civil) is using Personnel Information to maintain employee records. The e-attendance systems are being used by various offices and the digital circulars have been communicated by government agencies. Likewise, pension management system eases the online payment of pension to each individual pensioner. The GoN is also using other various software to manage public function and service delivery efficiently and effectively. All those systems are also the part and parcel of PFM system.

## 6. Using Disruptive Technologies in PFM

Efforts of various country are aligned with adopting disruptive technologies in public financial management. These innovations are not just tools—they are enablers of systemic reform. Some disruptive technologies that can be used in PFM are given below.

**Blockchain** ensures data integrity and transparency. In procurement, it stores procurement related information, bids and contracts securely on-chain, reduce bid-rigging and ensure transparency. Smart contracts could enable automatic fund releases based on predefined conditions. Similarly, VAT invoice tracking via blockchain is expected to reduce tax evasion by validating transactions in real time basis. For social security programs, blockchain combined with digital identity can ensure that subsidies and payments go to the right beneficiaries.

**Artificial Intelligence (AI) and Machine Learning** offer a major leap forward in decision-making and risk management. Governments can analyze large volumes of financial data to detect fraud, plan budgets more accurately, and monitor fiscal performance in real time. AI based predictive analytics help forecast budget shortfalls, while anomaly detection tools flag unusual spending patterns. AI chatbots can be used for taxpayer's assistance. Machine learning models assess taxpayer behavior to identify risks and improve compliance. These tools not only improve efficiency but also support more strategic financial planning and auditing.

**Big Data** empowers auditors and analysts to find hidden patterns, such as undeclared income or suspicious spending. By connecting various databases—like property records, tax payments, spending patterns and bank data, professionals can uncover compliance gaps and take corrective action.

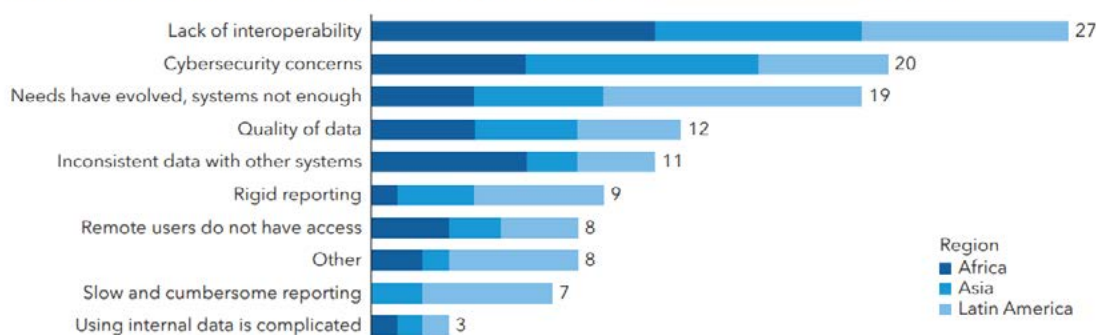
**Cloud computing** makes government systems more agile and cost-effective. Most of the governments are now migrating PFM system to cloud computing. It facilitates access to financial tools across ministries and provinces, enabling better coordination and disaster resilience.

**Large Language Models** streamline complex documentation and increase institutional productivity. These models assist in drafting budget documents and policy, reviewing contracts, and automating audit processes. This minimizes human effort, speeds up reporting, and enhances accuracy.

## 7. Implementation Challenges

While the benefits are clear, the path to digital PFM is not without hurdles. A global survey conducted by International Monetary Fund in 2023 across 30 countries highlights recurring challenges such as lack of interoperability, security, data quality, system adequacy, accessibility etc. which are given in the diagram.

**Figure 3. Main Issues or Challenges Faced by PFM IT Systems in 30 Countries, by Region**



Source: Authors based on surveys conducted before the workshops to pilot these Guidelines (see Annex 1).  
Note: IT = information technology; PFM = public financial management.

Source: International Monetary Fund (2023) *Digital solutions guidelines for public financial management*. IMF Technical Notes and Manuals No. 2023/007, p. 9. Available at: <https://www.imf.org/en/Publications/TNM/Issues/2023/05/12/Digital-Solutions-Guidelines-for-Public-Financial-Management-533636>

Major challenges in relation to PFM digitalization faced by various countries including Nepal are as follows.

**Data Security:** One of the biggest concerns in PFM digitalization is security. As more data are stored and shared online, the risk of cyberattacks and breaches increases. Governments must invest in cybersecurity measures, training, and infrastructure.

**Data privacy:** It is another major concern in PFM digitalization is the ethical handling of the information. With the use of big data and AI, ensuring data privacy and security becomes critical. While significant of the information may become publicly accessible, certain sensitive data must be protected due to its implications for national security and public interest.

**Integration and interoperability:** It is the major technical challenges. Legacy systems, data storage, and incompatible software can obstruct efforts to build unified platforms. Sharing of data and information from one agency to another agency remain critical if the system lacks interoperability. Various system run in isolation may not be cost effective and efficient.

**Capacity constraints:** Technical and human resources capacity are significant to run digital PFM. Many public institutions lack adequately trained personnel to manage and sustain digital systems. Capacity of the personnel and digital literacy of citizen impede the success of digitalization.

**Institutional Resistance:** Most of the organization are facing institutional resistance, while implementing

digital tools. The shift to digital can expose inefficiencies or corruption, leading to pushback from deeply rooted interests. Change must be supported by strong political will, legal reforms, and public communication.

**Infrastructure:** Many countries are facing challenges of poor information technology infrastructure, which create problems in data accessibility and to run the system. Developing infrastructure is the resource demanding activities for which huge investment is needed. Reliable ICT infrastructure is essential for nationwide digitalization, particularly in remote and underserved areas.

**Data Quality:** Digitalization of PFM relies heavily on the availability of high-quality data, which depends on the coordinated efforts of various agencies. If data quality is compromised, it can hinder accurate interpretation, analysis, and policy formulation. Therefore, system operators must remain vigilant in ensuring data integrity, and a robust monitoring mechanism should be established to address this challenge effectively.

## 8. The Road Map Ahead: Priorities for Nepal

Nepal has initiated significant step in PFM digitalization. Various PFM operations have been already digitalized. In this stage, the most important strategy is to use disruptive technologies for the efficient and effective public financial management. To advance the use of disruptive technology, following strategies are essential:





- a) **Build Interoperable Systems:** Ensure seamless integration across tax, treasury, procurement, and audit systems.
- b) **Strengthen Digital Infrastructure:** Expand cloud capabilities and secure data centers for hosting sensitive financial systems.
- c) **Develop Legal Frameworks:** Introduce clear data protection laws and cybersecurity policies.
- d) **Invest in Human Capital:** Train civil servants in digital tools, AI literacy, and financial analytics.
- e) **Expand Citizen Engagement:** Use digital platforms to promote transparency, allow feedback, and build public trust.
- f) **Encourage Innovation:** Support pilot projects in AI, blockchain, and LLMs to test and refine new models of PFM.
- g) **Enhance International Collaboration:** Learn from global best practices and adopt adaptable solutions through partnerships.
- h) **Maintain Data security:** Design protocol for data security, invest in cybersecurity measures and training.

## 9. Conclusion

The digital transformation of Public Financial Management is revolutionizing the way governments manage public resources, deliver services, and engage with citizens. By adopting ICT and emerging technologies, countries can enhance efficiency, transparency, and accountability in the field of public financial management. However, the journey is not

without challenges-addressing infrastructure gaps, dealing with change resistance behavior, building capacity, enhancing cooperation and ensuring data security are critical for sustainable progress. It is observed that South Asia to Southeast Asia, countries are proving that technology can lead to smarter budgeting, more efficient service delivery, and stronger public trust.

Nepal, with its Digital Nepal Framework and its adoption of emerging technologies, is taking meaningful steps towards PFM for future. It has developed various financial and non-financial systems to improve government operations. Currently, GoN has emphasized digital governance in budget 2025/26. It has focused on integration and infrastructure development. However, the journey is complex and demands sustained effort. The GoN is also in the process of finalizing AI policy. The path forward requires continuous investment, collaboration, and adaptability to exploit the full benefits of digital PFM for national development and public trust.

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## संस्थाका सदस्यहरूको Biometric अद्यावधिक गर्ने सम्बन्धी सूचना

विगतमा यस संस्थाका सदस्यहरूको Biometric अद्यावधिक गरेर मात्र सदस्यता नविकरण गर्न सकिने व्यवस्था भएकोमा मिति २०८२ जेठ ३० गते बसेको परिषद्को ३५०औं बैठकले सदस्यता नविकरण गर्न Biometric अनिवार्य नगरी ऐच्छिक रूपमा अद्यावधिक गर्ने व्यवस्था लागु गर्ने निर्णय गरेको व्यहोरा सम्बन्धित सबैको जानकारीको लागि यो सूचना प्रकाशित गरिएको छ ।

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# A Synopsis of Parliamentary Committee Investigation Report of Cooperatives and Matters Concerning Auditors' Consideration



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## Abstract

*The House of Representative has formed "Parliamentary Investigation Special Committee for Misuse of Saving Funds of Cooperative Institutions" for investigation of Problematic Cooperatives and Cooperatives with public concern. The article intends to summarize key issues identified in the "Special Investigation Report on Misuse of Savings Funds of Co-operative Societies, 2081" presented before the House of Representative by the Committee through audit perspective. Besides, the article tries to understand the state of crisis in cooperatives, identify factors for audit consideration to avoid the potential audit risk and determine proper audit procedure in the audit of co-operatives enabling auditors to contribute for transparent operation, financial management and maintenance of effective internal control in the cooperatives sector.*

## Keywords

Cooperatives, Regulation, Shareholders, Governance, Management, Audit

## 1. Contextual Background

Article 50 (3) of the Constitution of Nepal, 2074 states that the economic objectives of the State shall be to achieve a sustainable economic development by participation and development of public, private and cooperatives. Likewise, Article 51 (d) states that the policy of state relating to economy, industry and commerce is to enhance the national economy through partnership and independent development of the public, private and cooperative sectors; and to promote the cooperative sector and mobilize it in national development to the maximum extent. The Constitution of Nepal has recognized Public, Private and Cooperative Sector as three pillars of National Economy.

However, over the period, there has been frequent concern regarding financial proceedings, control system and the transparency in operation of the Cooperatives Sector specifically Saving and Credit Cooperatives. During Fiscal Year 2080/81 issues regarding problematic operation of cooperatives and misuse of funds of depositors were raised in the Parliament. Hence, on 2081 Jestha 15, the House of Representative formed a seven-member special investigation committee [titled "Parliamentary Investigation Special Committee for Misuse of Saving Funds of Cooperative Societies" - PISC], in pursuant with the Rule 180 of House of Representative Rules, 2079, specifically to investigate the allegation on misuse of funds within cooperatives and to make recommendations for improvements. The committee submitted "Special Investigation Report on Misuse of Savings Funds of Co-operative Societies, 2081" before the House of Representative on 2081 Bhadra 31.

The Committee's scope of work (Terms of Reference) contained the following four areas that were determined through the consensus of political parties.

To study and provide suggestions regarding the regulation, supervision, and transparency of the legal and institutional framework and the financial system used by cooperatives.

To study and provide suggestions on ways to protect the savings of depositors, prevent misuse of such savings, and minimize potential losses, in case of problematic cooperatives

To identify the actual problem and initiation undertaken to protect the interest of depositors in the Cooperatives mentioned in Annex 1 (Problematic Cooperatives) and ways to expedite the process for release of deposit of depositors.

Investigation on case of loan disbursed by Cooperatives to the Gorkha Media Network Pvt. Ltd.

Besides, as per the ToR, Committee investigated total 40 cooperatives (*22 problematic cooperatives and 18 cooperatives with public concern*)

## 2. Cooperative Crisis

<sup>1</sup>Currently, there are 32,965 Cooperative Institutions in Nepal. As at mid-March 2024 (Falgun end 2081) there were around one crore nine lakhs' shareholders and NPR one kharba forty-three arba share capital. Whereby, the cooperative institutions have mobilized deposit of around NPR eleven Kharba twenty-five Arba and loan amounting to NPR nine Kharba twenty-three arba were disbursed. Approximately ninety thousand people are employed in the cooperative sector.

Looking at the deposit collected and loan disbursed by the investigated cooperatives along with comparative of total deposit and loan of cooperatives nationwide is presented in the table below:

(Amount in NPR)

	40 Investigate Cooperatives <sup>2</sup>	Total Cooperatives <sup>3</sup>	Share of Investigated Cooperatives (%)
Deposit Liability	71,300,000,000	1,125,280,000,000	6.34%
Loan Issued	53,790,000,000	923,470,000,000	5.82%

As per the report, the investigation process was carried out based on information, data and evidence collection, discussion, interaction, onsite visit, inspection and interrogation. And the committee has submitted a comprehensive report categorized under eighteen chapters containing various suggestions and recommendations as below:

Suggestion Related to	Number of Suggestion
Regulation of Cooperatives	14
Protection of Savings of Depositors	6
Management of Problematic Cooperatives	4
Loan and fund transferred to Gorkha Media Network Pvt. Ltd.	8
<b>Total</b>	<b>32</b>

As the crisis arose in the Cooperatives sector, primarily, a question was raised in the accountability of Those Charged with Governance, regulatory mechanism / oversight bodies and Management of the Cooperatives. PISC's report revealed that issues like arbitrary working culture of directors, mobilization of saving of depositors in private companies or in the business

contravening the prevalent laws, etc. were key reasons behind the co-operative crisis.

As, the members failed to oversee and pay attention to the Annual General Meeting and activities of co-operative. The depositors, not showing interest in how their deposits are being used by the cooperatives and rather only focusing on the interest they receive is another prime reason behind the situation. The co-operative crisis indicates a fundamental failure of governance.

Hence, the circumstances indicates a significant observation questioning effectiveness / application of the cooperative values<sup>4</sup> (including self-reliance, self-responsibility, democracy, equality, equity, solidarity, integrity, openness, social responsibility, and care for others) and cooperative principles<sup>5</sup> (voluntary and open membership; democratic control by members; financial participation of members; autonomy and independence; education, training and information; mutual cooperation amongst cooperatives, and concerns towards community).

1 National Economic Survey FY 2081/82, Clause 4.68, 4.69 and 4.70

2 Pg.9 (of PDP) - Special Investigation Report on Misuse of Savings Funds of Co-operative Societies, 2081

3 Pg.110 (of PDP) - National Economic Survey 2081/82

4 Section 2 (s) of the Cooperatives Act, 2074

5 Section 2(u) of the Cooperatives Act, 2074

### 3. Key Findings mentioned in the Special Investigation Report on Misuse of Savings Funds of Co-operative Societies, 2081

#### 3.1 Discrepancies Observed during Field Inspection

The PISC report (Chapter 7) discusses the following major observations that were noticed during the field inspection:

##### a. Financial and Non-financial Facilities to Directors:

- A big chunk of advances was obtained from co-operative by Executive Directors (EDs) for a long period without specifying the purpose which was used for personal work.
- Procurement of vehicles out of the surplus money of co-operatives and use of such vehicles by EDs for personal purposes. The operating cost of such vehicles was also charged to the co-operatives.
- Instead of registering the immovable property mortgaged as security for the loan investment made by the co-operative in its name, the EDs have kept it registered in their own names.
- The EDs obtained a large amount of money towards salaries and allowances, business promotion, stationery expenses, mobile and communication expenses, Dashain allowances, tiffin allowances, medical allowances and other various incentives although they were not regularly present in the co-operatives.
- Discriminatory decision of charging lower service fees and interest on loans obtained by the EDs compared to general borrowers. Similarly, a large amount of loan was also provided to the relatives or people acquainted with EDs without any project proposal and collateral. In some cases, loans were disbursed to fictitious accounts which were ultimately utilized by the EDs.
- More than 49 percent of Directors and officials of Accounts Supervision Committee of co-operative obtained loan at one time contravening the prevailing laws. Some of the directors were even enjoying an interest free loan.
- Many of the Directors were not the members of the respective co-operatives and were also found to be from other sectors. In some co-operatives, the names and number of directors were also seen to be different from one Board meeting to another.

- The same person served as an ED or director of more than one co-operative at a time enjoying monetary and non-monetary benefits from under different heads.
- Some instances were also noted that investment was made in the private commercial companies that were either owned by the director or their relatives.
- The transaction of purchase and sale of land were conducted in a non-transparent manner in the name of the directors and their relatives, time and again.

##### b. Adverse Practices in Co-operative Governance:

Some adverse practices in registration of co-operatives, purchase of property, scope of work, extension of services, monitoring were observed which are inconsistent to the co-operative concept.

##### c. Inconsistency in Mobilization of Loan:

Some instances such as loan disbursal exceeding the capital fund, charging of different interest rate and services charge from different members in the same head etc., were also noted.

##### d. Distortion in Operational Expenses:

Excess and unnecessary expenses incurred under various heads such as stationery, office material, meeting allowance, advertisement, house rent etc.

##### e. Collection of Deposit in High interest Rate-

Collecting deposit at high interest rate, providing loan charging high interest rate and service charge, issuing a single share at Rs. 100 to enable the person to conduct transactions with the co-operative.

##### f. Non-formulation of Operational Procedures and Bye-laws-

Except bye-laws required at the time of registration of co-operative, majority of co-operatives have not prepared even compulsory procedure for Loan Investment and Loan Recovery. Similarly, Bye-laws like Employees Administration, Financial Administration, Procurement, Saving and Loan Investment were also not formulated.

##### g. Lack of Analysis while Approving Loan-

Most of the issues of non-compliance nature were noted which were undermined while approving the loan, like approval of loan without analyzing the project details and income source; excess valuation of collateral, disbursing the loan in excess of the valuation amount etc.

##### h. Minute Book-

In case of maintaining Minute Book, some of the co-operatives have maintained separate minute book for regular activities and real estate transactions. False minute book was also found while monitoring few co-operatives.





**i. Non-compliance of Financial Procedure and Standards-** In case of compliance with financial procedure and standards, the key weaknesses observed include lack of proper liquidity management, non-classification of loan on the basis of risks, non-maintenance of loan loss provisions, investment in shares of bank and financial institution contravening the laws and standards, non-observance and implementation of spread rates towards saving and loan, fixation of interest rate based on mutual understanding etc.

**j. Co-operative Governance-** Transparency is an integral part of co-operative governance but this aspect was found to be very weak. This is evident from the co-operative's website, annual reports and the financial statements.

**k. Accounts Supervision Committee-** Election of Account Supervision Committee were not held in a proper, transparent, legal manner and were also not in conformity with laws.

**l. Non-compliance of Anti-money Laundering Guideline-** Non-compliance of Guidelines related to the anti-money laundering issued by the Department of Money Laundering Investigation.

The inconsistencies mentioned above are of both a financial and non-financial nature and are also interrelated. However, most of them have financial impact and are primarily related to the loan portfolio. These observations represent a significant audit risk and should be carefully considered while conducting the audit of the co-operatives.

### 3.2 Financial Causes of the Problems in Cooperatives

PISC has included some of the root causes of problems identified in each co-operative investigated, in Chapter 9 of the report. The causes of problems stated below is related to a particular co-operative (page 313), however these are common to many problematic co-operatives. Key-root financial causes as identified in the report are stated below:

- Lack of adequate liquidity in cash and bank
- Loan disbursal confined in non-productive areas
- Required collateral not obtained towards loans and investments
- Investment in loans made without proper analysis of savings, loan, reserve fund
- Investment made without measuring repayment capacity of the member

- Non-considerations of maturity periods while accepting/mobilizing savings and investing in loans
- Disbursal of loan either without collateral or on very less collateral
- Investment made by co-operatives without complying with co-operative norms
- Embezzlement of savings by Board of Directors
- Obtaining loan by all the members of the Board of Directors
- Inadequate initiation to recover the loan
- Loan focused on one individual of group of individuals

### 3.3 Other Causes of the Problems of Co-operatives

In Nepal 75 percent of co-operatives (Chapter 16) are directly or indirectly involved in the transactions related to savings and credits and the volume of such transaction is growing consistently. With the increased volume of transaction, people are unaware of growing financial risk and the simultaneous level of insecurity. In this context, following are some of the major problems with regards to saving and credits in the co-operative sectors.

- Lack of good corporate governance
- Operation of co-operatives according to the Individual thought and benefit of Directors
- Ineffective oversight of regulatory bodies
- Lack of proper monitoring, inadequate use of technology and, non-maintenance of relevant data that created security problems of saving of depositors,
- Lack of required coordination among co-operatives, their association and confederation
- Lack of adequate education about co-operatives to members
- Scarcity of expert manpower
- Lack of sense of ownership, knowledge about mobilization of financial resources and management among the directors
- Lack of contemporary amendment and modification of legislation
- Prevalence of wrong culture due to intentional unnecessary competition
- Lack of transparency
- Prevalence of many policy problems

The findings of the investigation indicate that the operation of the co-operative is generally weak

with regards to mobilization of deposits and lack of corporate governance. Based on the above situation, the committee is of the view that the co-operative should adopt a coordinated approach to effectively address the financial risks.

### 3.4 Inferences Drawn by Committee on the Situation

In view of the problems, the Committee inferred some conclusions few of which are stated below:

- Providing interest free loans to the members of the Board of Directors. Additionally, high amount of investment made in the private sector not yielding any return
- Disbursal of loan to same borrower even when previous loan was overdue without taking any initiation to recover the loan
- No loan loss provision made towards non-performing loans as per the PEARL principle
- Although the Chairman and other directors of the Board of the problematic co-operatives claimed and pleaded in the discussion with the PISC that the assets owned by the co-operatives is sufficient to bear the liabilities including the deposits, report mentions that the actual situation might be different from what is claimed.

In the above context, the PISC is of the view that conclusion cannot be easily drawn on the adequacy and quality of the assets owned the co-operative to meet/bear the liabilities due to the following reasons:

- Directors of some co-operatives used a substantial amount as loan in whimsical manner by creating dummy/fictitious borrower and misappropriated or embezzled the money for their personal purpose,
- Investment on high value loans either without the mortgage of collateral or valuation of security was made without fulfilling the collateral valuation rules/procedures due to which the complete recovery of the loan seems difficult,
- Investment on high value loans by over- valuating and revaluating collateral

### 3.5 Solution to Co-operative Crisis: An Overall Analysis

Most of the potential recommendations are important for resolving the problems however some of the key recommendations are:

- a. **Establishment of Financial Crime Investigation Bureau (proposed new structure)** – Bureau should be mandated to see and investigate the financial crime
- b. **Establish specialized Assets Management Company-** in order to purchase and sale of assets it is required to establish assets management company which is practiced in some developed countries.
- c. **Cooperative Information System-** Maintain cooperative information system (COPOMIS) so as to obtain statistics of cooperative in a single click.
- d. **Need of a Capable Regulatory Architecture-** establish Cooperative Authority which can guide the registered cooperative at provincial and local level as per the constitution and laws.
- e. **Need of Loan Recovery Tribunal-** Principally collateral for loan is not required in cooperatives because members are the sureties. However, a Loan recovery Tribunal has become indispensable to safeguard the depositors' money.

In the view of size of cooperative sector, the recommendation seems reasonable to safeguard the interest of low-income depositors. In the budget speech of 2082/83, it was mentioned that National Cooperative Regulatory Authority will effectively regulate the cooperative institution that collect savings and mobilize loan.

## 4. Audit Consideration in Cooperatives

### 4.1 Importance of Audit of Cooperatives

Co-operative sector is one of a major sectors of audit services. Large number of the Institute of Chartered Accountants of Nepal (ICAN)'s members are engaged as auditor of co-operatives. Regarding audit, Section 75 (1) of Co-operative Act, 2074 stipulates that "a Co-operative organization shall get its accounts of each fiscal year audited within three months from the expiry of the fiscal year by an auditor licensed according to the prevailing laws"

Basically, audit is required legal responsibility of every co-operative which provides a reasonable assurance on their transparency and accountability. The auditors are required to conduct the audit as per the prevailing legislation, auditing standards and co-operative principles. Such an audit helps to provide a reasonable assurance on:



- a. Proper recording and reporting of Co-operative funds,
- b. Compliance with relevant laws and regulations,
- c. Safety of members' funds,
- d. Irregularities or mismanagement of funds.

The audit of co-operatives is very important because currently a substantial amount of saving deposit of low-income group living in rural and urban areas is involved in high risk. Therefore, it is the duty of auditors to safeguard the interest of people by conducting audit with full integrity in a professional manner. It seems appropriate to the practicing auditors to consider the issues mentioned in the report of PISC while performing the audit engagement of co-operatives.

## 4.2 Committee's Observations on Audit Reports and Recommendation

The PISC has also incorporated some issues based on their assessment related to audit practice of cooperatives. The PISC report mentions that most of the auditors have not studied, assessed and analyzed the documents and issued the audit reports without offering any suggestion or audit remarks and many of the audit reports did not contain required disclosures (page 144) as well. The report further revealed that two separate financial statements of the same period of a co-operative were prepared (one for AGM and the second for other purposes) and audit reports were also issued accordingly.

The PISC has recommended making legal provision to conduct audit of co-operatives from the auditors listed in the Co-operative Authority and also to conduct monitoring of the co-operatives at least once a year. The committee has also recommended making legal arrangements to require auditors to ensure whether the discrepancies revealed during monitoring were implemented or not in the subsequent audit.

## 4.3 Key Lessons to Consider During Audit of Co-operatives

The Investigation report of the Committee is very comprehensive. This report is highly pertinent and insightful to those practicing members who are engaged in audit of co-operatives and also to those auditing the Microfinance Institutions. Looking at the observation of the PISC, the nature of the observation is mainly related to financial mismanagement, poor internal control weaknesses, poor leadership and governance, lack of financial awareness among members, non-compliance of laws and regulation, non-adherence to co-operative principles, etc. Various committees have

been formed by the government to study the issue of cooperatives, however, the recommendations of such committees are rarely implemented.

In order to streamline the audit activities, ICAN has issued separate guidelines to perform the audit of co-operatives covering various aspects like accounting, internal control, budget formulation, audit risk assessment, audit report etc. ICAN has also been continuously organizing training program on audit of co-operative for its members in order to enhance the capacity of auditors. Recently, ICAN organized an interaction program on "Proposed Format on Financial Statement of Co-operative Organizations". Similarly, Department of Co-operatives has issued Directive for Audit of Co-operatives, 2075 on 12/03/2019.

The size in terms of number and volume of transactions of co-operatives has increased significantly over the years. The audit of co-operatives has become a substantial undertaking to the auditor's requiring adherence to prevailing auditing standards so as to maintain the audit quality and effectiveness. Due to the mismanagement and other various issues prevalent in the co-operatives, a huge amount of people's hard-earned saving is at risk which is a matter of serious concern to the members and depositors. In this context, the audit firms should also be careful in carrying out the audit and highlighting malpractice and other issues, if any, in their audit report.

Some of the matters that need to be considered by audit firms in performing audit engagement of co-operatives are stated below:

- a. Proper audit planning (Nepal Standards on Auditing-NSA 300), with adequate and comprehensive risk assessment (NSA 315 and 330)
- b. Application of all relevant NSAs as per the situation and as required by the Code of Ethics
- c. Communication of serious issues noted during audit to TCWG (NSA 260)
- d. Ensure deployment of competent staff for audit of co-operatives
- e. Review of non-financial activities along with the financial- activities while performing the audit in order to reduce the audit risk
- f. Give due consideration to the social and management aspects of the entity along with the financial aspect
- g. Obtain sufficient appropriate audit evidence (NSA 500) and pay particular attention to

obtaining external confirmations (NSA 505) and physical verifications for large balances and loan receivables

- h. Given the history of misuse, expanding fraud risk procedures, consider the possibility of management override, fake loanees, related party lending and misappropriation of funds (NSA 240)
- i. Maintenance of proper and adequate documentation of audit performed (NSA 230)
- j. Evaluate and properly document the misstatements identified individually and in aggregate during the audit (NSA 450) to assess their impact on the financial statements
- k. Modify the audit report (NSA 705) when the misstatements are material and/or pervasive and present the necessary information in the Emphasis of Matter Paragraph or Other Matter Paragraph (NSA 706) as required

Audit is the shared responsibility of auditee, auditor and regulators. In current situation, any one party can't be held responsible or blamed for the crisis. But when it comes to forming the audit opinion it is the responsibility of auditor and clarity on basis of opinion should be maintained as stipulated by auditing standards, legislation and cooperative principle. In this context, the audit firms have also been careful as audit of cooperative is becoming high risk sector.

## 5. Conclusion

The co-operative sector is recognized as the third pillar of our economy. It is regulated by the Department of Co-operatives. However, as per the constitutional provision now this sector comes under the jurisdiction of provincial and local levels which have powers to promulgate their own laws. Cooperatives are operating their activities in urban and rural areas. The involvement and contribution of co-operatives to the economy and people, mainly living in the rural areas, cannot be undermined. While some of the co-operatives are well managed and performing efficiently on the basis of co-operative principle, many are not. Every sector of the economy has dual sides; both positive and negative. On the basis of malfunctioning of certain institutions, it is unfair to generalize the entire sector. Various reports were given to the government from time to time to improve the co-operative sectors but they were limited in papers only without proper implementation of the possible recommendations.

The root cause of the present crisis in co-operative sector includes poor leadership and corporate governance, failure of the Department of Co-operative to enforce the law, lack of entrepreneurship skill among the directors and members, inadequate publicity and communication to disseminate co-operative activities, amongst the many. To a large extent laxity in proper regulation, monitoring and supervision is one of the prime causes of the current situation. However, there is always room for improvement and all the stakeholders need to come forward to improve the current situation. We have seen success and failure in the past several years in many sectors and should take lessons from that experience. Nevertheless, the promotion of co-operatives should be encouraged as this sector is the real friend of the economically weaker section where a large portion of the population remain unbanked. In the view of the PISC's report on mismanagement of cooperatives, the external auditors of cooperative sector have to learn from the observation identified and need to be cautious in performing the audit assignment of cooperatives to avoid the audit risks. Eventually, we audit to protect the public interest, and this should always be on our mind.

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# Rising Non-Performing Loans and Prospects for Asset Management Company in Nepal



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## Abstract

*The data published by Bank and Financial Institutions (BFIs) and Nepal Rastra Bank have presented a gloomy picture of Non-Performing Loans (NPL) of Banking sector. The rising NPL in Nepal is attributed to various economy-wide headwinds, post-COVID credit distress, and weak recovery frameworks. The persistent rise in NPL not only impact earning and lending capacity of the bank; it poses a threat to financial stability. Various resolution methodologies are developed and implemented with the rising NPL. The comparative analysis with South Asian economies reveals Nepal's relatively better position than crisis-hit peers like Sri Lanka and Pakistan. However, the trajectory indicates escalating stress. Against this background, the article examines the rationale for establishing an Asset Management Company (AMC) as a strategic policy tool to isolate and resolve distressed assets. The article has drawn on international practices and Nepal's prolonged policy intent, which started back in 2001/02 and are emphasized in budget and monetary policy of multiple years. It outlines key prerequisites such as extensive asset quality review, strong political will, robust legal infrastructure, prudent asset valuation, independent governance, strong regulatory and supervisory provisions and a clear sunset clause for an effective AMC. It highlights that, if designed with a clear mandate and time-bound structure, an AMC can facilitate balance sheet cleanup, help to reduce NPL drastically, restore credit flow, and revive the economy. Conversely, a*

*poorly executed AMC may exacerbate fiscal burdens, institutional inefficiencies, and legal complexities. The article thus advocates for a well-designed, calibrated, transparent, context-specific, neutral, and internationally practiced approach to AMC formation in Nepal's evolving financial landscape.*

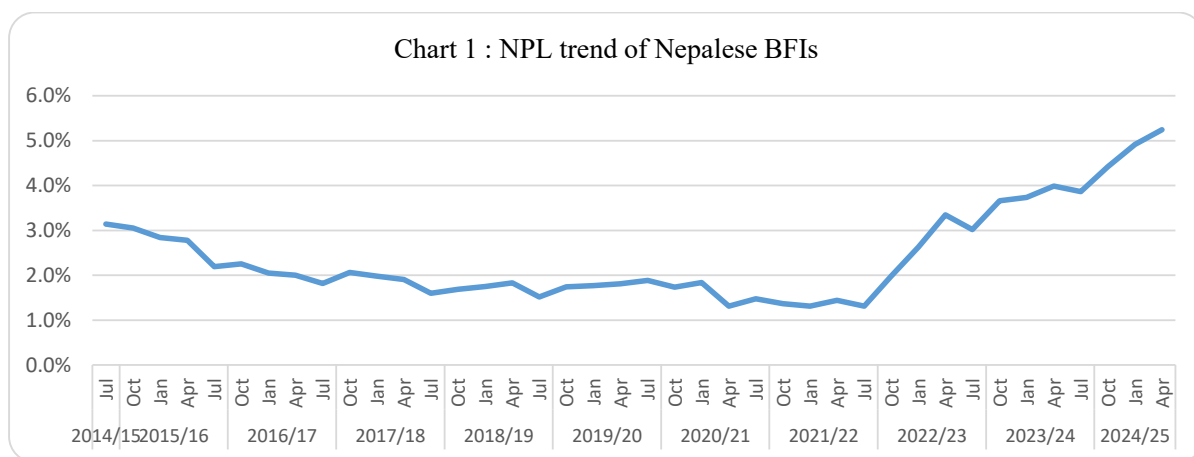
## 1. Introduction

The latest publications of Nepal Rastra Bank (NRB) and Bank and financial institutions (BFIs) regarding their financial health are giving an alarming picture, especially regarding the rising trend of Non-Performing Assets (NPL). The NPL ratio which is considered to be one of the major barometers to measure the financial health of BFIs has surpassed the five percent mark. (Nepal Rastra Bank, 2025). Although, there is no universal threshold of NPL to be considered optimum. The research done by (Anil, Chen, & Ratnovski, 2019) finds that elevated NPL of more than threshold of seven percent of total loans signals significant banking sector distress based on empirical observations from 88 banking crises. The sector is witnessing a surge in NPL due to various reasons like a slowdown in economic activities, regulatory tightening, bank internal problems, post-merger adjustments, and problems in recovering loans disbursed during the COVID-19 pandemic. The NPL ratio which was historically low mainly due to forbearance, higher credit growth, and instances of ever-greening practices. It is imperative to manage NPL to reduce the contagion effect of such a trend and strengthen financial stability. The Government of Nepal (GoN), NRB, BFIs, and different stakeholders are exploring and recommending different resolution methodologies to address the rising trend of NPL. These strategies that are being discussed and implemented span from short to long term measures, and range from bank-wide to economy-wide. This include extensive provisioning requirements, restructuring/rescheduling the loans, write-offs of loans, top-ups, auction of mortgage assets and debt recovery initiatives through court cases. However, the current recovery arrangement suffers from poor execution and impacted from systemic bias. Recovery mechanism such as debt recovery tribunals, court based proceedings and auction, are hindered by legal complexities, procedural delays, institutional bottlenecks and inefficiencies. Among various resolution strategies for addressing non-performing loans (NPLs), the establishment of an Asset Management Company (AMC) remains a frequently

discussed yet unrealized option in Nepal. Despite several initiatives, that started way back in 2000's, Nepal has not succeeded in institutionalizing such an apparatus. Against this backdrop, this article briefly outlines the trend of NPLs in Nepal, compares it with South Asian peers, introduces the concept and historical evolution of AMC's, and identifies key prerequisites for establishing such an institution in the Nepali context.

## 2. Nepalese Banking sector and NPL trend of Nepalese BFIs

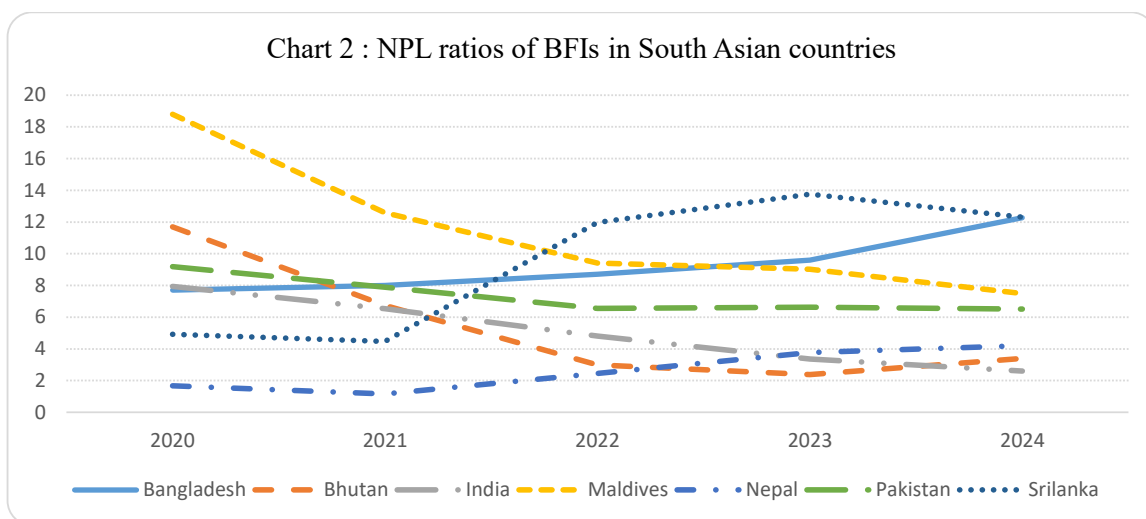
The historical trend of around a decade shows that the NPL has remained relatively low during those years. This is largely attributed to conservative lending modality of banks along with ample growth of private sector credit. However, the low-risk regime is gradually shifting towards the higher side and NPL has shot up. Decrease in aggregate demand due to slow-down of economic activities, higher interest rates and delayed project completion of government-run projects, post-merger arrangements, impact of COVID-19 and strong supervision of BFIs are the major factors behind this steep rise in NPL. (NRB, BSD, 2024)



Source: Nepal Rastra Bank

## 3. Comparison of NPL in South Asian Banks

The NPL level of BFIs of South Asian countries as published by the International Monetary Fund and respective central banks for the last five years is presented in chart 2. The data shows that Nepal's NPL ratio has gradually started to rise signaling rising stress in the banking sector. The comparison shows that Nepal fares better than crisis hit countries like Sri Lanka, Bangladesh, and Pakistan, all of which have higher NPL ratios exceeding 7%. However, India and Bhutan have significantly reduced their NPL through legal reforms, strong recovery mechanism, prudential regulation, and supervision.



Source : Financial Soundness Indicator, International Monetary Fund

#### 4. Understanding the Concept of Bad Bank/AMC

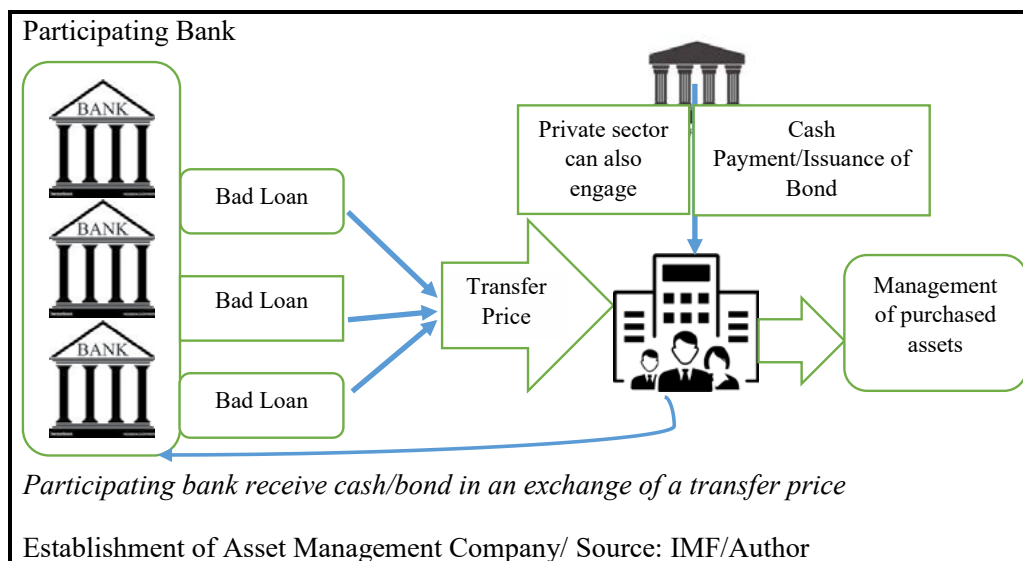
As previously mentioned, multiple resolution mechanisms exist to address rising non-performing loans (NPLs) in the banking system. The effectiveness of these mechanisms, however, depends on several factors, including the structure of the economy, macroeconomic headwinds, the condition of the financial system, and the stringency of prudential regulations, borrowers' capacity and willingness. Among these measures, the establishment of an Asset Management Company (AMC) is widely recognized and adopted by many countries. AMCs are specialized financial entities designed to manage and dispose of distressed assets efficiently. They are expected to ease the burden on banks by offloading impaired loans and non-banking assets, thereby improving overall financial stability.

Due to complex legal hurdles in managing non-performing loans (NPLs)—including prolonged judicial processes, legal barriers to operationalizing seized assets, inefficiencies in distressed asset sales, and banks' greater focus on credit growth over recovery—banks often opt to transfer or sell such assets, even at a loss. In this regard, the establishment of an AMC can serve as a viable solution. An AMC facilitates the creation of a specialized market for distressed assets, enables professional and uniform asset valuation, and acts as a neutral platform connecting buyers and sellers, thereby improving transparency and recovery efficiency thus fostering financial stability.

The concept of establishment of bad bank is relatively new in the global financial system. To manage wide

range of loan defaults in USA in 1988, the US-based Mellon Bank pioneered this model by establishing Grand Street National Bank as a subsidiary for management of its bad loan and transferred such loans to that bank (Dristhi IAS, 2025). This trend gained momentum after the Asian financial crisis of the 1990s and the global financial crisis of 2007–08. In response to a surge in NPAs and governance challenges during 2014–18, India's Reserve Bank of India (RBI) mandated an Asset Quality Review (AQR) that exposed hidden stressed assets and slow recovery processes. Consequently, the RBI licensed government and private sector AMCs to improve transparency, accountability, and efficient management of bad loans. These institutions operate under the continuous regulation and supervision of the RBI, ensuring accountability and prudential oversight

In case of Nepal, the plan for establishment of AMC to manage bad loans has been policy recurring proposals of the government. The government's budget and program for fiscal year 2001/02 first mentioned the establishment of an AMC to manage bad loans and this proposal is repeatedly included in subsequent government budgets and Nepal Rastra Bank's monetary policies. The monetary policy of the fiscal year 2024/25 has included the task to formulate and bill necessary for the establishment of an asset management company in the current fiscal year and submitting it to the government. (Nepal Rastra Bank, 2024) The High-Level Economic Advisory Commission, which was recently submitted to the Ministry of Finance, has recommended the establishment of a bad bank to manage assets. (High Level Commission for economic reform, 2025) In addition to that, the government has given priority to its establishment in the government's policy and program for the fiscal year 2025/26.



## 5. Prerequisite for AMC and key Recommendations for Nepal

The establishment and effective operation of an AMC is inherently complex. Managing loans, projects, and mortgages that failed due to borrowers' inability to run the project despite having the required expertise, the inability of BFIs to recover these loans despite of continuous monitoring, poses significant challenges. While private sector AMCs exist, most developing countries rely on government-promoted entities. The use of public funds that often intended for development purposes to resolve bad loans of private and some public banks may raise concerns among stakeholders. Given this context, the following factors are critical for the successful establishment of an AMC:

### a. Long and Systemic Financial Instability

As AMCs are crucial instruments to isolate toxic assets from bank's balance sheet particularly when BFIs are in stress and pose systemic risk. Before implementing it as a major tool, it is important to carry out an independent asset quality review (AQR) and stress test across banks which would help to estimate true NPL burden and identify systemic risks. Since rising NPL is a systemic issue and have multidimensional impact in the economic, the political parties and the policymakers should express their solidarity and commitment to recognize the loss and take the appropriate steps. At the same time, it is necessary to avoid politically impacted delays in the recognition of loss, higher valuation of assets and requires transparency and commitment to minimize the use of state fund.

### b. Mandate

The AMC should have a clearly defined objective—typically, maximizing asset recovery while minimizing costs. A commercially oriented mandate helps insulate the AMC from political influence and lobbying. It is important to enact enabling legislation with a commercial recovery mandate. One of the major aspects is that, AMCs should have a predefined lifespan (typically 5–15 years) to prevent them from becoming permanent entities. (IMF, 2024) Long-term operation increases risks of inefficiency, misaligned incentives, moral hazard and political interference. Clear exit strategies would help to ensure timely asset disposals. It is also important to avoid vague or conflicting objectives that can hinder efficiency.

### c. Robust Insolvency and Debt Resolution Framework

A key prerequisite for establishing an AMC is the implementation of efficient bankruptcy laws, policy, foreclosure processes, efficient and effective judiciary. Weak legal systems can possibly result in stalled debt resolution and poor asset recoveries. Reliable borrower data and asset ownership records are necessary for sound decision-making. The existing legal framework for recovery and resolution of loans such as Debt Recovery Tribunal Act, Nepal Rastra Bank Act, Bank and Financial Institutions Act and related regulations should be properly aligned and harmonized with legal framework governing AMC to increase its effectiveness.

### d. Asset selection, Valuation and Transfer Pricing

An AMC should primarily focus on large, collateralized loans that allow centralized and efficient recovery, while retail and unsecured loans are better managed by the originating banks. (IMF, 2024). Establishing clear eligibility criteria is crucial to ensure the appropriate assets are transferred. Prudent and realistic asset valuation is vital to minimize fiscal costs, risks, and moral hazard. Although book value is a reference, it often fails to reflect true economic worth due to macroeconomic and asset-specific factors. A fair transfer price should be based on the present value of projected future cash flows, incorporating these factors to avoid overvaluation—which can lead to overcapitalization and moral hazard—or undervaluation, which can worsen capital shortfalls and deepen financial distress. (IMF, 2024)

### e. Funding and Capital Structure

AMCs are generally funded through a combination of government-backed bonds, direct fiscal allocations and private sector. In some case the participating bank can also establish its own subsidiary company. Huge amount of capital and government is essential to absorb potential losses, particularly during the initial years when cash flows from asset recoveries or sales may be limited or delayed to ensure sustainability. Moreover, to ensure liquidity management, there should be proper alignment of liability of the AMC with the expected timing and volume of recoveries. It is also necessary to ensure consistent and proper accounting standards and periodic disclosures to maintain fiscal discipline.





## f. Operational Strategy, Governance and Independence

The success of AMC is associated with competent, independent, and professionally managed governance. The board and senior management should have proven expertise in finance, banking, asset resolution, and restructuring and meet fit-and-proper criteria. Regular public reporting, internal and external audits, and strong regulatory oversight are essential to enhance accountability and public trust. Operationally, the AMC must be equipped with an adequate number of professionals having hands-on experience in loan workouts, asset sales, debt restructuring, and legal recovery mechanisms. A robust internal control framework, supported by a modern information system, is necessary for effective decision-making, ensure transparency in asset valuation, and reporting. Well-designed recovery strategies such as loan restructuring, foreclosures, asset disposal, and litigation should be systematically employed.

## g. Strong Resolution Authority and Supervisory Framework

The resolution authority and supervisory aspects are also some crucial aspects in the management of NPL. Banking regulations should require proper and forward looking classification of assets to prevent and avoid the concealment of distressed loans. Efficient and effective supervision should ensure that banks are providing adequate provision for bad loans and reporting correctly. The resolution authority should have the power to establish, directly or indirectly, an asset management vehicle, transfer to it selected assets and legal rights, and operate or manage it or provide for its operation or management. (Financial stability Board, 2024)

## 6. Conclusion

An asset management company is considered to be an important tool for managing bad loans in banks and financial institutions. In Nepal, too, for a long time, based on the suggestions received through discussions, analysis, and studies regarding the establishment of such a company, it has not been established, although it has been provided for in the country's major policies. It is not wrong in itself to set the objective of establishing

it as a way to increase the business of the bank rather than to remove bad assets from its balance sheet and manage the balance sheet and focus the bank on bad assets. However, it is necessary to be aware that if the asset management is not carried out in accordance with a clear policy arrangement after a detailed study, the willpower of the top leadership, political neutrality, fund management, independent board and professional organizational structure, and a fixed period, it may become a tool for transferring bad loans of one institution to another, causing bad loans to remain as they are, increasing procedural complications, and adding additional burden to the government treasury.

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# Next-Generation Banking: Looking into Pasts, Experiencing Present and Expecting Future



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## Historical Background

The history of modern banking in Nepal dates back to 1937 AD with the establishment of Nepal Bank Limited (NBL) as the first Commercial Bank. NBL was the only bank in Nepal until 1956. Nepal had no central bank until 1956, when the Nepal Rastra Bank (NRB) was established in 1956. Before the establishment of the NBL, people from Nepal had to keep their savings either in cash or in the Indian banks. Gradually the Banking penetration increased

in Nepal with establishment of Rastriya Banijya Bank (RBB) in 1966 AD and Agricultural Development Bank (ADBL) in 1968 AD. In 1984, Nepal Arab Bank Ltd was established in collaboration with a foreign bank. In later days, Nepal Indo-Suez Bank and Nepal Grindlays Bank were established. That was how Nepalese banking started its journey. As per statistics published by NRB through its Monthly Banking and Financial Statistics report for Baisakh, 2082, there are 107 Banks and Financial Institutions operating in Nepal.

## Some Interesting Historical Facts

Based on data available as follows, the Banking business at initial days were mostly focused on Deposit and Credit business only with limited customer base. The deposit volume during 1960s was around Rs. 72 million and credit volume was Rs.32 million with CD ratio of 44.6%; in 1980s deposit volume reached to Rs.2,330 million and credit volume reached to Rs.2,798 million with CD ratio of 120.1%. During early 2000s the deposit reached 154,530 million and credit at Rs.118,008 million with CD ratio of 76.4%. This shows the increase in deposit and credit volume and growth in money circulation amongst Banks.

**Table 1. Selected Indicators of Banking and Monetary Developments (1960-2000)**

Mid- July	Outstanding Rs. in Million				Percent Credit/ Deposit	Inflation Adjusted % Interim Period Annual Growth Rate	
	Deposit <sup>1</sup>	Credit <sup>2</sup>	Money- M <sub>1</sub>	Broad Money-M <sub>2</sub>		Deposit	Credit
1960	72	32	174	201	44.6	na	na
1965	130	107	446	490	82.4	na	na
1970	401	297	763	975	74.3	27.8	11.1
1975	1,166	1,222	1,338	2,064	104.8	12.3	20.3
1980	2,330	2,798	2,830	5,285	120.1	9.2	12.2
1985	8,536	5,489	5,480	12,297	64.3	18.3	4.4
1990	21,885	15,335	14,223	31,552	70.1	8.2	10.1
1995	61,046	46,915	32,985	80,985	76.9	10.4	12.5
2000	154,530	118,008	60,980	186,121	76.4	11.7	11.5

1. Excludes inter-bank deposits and government deposits, but includes foreign deposits.

2. Excludes investment in Government securities and includes foreign bills purchased and discounted.

Source: Acharya and Khatriwada, 2003.

## Some Historical Innovations in Banking Business in Nepal

When we talk about innovation in Banking business in Nepal, ATM machines were introduced first by Himalayan Bank in 1995. Himalayan Bank also introduced Nepali credit card for the first time. Likewise, Everest Bank Limited introduced Mobile Vehicle Banking system to serve the segment deprived of proper banking facilities through its Birtamod Branch, which was the first of its kind. Internet Banking was first introduced by Kumari Bank in Nepal during 2002. In 2004, Laxmi Bank introduced SMS Banking (Mobile Banking) service for the first time in the country.

## Banking at Present

Currently, the banking sector in Nepal is at a very interesting phase. The banking business after the COVID-19 days has changed drastically not only in Nepal but across the world. Rapid technological evolution, changing customer habits as well as banking needs are creating massive disruption in Banking business. The way and mediums through which we used to bank traditionally have changed significantly in current scenario itself. The reach and access of mobile banking applications, QR business, POS Machines, ATMs have increased significantly which has created strong foundation for Next Gen banking. With evolution of Artificial Intelligence (AI) banking business is expected to shift more towards repaid advancement and digitalization. As technology is shifting rapidly, Banks should prepare themselves to adopt next generation banking solutions to remain competitive in business and navigate emerging risks,

mainly cyber risk arising from newer technology.

## Next Gen Banking

Historical Banking mostly focuses on conservative banking practices like accepting deposit and granting loans. However, Banks have many more potential than just receiving and granting funds. Thus, with evolution of technology and modernization the practice of doing banking has changed and is expected to change in coming days.

In simple terms, the banking of future is called as Next Gen Banking. Next generation banking definitely differentiates conservative banking from modern banking practices. Next Gen Banking can include changes in deposit and lending process, customer handling process or the way funds are transferred. It involves evolution of new banking tools and advancement of existing banking services and technologies to meet the changing needs and expectations of customers. Next Generation Banking is expected to be driven by new technology, AI, Robotic Processes, innovative business models and more customer centric approach.

## Deepening Towards Next Gen Banking

If we look into the following insightful facts published by Tathyanka about growth in digital transactions from Ashadh 2080 to Kartik 2081 we can see significant growth in Mobile Banking, Digital Wallets and QR transactions while growth in debit cards seems minimum which shows that the next gen banking will definitely be driven by these tools.



Source: Tathyanka.org

Above data definitely shows the direction that next gen banking will be guided by digital tools like wallets, mobile banking tools and QR. This also forces Banks to be serious about next generation banking and to strategize and design their product and services to meet the growing need of digital tools. Due to the use of digital payment system, its volume is increasing as a result of advancement in digital payment infrastructures in the financial sector.

## Backbone for Next Gen Banking

Some of the tools or resources which is currently available at Banks but can act as a backbone for next-generation banking are described as follows:

### a) High Penetration of Digital Banking

Digital Banking means banking through digital medium. There has been significant rise in digital banking platforms in recent days. With rise in digital banking platforms, the physical footfall of customers visiting the branches are expected to come down significantly. Many of the Banks have adopted the digital first strategies in recent days. Most of the Bank in Nepal are offering services for Online Account Opening, Online KYC Verification, Mobile Banking and other app-based banking services. Many of the Banks have started to digitize the conventional banking practices.

**Current Example**, of Next Gen Banking, we can take the example of digital platforms created by Banks themselves where Auctioned Properties or Non-Banking Assets of the Banks are listed. These platforms integrate multiple lists of property and allows users to browse, select and deal in those properties. Besides, Banks also are offering user friendly mobile application as part of digital banking initiative offering features like fund transfers, QR payments, Utility payments, FD opening, complaint registering and other features.

**Next Gen Expectation**, we can expect to have digital application of the Bank being integrated with income tax authorities facilitating tax payments and generation of tax clearance certificate, integration of banking apps with government apps like Nagarik App for document exchange for account opening, KYC update etc. Besides, auto integration with land administrative authorities like Land Revenue Office (Malpot office) for document ownership verification, trace and computer map extraction.

### b) Use of Artificial Intelligence & Chatbots

Artificial Intelligence tools like Chatgpt, Deepseek, Co-pilot have gained significant hype in today's

world. They have made our life easier, faster and convenient. Banks can also leverage from these AI tools and can integrate them into their business processes. Lots of the Bank have developed AI powered digital chatbot. AI tool facilitates staffs to ask queries and get real time solutions about their routine work-related process, internal policies as well as procedures. This has removed the human intervention drastically and have provided accurate answers to the queries. Chatbot is launched for customers then it is expected to enhance the customer service standards, minimize dependency on staffs and minimizing frauds.

**Current Example**, of Next Gen Banking through use of AI and Chatbots can include the chatbot services provided by Banks internally to its staffs and externally to the customers. It is a strong AI tool which allows users to make inquiry, ask questions and get real time solution of it. This has reduced dependency over people and has saved and energy time for availing banking services.

**Next Gen Expectation**, in future, as part of Next Gen Banking, banks can introduce AI driven customer support and customer service facility through use of social media tools like Facebook Messenger, Viber, Whatsapp etc. Likewise, after considering the security standards, Banks can also link the chatbot to CBS or Mobile Banking application facilitating chatbots to execute transactions with multiple factors of authentications.

### c) Increase in Digital Wallets and QR Based Payments

Next Generation Banking also includes modernization of digital wallet service providers. Digital Wallets service providers are not the bank in itself but are quite handy to handle petty cash outflows and inflows. Digital Wallets like E-Sewa, Khalti, IME Pay etc. have revolutionized the payment systems in Nepal. Digital Wallets have helped a lot for utility payments and fund transfers for a country like Nepal which is mostly cash based economy. Likewise, QR based payments have also gained strong momentum in Nepal where many of the payments are done seamlessly through QR scans. Besides, many Banks and Financial Institutions have been actively promoting digital payments services through collaborations with wallet service providers which is a good signal to show that next Gen Banking is definitely driven by raise in digital wallets and QR based payments.

**Current Example**, of Next Gen Banking through digital wallets and QR based payments can be





*through the use of E-sewa, Khalti, IME Pay etc. for utility payment service, shopping etc.*

**Next Gen Expectation**, in future, as part of Next Gen Banking, customers credit history, risk score, financial scorecards, future expenses projection through AI, bill discounting, contactless payments can be expected through wallets.

## What can we expect from the Future: Next Gen Banking?

The future of Banking looks promisingly interesting. The next gen banking in the coming days is expected to have the following developments and progress:

### a) Digital Only Banks

Next Gen Banking can also look like Digital Only Banks. Digital Only banks are those which offer financial services virtually. These banks do not have any physical presence and serve the customers through digital means. Digital Banks operate in Open Banking model which is an important concept allowing third party applications to integrate banking services through Application Programming Interfaces (APIs). Digital Only Banks provides banking anywhere anytime offering on the go banking facilities to customers. Open Banking creates an ecosystem where customers can access multiple financial services (loans, investments, insurance) in one platform.

**Current Example**, of Next Gen Banking which operate Digital only includes TNEX- Vietnam's first digital only bank, Bank of Georgia Digital Bank which is named as the Best Digital Bank in world, 2024. These banks offer facilities like online banking, car finance, corporate lending, mortgage loans and vehicle insurance.

**Next Gen Expectation**, in future, as part of Next Gen Banking, Digital Only Banks can improve their key infrastructure such as cloud computing, digital screening and lending, mobile internet accessibility. In future with growth in digital adoption, banks may shift towards hybrid banking practices. This can include banking practices where traditional banks launch digital only subsidiaries. This type of banks can be suitable for youngsters and tech savvy customers.

### b) Cross Border Transactions

Cross border transactions are those financial transactions where the transaction performing parties are based in different countries. Cross Border Transactions can include wholesale as well as retail payments, and remittances. Currently

Cross Border Transactions between India and Nepal is functional and in future we can expect the cross-border transactions with multiples countries to be effective. Nepal Rastra Bank has also permitted Nepalese banks to allow foreigners from various countries to make payments in Nepal using QR codes. This will allow seamless transactions between various countries and integration of payment system of different nations.

### c) Authentication through Biometrics

In future the use of Digital Identity can grow significantly. Government of Nepal has integrated National Identity Card (NID) across various documents including passport. Also, NID has also been made mandatory for opening the Bank account in Nepal with effective from Magh 2081. Besides, the use of biometric authentication (fingerprint/IRIS scans) is being used by various Banks for opening physical/online accounts or for online KYC. Next Gen Banking will definitely have strong control and customer identification / verification mechanism which will help to minimize banking risks and ensure proper compliance without formal documentation. Besides, Integration with Nepal's National Identity Card (NID) will enable seamless KYC (Know Your Customer) processes for digital banking.

### d) Personalized Banking Advice and Financial Suggestions

Next Generation Banking can include services like providing personalized finance related suggestions, user based financial advice, budget planning/recommendations, saving and investment-related strategies based on individual spending habits. This can also help to promote financial literacy and banking education.

### e) Risk and Fraud Minimization

Most of the fraud detection at present are past based. With the use of AI and its algorithms, banks can review the transactions and analyze it real time which can help to detect any suspicious or unusual activities and can also help to prevent fraudulent transactions. With the use of AI algorithm Threshold Transactions, Suspicious Transactions, Transaction wise concentration risks can be monitored in future.

### f) AI Based Credit Scoring Systems

Currently the loan process and credit approval process are heavily manual based and is time consuming in itself. With the growth of AI, Next Gen Banking can expand with the use of AI

driven analytics which can be used to check the loan requests and loan applicants to assess the loan eligibility, credit score, credit worthiness, financial behavior and repayment capability without requiring physical documents. This will faster the loan application and credit disbursements making ease for SMEs as well as for first time borrowers.

#### g) Sustainable Financing Goals and Green Banking

Environmental, Social, and Governance (ESG) principles are heavily being followed across globe and in Nepal as well. Next generation banking will definitely include Green Financing terms where Banks will prioritize projects related to renewable energy, sustainable projects, environmentally friendly startups and soft loans for businesses adopting green technologies. Besides, Banks are expected to move towards paperless transacting modes by encouraging e-statements, digital documentation, and online transactions.

#### h) Decision Centric Banking Dashboards

Next Gen Banking can provide enhanced financial services to the customers. In future customers may be provided with integrated dashboard where customers can manage their bank accounts, loans and payments through a single dashboard. This can include, digital lending business to be auto integrated with Banks for quick credit assessment and instant approvals. For a customer who wants to purchase vehicle in credit, can avail loan directly from car showroom by sharing the customer ID as reference where all the repayment history, credit score, risk score, collateral available, income certificate, bank statement is integrated and a result which can facilitate decision making is provided Realtime.

### Risks Associated with Next Gen Banking

Next Gen Banking makes the most use of emerging digital technologies including Artificial Intelligence (AI) and can make the banking faster and more convenient. However, Next Gen Banking comes with associated cybersecurity and digital risks. If the systems through which Next Gen Banking is operated are not handled properly or are not secured properly then it can result to financial loss, loss of customers data etc. Besides, there is high chance of facing technical problems or system failure if new systems are not capable enough to handle large banking transactions. Also, if banking tools are based on AI tools then, the decisions made by AI might not be completely accurate sometimes which may provide false results. In addition, traditional people

or people in remote locations of Nepal may struggle to use these new tools, creating a gap with those who can access the Next Zen Banking.

### Conclusion

We have looked into some of the possible avenues of Next Gen Banking in Nepal. We can conclude from above discussion that the future of banking will truly be inspired by digital transformation, financial inclusion and enhancing the customer banking experiences. If Banks in Nepal can effectively utilize the Artificial Intelligence and collaborate with technical partners then banks in Nepal can remain competitive.

Besides, Next Gen Banking seems to be heavily dominated by digital mediums which will reduce the dependency on physical branches. Besides, with the use of AI and data analytics personalized banking solutions can be provided to customers which will also help in fraud prevention. Nepal's banking industry has a unique opportunity to leapfrog into a fully digital financial ecosystem, ensuring accessibility, efficiency and innovation for the customers. This will be possible by promoting financial literacy and enhancing the overall customer experience.

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# Nepal's E-Commerce Act, 2081: A Welcome Step with Glaring Gaps



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## Introduction

The rise of e-commerce has fundamentally reshaped the behavior of people to buy, sell, and interact with goods and services across the world. Amazon, Alibaba, Flipkart are some of the world's giant e-commerce platforms where people can buy virtually everything that they need by their fingertips while sitting in the comfort of their home. Nepal is no exception, ranging from the local Facebook/Instagram shops to nationwide e-commerce platforms such as Daraz, Hamrobazar, etc. has already flourished – even in the absence of clear legal standards. The government of Nepal enacted the E-commerce Act of 2081 (Nepal Law Commission, 2025) to make legal arrangement to regulate, manage and make trustworthy trading of goods and services through information technology.

At present, the Act is applicable, and the existing platforms need to get themselves registered as per the Act. The act will foster the growth of e-commerce in Nepal and regulate the existing players effectively ensuring the consumer protection.

The Act came into force when the e-commerce platforms in Nepal are taking a good traction over the past decade. In 2024 the size of the e-commerce market in Nepal is estimated to be approximately USD 888 million with annual growth forecast of 5% (ECDB, 2025). Since the inception of e-commerce in Nepal from early 2000s, it was hindered by the internet connectivity, awareness, and the consumer needs. The growth was slower until when the internet availability, however COVID-19 pandemic instilled a habit among the Nepalese urbanites (Thapa, 2024). While the Act is a significant first step, its effectiveness will depend on how well it addresses real-world challenges. This article aims to delve in to some of these areas and tries to uncover some gaps and provides practical suggestions to help Nepal in building a more resilient and sustainable e-commerce environment.

## Overview of the Act

The key contents of the Act include Definition of legal base for e-commerce activities, registration, regulation, and compliance for the e-commerce entities, protect consumers' rights, establish penal provisions for non-compliances, establish regulatory authority to oversee implementation etc. The following table aims to summarize the major provisions of the Act:

S. No.	Particulars	Provision	Remarks
1	Applicability	All over Nepal and applies to the person supplying goods and services in Nepal irrespective of their geographical location.	It looks wonderful in the law; however, the implementation seems a daunting task for the government, as foreign service providers have very few incentives in complying with this law given the market size, administrative and political situation, and various other factors. Monitoring of such transactions is also challenging.

S. No.	Particulars	Provision	Remarks
2	Definition of E-commerce	E-commerce means the sale of goods and services over the digital platform. However, it doesn't include any activities to provide information and promote the goods and services over the digital platform.	
3	Registration	<ul style="list-style-type: none"> <li>Registration is compulsory for carrying out E-commerce transactions.</li> <li>The existing businesses shall get themselves registered within 3 months of the commencement of this Act by providing the said information and documents.</li> <li>The Department shall provide registration information within 7 days from the date of application.</li> </ul>	Registration is a good step, and it ensures consumer protection and validity of a platform as well. However, the process must be made more efficient to promote the e-commerce in Nepal. It does not deal with the platforms which are running from outside the country.
4	Electronic platform	<ul style="list-style-type: none"> <li>Every business shall establish an electronic platform to carry out E-commerce transactions.</li> <li>However, micro-entrepreneurs, or similar other cottage entrepreneurs may use another electronic platform.</li> </ul>	This provision means that if a large business desires to use an intermediary platform for selling its goods and services, it shall develop its own platform. This provision is against the promotion of e-commerce in Nepal, and if each large businesses are going to operate their own platform it would not be user-friendly as well.
5	Contracts	Any contract between the seller and buyer through the electronic platform shall be treated as the contract as per the prevailing laws of Nepal, and all the provision of contract shall be applicable.	It is suitable to remove the impediments over the dispute of e-commerce transaction.
6	Payment of consideration	<ul style="list-style-type: none"> <li>The payment of consideration to the transporter shall be deemed to be payment to the seller during e-commerce transactions.</li> <li>However, the prevailing foreign exchange rules and regulations shall be applied in case of the e-commerce transaction in foreign currency.</li> </ul>	It is provisioned to support general business practices.
7	Return of goods or services	<ul style="list-style-type: none"> <li>The buyer can return the goods or services, in the original and undamaged condition, if it has been found that the goods or services are not as per the specification.</li> <li>The seller shall receive the returned goods or services without any condition.</li> <li>If the buyer is desirous, the seller can provide goods or services of the same value in lieu of the returned goods or services.</li> <li>If the buyer doesn't desire to obtain replaced goods or services, the seller shall refund the entire amount (including taxes) to the buyer.</li> </ul>	This provision will protect the consumers or buyers from online frauds, deceit, and malicious practices in the e-commerce transactions.





S. No.	Particulars	Provision	Remarks
8	Import/export	<ul style="list-style-type: none"> <li>Import/export transactions can be carried out electronically.</li> <li>In the case of exports, consideration in foreign currency shall be received before delivering goods or services.</li> </ul>	
9	Confidentiality of the personal information	The provision is clear about the confidentiality of the personal information of the buyers. However, the provisions as to when such confidentiality is breached has not been mentioned.	The e-commerce platforms shall be penalized in case of the breach of confidential information of the consumers to ensure the trust of the consumers in the e-commerce transactions.
10	Responsibilities	<ul style="list-style-type: none"> <li>The Act clearly mentioned the responsibilities of the platform, sellers, intermediaries, transporters, and buyers.</li> <li>The e-commerce platform shall not be waived off the liabilities in case any complaints from the customers are made on the grounds that it has provided the platform only and has not sold any goods or services itself.</li> </ul>	This provision also provides greater responsibility on the e-commerce platforms as well to thoroughly vet the sellers before allowing them to transact through the platform. In a way it protects the consumers; however, it might be burdensome to the platform operators.
11	Fine and penalty	<p>The fine for the following shall be Rs. 20,000 to Rs. 1,00,000:</p> <ul style="list-style-type: none"> <li>Engaged in e-commerce activity without developing a platform.</li> <li>Engaged in e-commerce activity without the registration of the platform.</li> <li>Engaged in e-commerce activity without disclosing the specified information.</li> <li>Not fulfilling the liability for being an intermediary platforms such as providing adequate information to the consumers, maintaining records as per the law, complying with the warranty and guarantee clauses, indiscrimination of same products and service display on the platform, contract with the seller, etc. per Section 14 (a), (b) and (e), Section 15 (a), (b), (e), and (f), and Section 16 (a), (b), (c), (d).</li> </ul>	Government of Nepal will be plaintiff in cases as per Section 23 of the Act, it provides relief to the customers in a way that the government will be responsible for the legal proceedings.
12	Imprisonment	There will be imprisonment from 6 months to 3 years or a fine of Rs. 50,000 to Rs. 500,000 or both in the case of contravention of the provisions of Section 21 (e) such as dishonoring the warranty or guarantee, indiscrimination among same products or services, not executing the contracts with seller, trying to defraud the customers with incorrect display of products or services, delivery of goods or services after the predefined delivery date/time, etc. .	

## Major Strengths of the Act

Generally, the Act seems to have covered a holistic approach and tries to address major areas of concern for the e-commerce industry. The following points highlight the major strength of the Act:

1. The Act formally recognizes the e-commerce activities and has clearly defined the same. Compulsory registration and establishment of e-commerce platform are the significant provision to evolve such business.
2. It has provided several consumer rights and responsibilities such as access to accurate product/service information, cancellation and refund rights, timely grievance handling, etc., and tries to introduce the consumer protection framework.
3. It has given validity to the electronic contracts and communications; it well aligns with the international laws.
4. It proposes the establishment of an authority for oversight and enforcement of the law; it has potential for consistent implementation and administration.

## Key Gaps Observed

Although, the enactment of the Act itself is a historic step by the Government of Nepal, the Act remains incomplete and contains several gaps that still needs to be addressed, such as:

### 1. *Own Electronic Platform to be Developed:*

Section 4 of the Act, provides that any businesses desirous of starting e-commerce shall develop their own platform except for micro and cottage entrepreneurs who can use other platforms for e-commerce transactions. For example, if a business, other than micro enterprises, desirous of going online to sell goods, they will have to establish its own platform. It means that traders can't use third party platforms such as Daraz or Sastodeal. Currently, the e-commerce platform provider and goods and service supplier are different. Various firms and business holders use Daraz, Sastodeal platform to run their business. It is international common practice. The Act has not accepted this concept. This may encourage the increase of huge number of individual platforms in Nepal specific for different businesses. Customers might not have an option to compare different businesses or suppliers, and it might be cumbersome to move between different e-commerce platforms for online shopping.

### 2. *Enforceability challenges:*

While the Act has broadly outlined the responsibilities, authorities, and penalties; however, the enforcement mechanisms seem inadequate to address some concerns like:

- What mechanisms will the authorities use to detect violations or monitor activities, grievances, etc.?
- Liaison with concerned authority (probably the Ministry of Communication and Information Technology) has been mentioned; however, how the authority will proactively surveil or collaborate with private and development sector for effective implementation of the Act are lacking.
- The penalties are not proportionate based on the nature or scale of the offence. What will be the penalty for repetitive offences, what will be the penalty for high value dispute and offence, etc. are not addressed properly. Further, the penalty is very low and might not discourage the offender.

### 3. *Social Media Commerce:*

Many Nepalese entrepreneurs use social media for e-commerce activities, they use it to gather leads, confirm sales, and communicate with the customers. The Act is not clear:

- On how such informal e-commerce operators will be brought under regulatory oversight.
- On how the government will collaborate with the global social media platform to shut down such informal e-commerce activities.

The informal e-commerce activities might hurt the formal ones due to fierce competition, predatory pricing due to lower or Nil tax, and consumer protection might be another headache for the authorities leading to lack of trust among the public.

### 4. *Innovation Risks and Overregulation:*

The Act requires registration, licensing, and compliance for all e-commerce entities, and there is no differentiation between a startup, a side-hustle, or a large e-commerce company. This provision might hinder innovation and discourage startups and small-scale e-commerce businesses that are just experimenting with their products and services. Different criteria such as thresholds, exemptions, etc. are not provided in the Act to facilitate different sizes of e-commerce activities.



## 5. *Administrative Operations:*

The registration and reporting process looks paper-heavy, and there is no clarity in reducing the paperwork and digitizing the processes. Uploading the documents is still paperwork, and the administration has not provided any hint in the Act that it will work with concerned government offices for data exchange mechanisms to ensure paper-less administrative functions. Further, the complaints resolution mechanism lacks the ways for quick and tech-enabled dispute resolution processes.

## 6. *Data Privacy and Security Gaps:*

The Act references data security, however, it lacks:

- In case payment is to be accepted through the e-commerce website or platform itself, the Act doesn't provide minimum security measures that need to be implemented in the platform such as PCI DSS/PCI PIN compliance for payment using cards, ISO 27001 for data security, etc.
- It doesn't provide guidelines on storing, retaining, and transmission of personal data of platform users.
- There is no mention of the penal provisions for data breach incidents.
- There is no reference to the broader data governance of Government of Nepal, Nepal Rastra Bank (for payment related), etc.

## 7. *International Alignments:*

World Trade Organization (WTO) Trade Facilitation Agreement on e-Commerce (AEC) has mentioned that "No Party shall impose customs duties on electronic transmissions between a person of one Party and a person of another Party" (World Trade Organization, 2024). The Act doesn't contain anything related to Customs duty on cross-border e-commerce transactions. Further, there is no mention of regional and international cooperation for data sharing and exchange to resolve disputes, to handle data privacy issues, etc. The operation of international payment gateway is required to run e-commerce in the international sector. However, the infrastructure and policy for international payment are lacking. E-commerce is borderless business. However, the act is not dealing with buy and sell in the international market. These key inadequacy may hinder global reach and international e-commerce giants entering the Nepalese market.

## Suggestions for Improvement

The Act is a welcome step in the Nepalese e-commerce industry, and despite some of the gaps it will help to

build the positive traction and message in the industry. Based on the gaps identified earlier, the following are some suggestions identified that needs consideration from the concerned agencies:

### 1. *Encourage a Few Larger Platforms:*

Instead of encouraging large number of platforms for e-commerce activities as per Section 4 of the Act, the Act should let the market decide whether to aggregate all activities in the same platform or open numerous platforms for different goods and services and sellers. As in the international market, the provision of using same platform by various sellers should be introduced. The administrative burden, review, and monitoring will become cumbersome of the government as well when there are large numbers of e-commerce platforms in a small country like Nepal. Having a handful of them, and strictly monitoring them might encourage e-commerce operations in Nepal and popularize it among the customers.

### 2. *Differentiate by Size and Risk:*

Differentiate sizes and types of e-commerce platforms and entities. The basis of differentiation could be annual turnover or volume of business, nature of goods and services sold, etc. The idea is that large e-commerce platforms and a startup should not have similar compliance requirements, registration and monitoring requirements until the startup attains a certain size based on the revenue or number of users, etc. It will help foster the innovation and entrepreneurship environment in Nepal.

### 3. *Collaboration and Technological Tools:*

Rather than discouraging small e-commerce vendors operating through social media by subjecting them to the same registration and stringent compliance requirements as large players, a more balanced approach could be explored. This may include collaboration with platforms like Meta or Google to identify and regulate these vendors separately. With the support of artificial intelligence-powered monitoring tools, it will be easier to detect misleading advertisements, fake reviews, or fraudulent behavior thereby enhancing consumer trust as well.

### 4. *Simplify Compliance:*

It is important to aim to digitalize the entire compliance processes such as registration, filing, grievance handling, etc. without ever needing to upload the scanned documents by using data

exchange mechanisms with the other government agencies. It is also important to offer toolkits, helplines, and other resources to boost small e-commerce entrepreneurs and foster a pathway for the digital economy.

### 5. *International Perspective:*

The principles and guidelines of WTO should be kept in view while enacting the law, and it will provide a loud message to the international community opening doors for large multinational e-commerce players in Nepal which will increase economic activities and knowledge transfer.

### 6. *Promote Digital Literacy:*

When e-commerce rises, fraud and digital crimes also rises. We have been observing different types of digital frauds going on in Nepal presently such as SIM fraud, OTP fraud, identity theft, etc. Hence, it is of paramount importance to address and promote the digital literacy of Nepalese consumers. Setting aside a fund like a consumer protection fund in the banking industry, e-commerce industry and the regulator can work together to educate and make aware of the customers which will reduce frauds and consequential losses and increase the business and industry size.

### 7. *Payment Gateway:*

While fostering the growth of e-commerce in Nepal, it is crucial to strengthen the international payment mechanism to support seamless cross-border transactions. One of the key steps toward achieving this is the establishment of an international payment gateway within the country. Currently, the absence of such infrastructure limits the ability of Nepali businesses and consumers to engage effectively in global e-commerce, restricting opportunities for trade, innovation, and entrepreneurship. The Act is not also dealing in such obstacle. By developing a secure and efficient international payment gateway, Nepal can facilitate smoother transactions with global platforms, attract foreign buyers and sellers, and enhance trust in digital commerce. This move would not only support local e-commerce ventures in scaling their operations but also contribute significantly to the digital economy.

## Conclusion

The E-Commerce Act of 2081 is an important milestone in Nepal's e-commerce journey. It reflects the government's intention to promote safe, fair, and

trustworthy online trade and at the same time an attempt to regulate and reduce malpractices such as informal online trading and protect entrepreneurs as well as consumer. It has tried to cover the major areas of concern such as registration, developing platforms, roles and responsibility, and regulation mechanism. There are several gaps observed to develop e-commerce business in local and international market. Technological collaboration, digital literacy and infrastructure are the important concern to foster e-commerce business.

A policy is considered well only if it brings out the intended results, and a lot of it depends upon the implementation. Also, understanding the market sentiments, user feedback, technology adoption and development, etc. are other factors that can shape a policy.

Hence, if implemented without sensitivity to market realities, it may stifle the very innovation it seeks to protect. To move forward, the government must focus on practical enforcement, international coordination, and enabling frameworks that support both consumers and entrepreneurs. Most importantly, regulation must be smart and efficient – not just strict only.

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# Cybercrime in Nepal: A Growing Threat in the Digital Age



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## Abstract:

*Cybercrimes are offences that are committed against individuals or groups of individuals with a criminal motive to intentionally harm the reputation of the victim or cause physical or mental hurt, or loss, to the victim directly or indirectly with the help of telecommunication networks like the Internet. Presently, there are not any specific cyber laws in Nepal but it is regulated by the Electronic Transactions Act 2063. The Government of Nepal has issued Directives related to the Social Media Usage Regulation Directive, 2080, which mandates that any person, company, or entity operating or planning to operate a social media platform must register, but to date only four social media platforms are registered. Further, with the rising number of cybercrime cases, all district courts are delegated the authority to adjudicate the cybercrime related cases, which was earlier only with the Kathmandu District Court.*

## Introduction:

*"It takes 20 years to build a reputation and a few minutes of cyber-incident to ruin it." – Stephane Nappo.*

As per Black's Law Dictionary, Cyber Crimes are crimes that take place through computers, computer technology or the Internet. Cybercrimes are offences that are committed against individuals or group of individuals with a criminal motive to intentionally harm the reputation of the victim or cause physical or mental hurt, or loss, to the victim directly or indirectly, victimization trendy telecommunication networks like the Internet (Halder, D., & Jaishankar K., 2017). Cyber Crime is an act of creating, distributing, altering, stealing, misusing, and destroying information through the computer manipulation of cyberspace (Dasgupta, M., 2009). The cybercrime may be conducted in different ways, but in general it is divided into three parts:

- Information extraction (e.g., through phishing);
- Social deception or engineering, and preying on vulnerable emotions (e.g., by pretending to be another person or entity and using that as a premise to generate urgency, fear or trust; or by offering false claims to earn money easily, like in the case of parcel fraud, the perpetrator may pretend to be an employee of a courier company and may ask for customs charges to release valuable goods);
- Online medium or platform (used for communication like luring victims into lottery or gift frauds). It is also be used for victims to transact on. e.g., in cases of online trading fraud displaying goods in Instagram at attractive pricing and not delivering goods after obtaining advance payment). (Strategic Analysis Report, 2024)

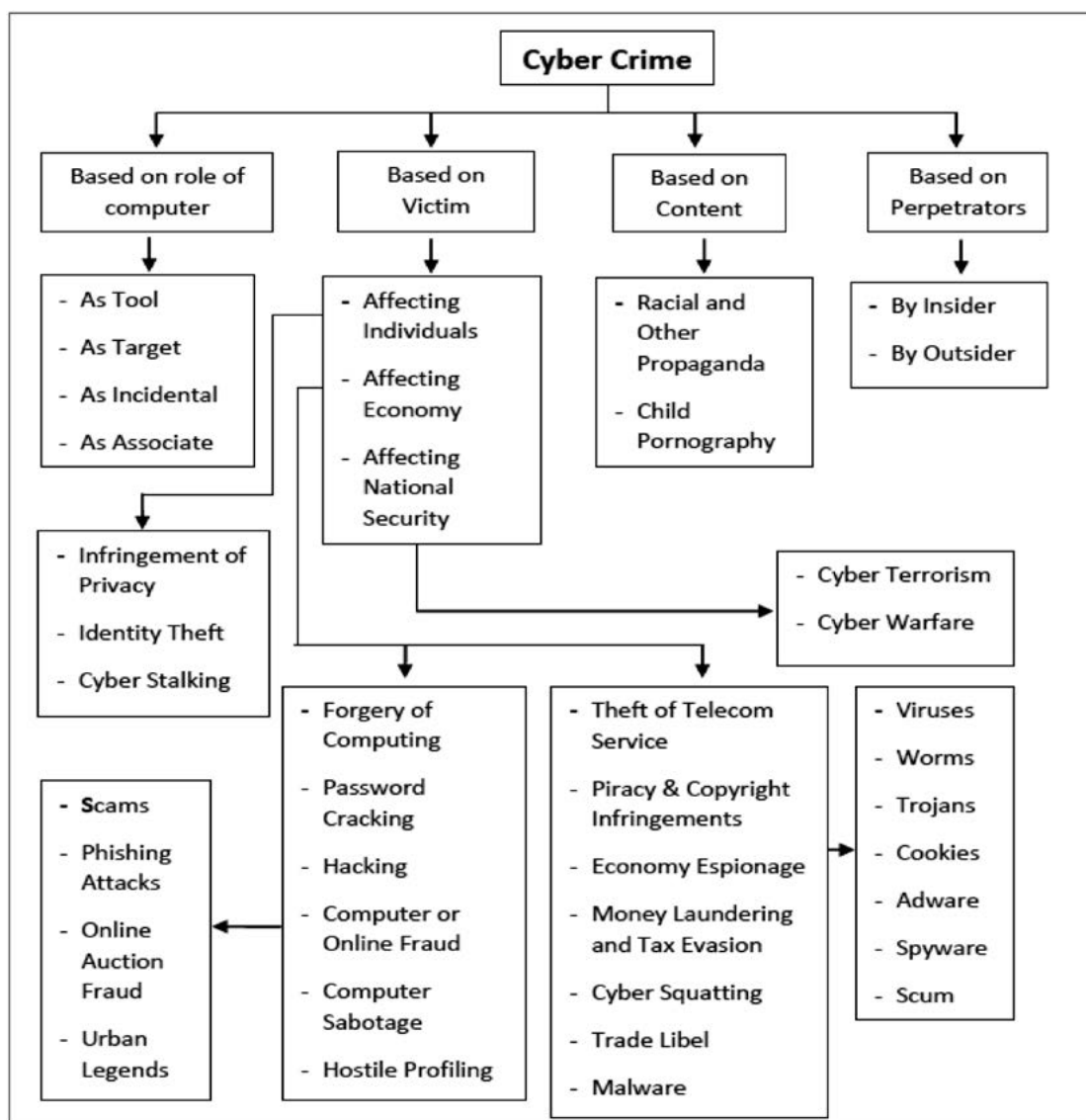
With the increased use of information technology in the public and private sector, the cybercrimes are also growing every year. The article tries to discuss about the various aspects of cybercrimes in Nepal.

## Classification of Cybercrimes:

Cybercrimes can be categorized in variety of ways based on their nature but in general, it shall be classified into four categories. They are :

- Based on role of Computer:** In these cases, the computer simply uses as a medium or instrument to facilitate cybercrime. e.g. Hacking, Phishing. In some of the cases, the computer itself is the target of the crime. e.g. Malware, Data breaches, Denial of Services etc.
- Based on Victim:** The victims of cybercrime may be a person (both natural as well as artificial). Further, if the impact of the cybercrime is tremendous then it may impact on the national security as well as overall economy as a whole. In today's scenario, the concept of cyber war among the countries is in increasing trend. It may be identity theft, cyberbullying, Phishing, financial fraud, theft of intellectual property, cyber terrorism, cyberwarfare etc.
- Based on Content:** In present scenario the cybercrime based on the content are in increasing trend. The variety of the harmful content is increased due to increase in usage of internet and digital communication. The content may be propaganda, child pornography, religious and racial.
- Based on Perpetrators:** The perpetrators may be from the insider or outsider. The insider perpetrators are those individuals who have authorized access to a computer system or network but they misuse the authority and involve in malicious practices. The outsider perpetrators are those individuals who do not have authorized access to a computer system or network. These can be hackers, cyber gangs or person having unauthorized access.

In general, the classification of the cybercrime can be summarized as below:



Source: A study on Cybercrime Cases in Nepal, 2022 published by National Judicial Academy

## Current Scenario of Cybercrime in Nepal

In Nepal the case of cybercrime has increased over the past five years, with complaints rising rapidly. In the fiscal year 2019-20, there were just over 2,300 complaints reported in Nepal Police Cyber Bureau but by 2024, that figure increased to 19,730.

The main cybercrimes in Nepal includes banking and financial crimes, online gaming, hacking, defamation, blackmailing, harassment, sextortion, cyberbullying, stalking, website defacement, online child exploitation, and various forms of online scams. Facebook and Messenger consistently account for the largest share of these diverse incidents.

The number of cybercrimes registered based on the provinces, victims, and medium of cybercrime as per the report published by Nepal Police Cyber Bureau can be summarized as below:

### Based on the Provinces

S.No.	Provinces	No. of cybercrime registered		
		FY 2078-79	FY 2079-80	FY 2080-81
1.	Koshi Province	147	402	1,149
2.	Madhesh Province	119	164	683
3.	Bagmati Province- <i>Cyber Bureau (including Hello Sarkar)</i>	3,577	7,382	16,439
4.	Bagmati Province- <i>Excluding cyber bureau &amp; hello Sarkar</i>	224	286	384
5.	Gandaki Province	172	162	182
6.	Lumbini Province	329	382	500
7.	Kanali Province	78	125	333
8.	Sudurpashchim Province	40	110	60
	<b>Total</b>	<b>4,686</b>	<b>9,013</b>	<b>19,730</b>

### Based on the Victims

S.No.	Victims	No. of cybercrime registered		
		FY 2078-79	FY 2079-80	FY 2080-81
1.	Boys	41	46	253
2.	Girls	142	130	382
3.	Women	2,389	4,590	8,745
4.	Men	1,899	3,730	9,583
5.	LGBTQI+	215	512	767
	<b>Total</b>	<b>4,686</b>	<b>9,008</b>	<b>19,730</b>

### Based on the Medium of Cybercrime

S.No.	Medium of Cybercrime	No. of cybercrime registered		
		FY 2078-79	FY 2079-80	FY 2080-81
1.	Facebook (incl. Messenger)	3,956	6,782	16,096
2.	Instagram	76	551	1,114
3.	Whatsapp	96	285	981
4.	Tiktok	233	721	690
5.	Esewa	66	196	376
6.	Youtube	60	69	69
7.	Bank/Organization	127	-	-

S.No.	Medium of Cybercrime	No. of cybercrime registered		
		FY 2078-79	FY 2079-80	FY 2080-81
8.	Email	72	69	117
9.	Viber		18	21
10.	IMO		22	15
11.	X (Twitter)		34	14
12.	Website hacking		45	13
13.	Other		221	224
	<b>Total</b>	<b>4,686</b>	<b>9,013</b>	<b>19,730</b>

Source: Annual factsheet on Suicide & Cyber Crime report published by Nepal Police Headquarters, Crime Investigation Department

Looking on the above table the following assumption could be made:

- The total number of registered cybercrime cases increased from 4,686 to 19,730 which is almost 321% growth in past three years.
- Cyber bureau and Hello Sarkar alone contributed higher number of registered cases. In F.Y 2078-79, it was almost 76% of the total cases registered in that year and in F.Y 2080-81 it is 83% of total cases registered. This shows the cases of cybercrime registered in cyber bureau and hello sarkar is in increasing trend.
- Women are the most targeted victims for cybercrime with the growth of 266% as compared to F.Y 2078-79.
- However, the target to the men is also increased by 405% as compared to F. Y 2078-79. It may be due to phishing, online scam, financial scams or blackmail.
- Social media platforms, especially Facebook are the primary vehicles for cybercrime.
- Platforms like E-sewa are in emerging targets for cybercrimes.

## Cyber related Laws and Policies in Nepal

The Constitution of Nepal 2072 {Article 51 (f)(5)} provides the legal framework and guidelines to prepare a policy related to the state to incorporate about the information technology. According to the same, the policies of the state related to the development is to ensure easy and simple access of the general public to information technology by developing and expanding information technology to the tune of national needs, and make optimum utilization of information technology in the national development. Presently, the following Acts or policies are being implemented by Government of Nepal to prevent possible cyber fraud.

### The Constitution of Nepal 2072:

The fundamental rights - freedom of opinion and expression (Article 17), right to communication (article 19), and right to privacy (article 28) play significant role to provide the information and maintain privacy. Also, these fundamental rights protect against the excessive intervention of government and also provide safeguard related to cybercrime.

### Electronic Transactions Act, 2063:

The main purpose of the Act is to provide legal provisions for authentication and regularization of the recognition, validity, integrity and reliability of generation, production, processing, storage, communication and transmission system of electronic records. Further, this Act aims to control the unauthorized use of electronic records or alter such records through illegal manner. The main provision of the Act can be summarized below:

Section	Nature of Cybercrime	Elements of Cyber Crime	Punishment
44	To pirate, destroy or alter the computer source code	To pirate, destroy, alter computer source code of any computer, computer system, or computer network knowingly or with <i>mala fide</i> intention	Imprisonment not exceeding three years or with a fine not exceeding two hundred thousand Rupees or with both





Section	Nature of Cybercrime	Elements of Cyber Crime	Punishment
45	Unauthorized Access in Computer Materials	To use a computer without authorization of the owner or the person responsible for such a computer or even in the case of authorization, performs any act with an intention to have access in any program, information or data contrary to from such authorization	Fine not exceeding two hundred thousand rupees or with imprisonment not exceeding three years or with both
t46	Damage to any Computer and Information System	To cause wrongful loss or damage to any institution destroys, damages, deletes, alters, disrupts any information of any computer source by any means or diminishes value and utility of such information or affects it injuriously or causes any person to carry out such an act, knowingly or with <i>mala fide</i> intention.	Fine not exceeding two hundred thousand rupees and with imprisonment not exceeding three years or with both.
47	Publication of illegal materials in electronic form	To publish or display any material in the electronic media including computer, internet which are prohibited to publish or display by the prevailing law or which may be contrary to the public morality or decent behavior or any types of materials which may spread hate or jealousy against anyone or which may jeopardize the harmonious relations subsisting among the peoples of various castes, tribes and communities	Fine not exceeding one hundred thousand rupees or with the imprisonment not exceeding five years or with both. Repeated Offender: liable to the punishment for each time with one-and-one-half times of previous punishment
48	Confidentiality to Divulge	To divulge or cause to divulge confidentiality of record, books, registers, correspondence, information, documents or materials to any unauthorized person.	Fine not exceeding ten thousand rupees or with imprisonment not exceeding two years or with both.
52	To commit computer fraud	To create, publish or otherwise provide digital signature certificate or acquires benefit from the payment of any bill, balance amount of any one's account, any inventory or ATM card with the intention of committing any fraud or any other illegal activities	Fine not exceeding one hundred thousand rupees or with an imprisonment not exceeding two years or with both.
53	Abetment to commit computer related offence	To abet other to commit an offence relating to computer or attempt or involve in the conspiracy to commit such offence	Fine not exceeding fifty thousand rupees or with imprisonment not exceeding six months or with both
54	Punishment to the Accomplice	To assist others to commit any offence or act as accomplice	Half of the punishment for which the principal is liable.
57	Offences Committed by a corporate body	An act done by a corporate body is deemed to be an offence under this Act.	Deemed to have been committed by a person who was responsible as chief for the operation of the corporate body at the time of committing such an offence.
58	Other Punishment	Violation of this act and no penalty has been separately provided	The violator shall be liable to the punishment with a fine not exceeding fifty thousand rupees, or with an imprisonment not exceeding six months or with both.

### National Criminal Code 2074:

Section	Provision related to cybercrime	Punishment
121	Producing, printing or publishing or circulating through electronic media any obscene book, pamphlet, drawing, film, picture, record or any other item which is lascivious (increases physical libido) or appeals to the prurient interest or makes characterless	Imprisonment for a term not exceeding one year or a fine not exceeding ten thousand rupees or both
224	Person Commit, or caused to be committed, sexual harassment to another person. It also emphasizes that these cases should not be by way of electronic medium, or by showing any pornography. If it exists it shall be punishable offences.	Imprisonment for a term not exceeding three years and a fine not exceeding thirty thousand rupees
276	To make a false document or false electronic record or a part or portion of a document or electronic record, with intent to cause any harm, injury or damage to the public or to any person or to render any benefit to the person himself or herself or to any person shall be considered to commit forgery.	Imprisonment for a term not exceeding ten years and a fine not exceeding one hundred thousand rupees, in the case of forgery of a document authenticated by the President Imprisonment for a term not exceeding eight years and a fine not exceeding eighty thousand rupees, in the case of forgery of a judgment or order of a court Imprisonment for a term not exceeding seven years and a fine not exceeding seventy thousand rupees, in the case of forgery of a government or public document other than above two.
298	To obtain notice, information and correspondence lying in or to be transmitted from any electronic means or breach privacy thereof, or transfer, or cause to be transferred, the same to another person in an unauthorized manner	Imprisonment for a term not exceeding two years or a fine not exceeding twenty thousand rupees or both
300	The dishonest intention of causing fear, terror or pain to, or annoying, insulting or defaming another person, threat, annoy, tease that other person by writing or causing to be written any letter, pamphlet or document of any other type or through electronic means or otherwise behave such person improperly by any person	Imprisonment for a term not exceeding one year or a fine not exceeding ten thousand rupees or both

### Other Related Laws

Some other laws and policies related to cybercrimes or crimes committed by using electronic devices are listed below:

- **Consumer Protection Act, 2075:** Regulates online buying/selling and e-commerce fraud.
- **The Patent, Design and Trademark Act, 2022:** Regulates online piracy of trademarks, logos or software, cyber based counterfeiting and digital misuse of brands.
- **Copyright Act, 2059:** Prevents illegal sharing, downloading, or selling of unauthorized materials (e.g videos, music, movies, books etc.) through online.
- **The Banking Offence and Punishment Act, 2064:** Emphasis to safeguard from online banking fraud, identity theft, phishing, e-commerce scam, and unauthorized fund transfers.
- **Telecommunication Act, 2053:** It helps to tackle unauthorized use of digital communication tools, like threats, hate speech, or harassment via calls or SMS as well as punishment for unauthorized interception.
- **The Act relating to Children, 2075:** It aims to safeguard children against online child exploitation, grooming, and distribution of child sexual abuse material.



## Problems and Challenges related to Cybercrime in Nepal

In 2007 and 2008 the cost of cybercrime worldwide was estimated at approximately USD 8 billion. As for corporate cyber espionage, cyber criminals have stolen intellectual property from businesses worldwide worth up to USD 1 trillion. The following are the problems and challenges related to cybercrime in Nepal :

### a. Weak cyberlaw and law enforcement:

Firstly, there is no specific law that deals with cybercrimes in Nepal. The Electronic Transactions Act, 2063 (ETA) is the only major law dealing with cybercrime issues, though, in a limited manner. The provision of the laws is outdated and not comprehensive according to the dynamic IT environment. Further, provision of the ETA is overlapped with the Criminal Code which creates legal ambiguity.

### b. Lack of Proper Investigative Tools and Infrastructure:

Nepal is lacking of proper investigative tools and procedures in investigating and prosecuting digital nature cybercrimes. Presently, National Criminal Procedure Code, 2074 is only criminal procedural guidelines to investigate and adjudicate cybercrimes. Further, forensic lab exists at Cyber Bureau and Police Head Quarters with limited resources like trained professional, adequate manpower and technology, inadequate infrastructure in court room and budget constrain which also hinders for investigation process.

### c. Lack of Public Awareness:

As per the report, the total number of registered cybercrime cases increased from 4,686 to 19,730 in FY 2080-81, which is almost 321% growth in the past three years. Further, as per the report in F.Y. 2080-81, out of the total cases registered of 19,730, almost 19,493 cybercrime related cases are registered due to social media platforms like Facebook, Instagram, Whatsapp, Tiktok, Esewa, Email, Youtube, Viber, IMO, Twitter etc. Through this, the conclusion is, many citizens, especially in rural areas, are unaware of cyber risks and safe online practices due to low awareness.

### d. No Proper Capacity-Building:

Earlier, cybercrime related cases filed at the Bhotahity-based cyber bureau would only be addressed by the Kathmandu District Court. The circular published in the national gazette

on 2081.03.11 provides jurisdiction to all the district courts to issue verdicts in accordance with the Electronic Transactions Act, 2063. However, the court is lack of proper infrastructure, trained manpower, lack of expertise in the relevant field to tackle the complex cybercrime cases.

### e. Jurisdiction and Cross-Border Issues:

In Cybercrime, the cross-border transactions and the origination of that crime from other country makes the task difficult and hard. Also, the investigation procedures may be long due and lengthy due to jurisdiction and cross-border issues as Nepal is not a part of the Budapest Convention or any International treaties relating to cybercrimes.

### f. Rise in Social Media Crimes:

In the present context, the users of social media platforms are increasing rapidly. As per the report published by Cyber Bureau of Nepal, almost 98% of the cybercrimes are committed through social media platforms.

### g. Weak Enforcement:

Due to a lack of adequate laws and a lack of proper understanding of the subject matter of cybercrimes, imprisonment or fines including compensation are generally imposed on the lower side. Also, judges simply impose minimum punishment because they are under pressure to punish due to the possibility of backlash from media or law practitioners.

### h. Other Challenges:

The other challenges related to the cybercrimes in Nepal are low prosecution rate, complex compliant process, lengthy court procedure, different styles of case handling, jurisdiction confusion which may result to poor coordination, and technology and infrastructure gaps.

## The way Forward

The following are some potential solutions and suggestions that can be considered to resolve the cybercrime related problems and challenges:

### a. Enact Comprehensive and updated cyberlaw:

To become the law acceptable it shall be measured by following eight standards- The laws must be (1) sufficiently general, (2) publicly promulgated, (3) prospective, (4) clear and intelligible, (5) free of contradictions, (6) relatively constant, (7) possible

to obey, and (8) administered in a way that does not wildly diverge from their obvious or apparent meaning (Tucker, E. W., 1965). Government of Nepal must focus to formulate cyberlaw to incorporate all these aspects.

**b. Modern Investigative Tools and Infrastructure:**

Nepal should focus to develop a proper investigative tools and procedures in investigating and prosecuting digital nature cybercrimes. New procedural guidelines to investigate and adjudicate cybercrime cases must be implemented. Also, the court rooms should be updated in modern infrastructure which should support to present digital evidence during prosecution.

**c. Increase Public Awareness and Digital Literacy:**

The awareness should be conducted in the local language in social media like Television, radio, newspaper and other means to spread the potential cyber fraud, cybercrime and scams. Further, the government may include the cybercrime related topics in the curriculum of the school level which helps to create a better society.

**d. Proper Capacity-Building:**

All-district courts must have proper infrastructure, trained, technical manpower, expert personnel to resolve the complex cybercrime cases in prompt manner.

**e. Jurisdiction and International Cooperation:**

Nepal can be the members of international conventions such as Budapest Convention on Cybercrime which helps to enable cross-border sharing of evidences during cross border cybercrimes and can take international cooperation during the investigations and prosecutions.

**f. Regulate and Monitor Social Media Platforms:**

All social media operated in Nepal must be registered as per Social Media Usage Regulation Directive, 2080 issued by the Government of Nepal.

**g. Reform Penalties and Enforcement Practices:**

There should be stringent penalties for the serious cybercrimes. Judicial independence must be assured during adjudicating the cyber cases. There should be a stringent sentencing procedure when cybercrime targets the children, women, or financial institutions.

## Conclusion

The cybercrime case in Nepal is rapidly increasing due to skyrocket increase in number of users related to social media platforms, digital wallets and digital payment systems. But this challenge can be resolved through implementation of updated cyberlaw, building proper infrastructure, cyber security awareness and fully equipped court rooms to adjudicate the cybercrime cases. Further, the Government of Nepal should focus for proper implementation of Social Media Usage Regulation Directive, 2080.

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## अनुशासन सम्बन्धी उजुरी उपर सदस्यलाई सचेत गराइएको बारे सूचना ।

एक प्राइभेट कम्पनीले घर बहाल बापतको आम्दानीलाई वित्तीय विवरणमा नदेखाएको, शेयर पूँजी बापत शेयरधनीहरूले बैंक खातामा रकम जम्मा नगरी शेयर पूँजी लेखाङ्कन गरेको, लगायत अन्य कैफियतहरू आ.व. २०७५/०७६ को वित्तीय विवरणमा रहेकोमा उक्त कम्पनीको लेखापरीक्षण गर्ने संस्थाका एक चार्टर्ड एकाउन्टेन्ट सदस्यले लेखापरीक्षण गर्ने क्रममा नेपाल चार्टर्ड एकाउन्टेन्ट्स ऐन, २०५३ तथा नेपाल लेखापरीक्षणमान अनुसार कार्यविधिहरू र प्रकृयाहरू पुरा नगरी लेखापरीक्षण कार्य सम्पन्न गरी वित्तीय विवरण उपर कुनै कैफियत नजनाएको आरोप सहित उक्त कम्पनीका शेयरधनीहरूबाट निज उपर नेपाल चार्टर्ड एकाउन्टेन्ट्स ऐन, २०५३ को दफा ३५(१) तथा नियमावली २०६१ को नियम ८० बमोजिम संस्थामा उजुरी दर्ता भएकोमा उजुरीको सम्बन्धमा छानविन गर्दा आरोपित लेखापरीक्षकले वित्तीय विवरणको Notes to Accounts/Management Representation letter मा उल्लेखित विवरणमा अधिक रूपमा निर्भर भई सो विवरणहरूको सत्यता माथि प्रश्न उठ्ने किसिमका जानकारी तथा विवरणहरू कम्पनीमा उपलब्ध हुँदा हुँदै सो जानकारीहरूलाई वेवास्ता गर्दै Management Override of Control को कारणले हुन सक्ने जालसाभीलाई विचार नगरी कम्पनीले प्रदान गरेको कागजात तथा विवरणको जाँच/परीक्षण गर्दा अपनाउनुपर्ने पर्याप्त व्यवसायिक संशयता (Professional Skepticism) नअपनाएको हदसम्म कमजोरी गरेको देखिन आएकोले निज सदस्यलाई नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था अनुशासन सम्बन्धी उजुरी छानबिन कार्यविधि, २०७७ को दफा ५(११) बमोजिम एक पटकको लागि सचेत गराउन र भविष्यमा थप तथ्य प्रमाण उपलब्ध हुन आई थप छानविन गर्नुपर्ने देखिएमा सो अनुसार छानविन प्रक्रिया अघि बढाउन सकिने गरी निज उपरको उजुरीलाई तामेलीमा राख्ने निर्णय परिषदको मिति २०८२ जेठ ३० गते बसेको ३५० औं बैठकबाट भएको व्यहोरा सार्वजनिक जानकारीको लागि नेपाल चार्टर्ड एकाउन्टेन्ट्स नियमावली, २०६१ को नियम ८४(२)(ग) बमोजिम प्रकाशन गरिएको छ ।

नोट: यो सूचनामा उजुरी तथा उजुरी उपर भएको निर्णयको संक्षिप्त व्यहोरा मात्र उल्लेख गरी सार्वजनिक जानकारीको लागि प्रकाशन गरिएको हुँदा यसलाई अनुशासन छानविनको पूर्ण प्रतिवेदनको रूपमा लिन उपयुक्त नहुने ।

[https://en.ican.org.np/\\_browsable/file/downloads/Notice\\_of\\_Decision\\_Related\\_to\\_Disciplinary\\_Matter\\_2081.pdf](https://en.ican.org.np/_browsable/file/downloads/Notice_of_Decision_Related_to_Disciplinary_Matter_2081.pdf)

## Judicial Update



**CA. Pramod Lingden**

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### Case I: Labor Act, 2074

Court: Supreme Court, Joint Bench

Date of Order: 2081/11/06

Case Registration No.: 081-WO-0687

Parties: Animal Nepal, Lalitpur (Petitioner) Vs. Labor Court, Bhaktapur *et al* (Respondents)

### No Reinstatement in Absence of Appointment Documents

#### Abstract:

*Although the respondent claimed to be serving as the Executive Director, he failed to submit any appointment letter or decision made by the petitioner organization within the scope of its HR Regulation supporting such a claim. As the respondent could not even present evidence of his appointment, and the petitioner organization had not made any such decision in accordance with its HR Regulation, the Labor Court's verdict to reinstate the respondent to the position of Executive Director with associated facilities is found to be inconsistent with the organization's HR Regulation and the relevant provisions of the Labor Act, 2074.*

#### Background:

The petitioner organization is an entity registered under the Societies Registration Act, 2034, with the District Administration Office, Lalitpur. The organization operates as a non-profit, social welfare organization, undertaking activities funded by foreign donor agencies and partners. There is no provision in its statute for appointing permanent staff. Instead, as needed, the organization appoints experts and staff on a project basis for the duration of specific projects. Accordingly, the organization had appointed the respondent, Mr. Hari Prashad Joshi, as a Senior Advocacy Officer for a fixed term (from May 7, 2018, to December 30, 2018), issuing him a contract letter for that specific project period. Apart from this, he had not been appointed as Executive Director of the organization under its statute or the Human Resource & Administrative Regulation, 2075.

For the Equine Outreach Program, a short-term project funded by Donkey Sanctuary UK, the respondent Mr. Joshi was appointed as the Senior Advocacy Officer for the project duration in accordance with the agreement with the donor agency. After the agreement period ended and due to a lack of financial resources, the petitioner organization could not afford to pay staff salaries and determined that the position of Executive Director was no longer necessary. As a result, the organization's executive committee, in a meeting held on 2080/11/30 decided to abolish the Executive Director position and transfer all related responsibilities to the Chairperson. This decision was formally communicated to the respondent, Hari Prashad Joshi as well, on 2080/12/02 [March 15, 2024].

Whereas, the respondent Mr. Joshi claimed that he had served as the Executive Director of the organization from January 1, 2019 to April 14, 2024. So, being dissatisfied with the decision made by the organization's executive committee on 2080/11/30 [March 13, 2024] to abolish the position of Executive Director, he filed an appeal to the Labor Court, Bhaktapur with a demand to quash such decision.

Labour Court, Bhaktapur quashed the decision of the organization to abolish the Executive Director position



and to remove Mr. Joshi from service on 2081/08/07. The court's verdict was that the organization's decision is not consistent with the prevailing laws. Therefore, he shall be reinstated to the service of the organization with entitlement to all remuneration and benefits from the date of removal.

The petitioner organization, being dissatisfied with such verdict of the Labour Court, filed a writ application to the Supreme Court by exercising the extraordinary jurisdiction of the court.

### Argument:

In the joint bench of the Supreme Court, the petitioner organization argued that the respondent, Mr. Joshi, was never appointed to the position of Executive Director as per the provisions of the organization's HR Regulation. He was only contracted as a Senior Advocacy Officer for the project period from May 7, 2018, to December 30, 2018. Since the respondent was not hired through an official vacancy announcement or through the recruitment process outlined in the organization's HR Regulation, the verdict made by the Labor Court, which recognizes him as having worked as the Executive Director of the institution, goes against the Labor Act, 2074 and the organization's Human Resource & Administrative Regulation, 2075.

In contrast, the respondent Mr. Joshi argued that he served as the Executive Director of the organization from January 1, 2019 to April 14, 2024. During that period, he fulfilled the roles and responsibilities required by an Executive Director of the organization. The decision made by the organization's Executive Committee meeting held on 2080/11/30 to dismiss the Executive Director and transfer all responsibilities to the Chairperson is unlawful. The responsibility of the Executive Director was assigned through a decision made by the then Executive Committee of the petitioner organization, and he fulfilled those duties accordingly and received the associated benefits. Therefore, a case was filed with the Labor Court against such dismissal decision of the petitioner organization. The Labor Court had ruled that he be reinstated to continue his duties at the organization. So, the verdict made by the Labor Court, after analyzing the evidence presented in the case, the labor laws, and the organization's HR Regulation, is consistent with the prevailing laws and evidence.

### Supreme Court Judgment:

The Supreme Court, joint bench quashed the decision of the Labor Court, Bhaktapur by the order of *certiorari* stating that although the respondent claimed

to be serving as the Executive Director, he failed to submit any appointment letter or decision made by the petitioner organization within the scope of its HR Regulation supporting such a claim. As he could not even present evidence of his appointment, and the organization had not made any such decision in accordance with its HR Regulation, the Labor Court's verdict to reinstate the respondent to the position of Executive Director with associated facilities is found to be inconsistent with the organization's HR Regulation and the relevant provisions of the Labor Act, 2074.

However, if the respondent Mr. Joshi had performed any duties under the direction of the petitioner organization or as per the court's decision, and is yet to receive any salary or remuneration for such services, he holds a legal right to claim such payments. This right cannot be denied.

### Case-II: Labor Act, 2074

Court: Supreme Court, Extended Full Bench

Date of Order: 2081/11/02

Case Registration No.: 080-WF-0034

Parties: Swabalanban Laghubitta Bittiya Sanstha Ltd, Kathamandu (Petitioner) Vs. Labor Court *et al* (Respondents)

### Banks & Financial Institutions Fall outside the Jurisdiction of Labor Court

#### Abstract:

- *Companies incorporated under the Companies Act, 2063 and banks & financial institutions even if incorporated under the Companies Act, fall under different legal and operational regimes. Therefore, such companies and banks/financial institutions cannot be treated as belonging to a single category of "company" for the purpose of Labor Act, 2074.*
- *Verdict of the Labor Court cannot remain valid due to its jurisdictional error. So, such verdict is quashed through an order of certiorari.*
- *Even if banks & financial institutions do not fall under the definition of "enterprise" as per the Labour Act, it does not mean that employees working in such institutions are deprived of bonus benefits, nor does such interpretation cause any legal complications.*

## Background:

One of the respondents in the case, Purnachandra Raj Awasthi, entered into service of the petitioner financial institution on 2064/04/11. After the election of the Trade Union on 2075/03/24, he was nominated by the concerned Trade Union as its representative. Accordingly, as per the letter dated 2075/05/15, he was transferred from the sub-branch office, Kirtipur to the central office, Kathmandu of the petitioner financial institution. The term of the elected official trade union of the petitioner financial institution ended on 2077/03/27. After the expiry of that term, on 2077/10/28, an agreement was reached between all registered trade unions and the petitioner financial institution. The respondent Mr. Awasthi himself signed that agreement as a representative of the trade union.

Following that agreement, the respondent Mr. Awasthi was transferred by a letter dated 2078/04/14 to resume work as a Senior Assistant at his previous post in the sub-branch office, Kirtipur. However, he did not report for duty at the Kirtipur office of the petitioner financial institution. He argued that a union official could not be transferred. However, the official trade union he was part of had already completed its term.

So, as a part of protest program against such activity of petitioner financial institution, Mr. Awasthi along with 97 other employees participated in a peaceful picket at the central office, Kathmandu from 2078/04/25. As he remained absent from the Kirtipur office without approved leave for more than 30 consecutive days, from 2078/04/25 to 2078/07/05, he was issued a notice to provide clarification for his prolonged unauthorized absence. A letter dated 2078/07/05 and a notice published in Kantipur Daily on 2078/07/08 formally sought clarification from Mr. Awasthi as to why he should not be dismissed for such misconduct under the Employee Service Bylaws, 2062 of the petitioner financial institution. However, he did not provide a satisfactory response. So, the Chief Executive Officer of the petitioner financial institution dismissed the respondent Mr. Awasthi and 6 other employees from service after completing the due process on 2078/08/09.

Mr. Awasthi appealed against this decision to the Board of Directors, but the board upheld the decision of the Chief Executive Officer on 2078/10/16.

Subsequently, Mr. Awasthi filed an appeal to the Labor Court, Kathmandu. The Labor Court, on 2079/06/07, reached to the verdict that the transfer of Mr. Awasthi

was valid, but annulled the decision made by the petitioner financial institution to dismiss him from service, as well as the decision made by the Board of Directors to uphold that dismissal.

The petitioner financial institution, being dissatisfied with such verdict of the Labour Court, filed a writ application to the Supreme Court by exercising the extraordinary jurisdiction of the court.

## Argument:

### Argument of the petitioner financial institution

- The respondent Purnachandra Raj Awasthi was removed from service by the decision of the Chief Executive Officer dated 2078/08/09 in accordance with Byelaw 94 of the Employee Service Bylaws, 2062. The appeal filed against this decision was upheld by the Board of Directors of the financial institution. Subsequently, in the case appealed by the respondent, the Labor Court, Kathmandu annulled the decision to dismiss the respondent party from service on 2079/06/07.
- The respondent, Mr. Awasthi, was subject to action in accordance with the Employee Service Bylaws, 2062 of the financial institution. The Labor Act is not the parent Act governing banks & financial institutions. The parent Act in this context is the Banks & Financial Institutions Act (BAFIA). The Labor Act is a general law concerning labor matters and sets out minimum labor standards. Banks & financial institutions, established and operated under a special Act, are authorized under the Banks & Financial Institutions Act to frame their own internal Byelaws regarding employee service conditions and institutional management. Nepal Rastra Bank has even provided a model regulation to that effect.
- The Labor Act does not apply to banks & financial institutions established by a separate law. The Administrative Court Act, 2076 assigns jurisdiction over employee-related disputes of banks with more than 50% government ownership to the Administrative Court. If employee-related disputes of banks & financial institutions were within the jurisdiction of the Labor Court, then there would have been no need to establish a separate provision for government-owned banks and another for privately operated banks & financial institutions. Hence, employee administration matters in banks & financial institutions fall under the scope of the Banks and





Financial Institutions Act, not the Labor Act.

- Section 165 of the Labor Act, 2074 states that appeals can be filed in the Labor Court against orders or decisions made under the Act or rules framed under it. This means the Labor Court hears appeals against decisions made by regulatory bodies under the Labor Act. However, decisions made under the Banks & Financial Institutions Act are not appealable to the Labor Court. Jurisdiction cannot be extended through interpretation where the law has explicitly excluded it.
- Section 133 of the Banks & Financial Institutions Act, 2073 provides authority to draft Byelaws. These Byelaws are part of the legal framework of Nepal and cannot be ignored or invalidated without due process. These Byelaws themselves provide for an appeal process and declare such decisions to be final.
- The preambles of both the Banks & Financial Institutions Act, 2073 and the Labor Act, 2074 suggest that the Labor Act is not applicable to banks & financial institutions. Furthermore, Section 2(j) of the Labor Act, 2074 does not include banks & financial institutions within the definition of the “enterprise”. Just because such institutions are registered as public limited companies under the Companies Act for specific purposes does not mean they fall under the general definition of a “company” for labor law purposes.
- Therefore, banks & financial institutions governed by a specific legal framework fall outside scope of the Labor Act.

### **Argument of the respondent Purnachandra Raj Awasthi**

- The petitioner financial institution, with malicious intent, made a decision to remove employees from service. Upon appealing that decision to the Board of Directors, the Board upheld the removal decision on 2078/10/16. Subsequently, an appeal was filed before the Labor Court, Kathmandu on 2078/11/23. During the hearing of that appeal, after a proper evaluation of the evidence, the Labor Court, Kathmandu, on 2079/06/07, issued a verdict stating that the dismissed employee is entitled to reinstatement along with full salary and benefits.

- Looking at the provisions of Article 34 of the Constitution of Nepal and Sections 179 and 180 of the Labor Act, 2074, it is not tenable to argue that the Labor Act does not apply to banks & financial institutions. According to Section 2(j) of the Labor Act, 2074, the term “company” includes banks and financial institutions as well.
- Therefore, in this context, the Labor Act is indeed applicable to banks and financial institutions. Hence, the rulings in the cases decided by the Labor Court, Kathmandu, such as Mukund Bahadur Bishta Vs. Labor Court, Kathmandu and Prime Commercial Bank Limited, should be upheld in affirming that the Labor Act applies to banks and financial institutions. Consequently, the rulings made in the cases of Kiran Kumar Shrestha Vs. Nepal Bank Limited, Vinay Kumar Regmi Vs. Labor Court, Kathmandu, and Prakash Raj Sharma Vs. Labor Court, Kathmandu, which declared that the Labor Act does not apply to banks and financial institutions, shall be invalidated. Moreover, the verdict given by the Labor Court, Kathmandu on 2079/06/07 is lawful.

### **Supreme Court Judgment:**

The Supreme Court quashed the decision of the Labor Court by an order of *certiorari* on following grounds:

- According to Section 2(j) of the Labour Act, 2074, the definition of an “enterprise” includes any company that has been established, incorporated, registered, or is in operation as per prevailing laws. Similarly, as defined in Section 2(gg) and 2(ss) of the Banks & Financial Institutions Act, 2073, and pursuant to Section 49(1)-(5) of the *idem* Act, as well as Section 5(1)(f) of the Nepal Rastra Bank Act, 2058, “banks” and “financial institutions” are entities licensed to conduct banking and financial transactions, and are subject to regulatory oversight, supervision, and monitoring in terms of their nature, characteristics, scope of work, transactions, and the type and regulation of their employees/employers. Hence, it is evident that companies incorporated under the Companies Act, 2063 and those banks & financial institutions licensed under the Banks & Financial Institutions Act, 2073 and regulated by the Nepal Rastra Bank Act, 2058, even if registered under the Companies Act for specific purposes, fall under

different legal and operational regimes. Therefore, such companies and financial institutions cannot be treated as belonging to a single category of “company” for the purpose of Labor Act, 2074.

- Although both the former Labour Act, 2048 and the current Labour Act, 2074 generally grant the Labour Court jurisdiction over all labor-related disputes unless otherwise provided by special laws, in the case of government or government majority-owned banks & financial institutions, issues related to disciplinary actions, transfers, and promotions of employees fall under the Administrative Court’s appellate jurisdiction as per the Administrative Court Act, 2076. On the other hand, in the case of private banks & financial institutions, matters concerning employees’ service & conditions are governed by the Banks & Financial Institutions Act, 2073, and related rules & regulations. If these laws provide for a specific appeal mechanism, such matters do not fall under the appellate jurisdiction of the Labour Court.
- The writ petitioner financial institution is established to carry out financial transactions under the provisions of the Banks & Financial Institutions Act, 2073, and is subject to its establishment, operation, management, regulation, inspection, and supervision. The financial institution was incorporated as a public company solely for specific purposes. This financial institution is governed under *idem* Act and NRB. It appears that Section 108(3) of the Labor Act, 2074, which contains proviso clause, along with Sections 133(1) and 180(2) of *idem* Act, have excluded banks and financial institutions from the scope of the Labor Act.
- The then Banks & Financial Institutions Ordinance, 2062 and BAFIA, 2063 had continued it under Sections 91(1) and 91(2)(c), and now the prevailing Banks and Financial Institutions Act, 2073, under Section 133(1)(a), authorize the petitioner financial institution to enforce its Employee Service Byelaws, 2062. Under Byelaw 94 of *idem* Byelaws, employees may be dismissed from service for misconduct.
- In accordance with Byelaw 94(1), clauses (g), (h), and (i) of the Employee Service Byelaws, 2062, disciplinary action was taken against respondents, including Mr. Purnachandra Raj Awasthi, for misconduct. A decision was made

by the Chief Executive Officer on 2078/08/09 to remove them from service. Upon appeal, the Board of Directors upheld this decision on 2078/10/16. As per Byelaw 107 of the Byelaws 2062, the decision made by the Board of Directors is deemed final. Therefore, no further appeal to the Labor Court was possible. In such a situation, the appeal filed by the respondents, including Purnachandra Raj Awasthi, under the Labor Act which is not applicable to this matter and the hearing conducted by the Labor Court, Kathmandu, resulting in a decision on 2079/06/07, is seen as jurisdictionally flawed. Since the decision cannot remain valid due to this jurisdictional error, such decision is quashed through an order of *certiorari*.

- Hence, on the basis of the aforementioned facts and reasons, the decisions made by the Board of Directors of the writ petitioner financial institution to remove the respondent employees including Purnachandra Raj Awasthi from service were final. The appeals filed by the said employees and the subsequent hearings conducted by the Labor Court, Kathmandu, leading to verdict dated 2079/06/07, were affected by jurisdictional error and cannot be upheld. Therefore, in accordance with the petition, such decisions are to be quashed through a *certiorari* order.
- Moreover, under Section 133(1)(a) of the Banks and Financial Institutions Act, 2073, the decision taken by the authorized official of a bank or financial institution, based on internal regulations regarding departmental action such as dismissal or removal of employees, and the decision taken on appeal under the same regulation, is final. Therefore, no second-level appeal can be entertained in the Labor Court. As a result, any such further appeal should be immediately dismissed, and no further action or adjudication should proceed on such matters. Accordingly, an order of prohibition is hereby issued in the name of the respondent, Labor Court, Kathmandu.
- Additionally, the interpretation (ruling) provided in the *certiorari* writ petition of case number 075-WO-0405 against Prime Commercial Bank Ltd, which was decided by the Joint Bench of this Court on 2080/03/18, is hereby overruled with prospective effect starting from today’s date.
- Similarly, during legal arguments, questions



were raised, both from the petitioner financial institution and the respondents, regarding whether employees working in banks & financial institutions would be deprived of the right to receive bonuses if, for the purpose of bonus distribution under the Bonus Act, 2030, the definition of “enterprise” in Section 2(b) is interpreted to mean only those covered under Section 2(j) of the Labour Act, 2074, which would exclude banks and financial institutions. However, under the *proviso* clause in Section 108(3) of the Labour Act, 2074, it is not prohibited for the Nepal Rastra Bank to include bonus-related principles, standards, and procedures in the model bylaws it prepares for banks and financial institutions. Nor is there any legal obstacle for banks or financial

institutions to include provisions for employee bonuses while drafting their own Employee Service Bylaws under Section 133 of the Banks & Financial Institutions Act, 2073. In this context, the Employee Service Bylaws, 2062 of the petitioner financial institution under Byelaw 56(d), already includes a provision allowing for bonus payments to employees as determined by a committee according to the prevailing bonus-related laws. Therefore, even if banks & financial institutions do not fall under the definition of “enterprise” as per the Labour Act, it does not mean that employees working in such institutions are deprived of bonus benefits, nor does such interpretation cause any legal complications.

## Public Interest Entity को परिभाषा जारी गरिएको सम्बन्धी सूचना !

Code of Ethics को प्रभावकारी कार्यान्वयनमा टेवा पुऱ्याउन नेपालको परिप्रेक्षमा आधारित Public Interest Entity सम्बन्धी परिभाषा आवश्यक रहेको हुनाले मिति २०८२/०२/३० मा बसेको ३५०औं बैठकको निर्णय बमोजिम Public Interest Entity को देहाय बमोजिमको परिभाषा जारी गरिएको सम्बन्धित सबैमा जानकारी गराइन्छ । साथै उक्त परिभाषा जारी भएको मितिदेखि प्रारम्भ हुने व्यहोरा समेत जानकारी गराइन्छ ।

Public Interest Entity, for the purpose of Handbook of Code of Ethics for Professional Accountants issued by ICAN, means an entity fulfilling any one of the criteria as below:

- A publicly traded entity,
- An entity one of whose main functions is to take deposits from the public, that includes Banks and Financial Institutions established under prevailing banking laws and saving and credit co-operatives established under prevailing Cooperatives law holding deposit of more than Rs. 20 Crore,
- An entity one of whose main functions is to provide insurance to the public, which includes insurance companies established under prevailing insurance laws,
- Pension Funds, Provident Fund, Social Security Fund, Collective Investment Schemes,
- Public Sector Enterprises including Government Business Enterprises that have significant public accountability,
- Securities related agencies, or
- Other Entities defined as public interest entities by prevailing statutes.

### STRATEGIC REVIEW

#### Expanding Reach and Credibility of Accounting Profession

##### **Issuance of First Amendment to Guidelines on Anti-Money Laundering and Counter Financing of Terrorism, 2072**

The Institute has issued Guidelines on Anti-Money Laundering and Counter Financing of Terrorism, 2072 (First Amendment 2082) that has been approved by the 345<sup>th</sup> Council held on 25<sup>th</sup> April 2025. The amended Guidelines can be accessed from the link below:

[https://en.ican.org.np/\\_browsable/file/downloads/Anti\\_Money\\_Laundering\\_Directives.pdf](https://en.ican.org.np/_browsable/file/downloads/Anti_Money_Laundering_Directives.pdf)

##### **Issuance of Monitoring Bylaws, 2082**

The Institute has issued Monitoring Bylaws, 2082 which has repealed Monitoring Committee Bylaws, 2074. Also, the Bylaws can be accessed from the link below:

[https://en.ican.org.np/\\_browsable/file/downloads/Monitoring\\_By-Laws.pdf](https://en.ican.org.np/_browsable/file/downloads/Monitoring_By-Laws.pdf)

##### **Issuance of Guidelines on Marketing Professional Services 2023 (First Amendment, 2025)**

The Institute has issued first amendment of Guidelines on Marketing Professional Services, 2025. Notice regarding the same can be viewed from the link below:

[https://en.ican.org.np/\\_uploads/\\_downloads/\\_files/3/524afeefdc17d7908dff0c9a217a0b30.pdf](https://en.ican.org.np/_uploads/_downloads/_files/3/524afeefdc17d7908dff0c9a217a0b30.pdf)

Also, the Guidelines can be accessed from the link below:

[https://en.ican.org.np/\\_browsable/file/resouces/Guidelines\\_on\\_Marketing\\_Professional\\_Services\\_v4.pdf](https://en.ican.org.np/_browsable/file/resouces/Guidelines_on_Marketing_Professional_Services_v4.pdf)

##### **Two Days Workshop on Audit Practice Manual (APM)**

The Institute organized two-days training on APM on 4<sup>th</sup> and 5<sup>th</sup> May 2025 at ICAN premises for the

Chartered Accountant Members in practice. The objective of the training was to assist audit firms to carry effective and efficient audits by introducing the participant about Audit Practice Manual and system designed to be used on audits of all general audit clients, with few customizations required for specialized audits. The two days training was facilitated by CA. Nanda Kishor Sharma whereby, the inaugural session of the training was addressed by CA. Prabin Kumar Jha, President, ICAN and RA. Dev Bahadur Bohara, Chairperson, Quality Assurance Board. Similarly, CA Surendra Bhusan Shrestha, Executive Director addressed the closing session of the training. Altogether, 32 Chartered Accountants participated in the training.

##### **Training on Audit Documentation Manual**

The Institute organized a two-day Training on Audit Documentation Manual on 21<sup>st</sup> and 22<sup>nd</sup> May 2025 at ICAN Premises. The training was conducted with the objective of introducing registered auditor firms with the Audit Documentation Manual and quality assurance review procedures of the Institute with the objective of supporting the registered auditors' firms to implement audit system in their firms to conduct effective and efficient audits by complying with all the required auditing and ethical standards. The training was specifically organized for Registered Auditors performing audit of entities with total assets or liabilities more than 50 crores in the preceding two financial years and thus are subject to Quality Assurance reviews in coming days. Altogether, 37 members participated in the training. The training was facilitated by CA. Sanjeev Dhakal and CA. Bharat Nepal.

##### **Launching of New Chartered Accountancy Syllabus**

The Institute launched a new Chartered Accountancy Syllabus on 13<sup>th</sup> May 2025 which shall be effective from December 2025, December 2026 and June 2028 for the Foundation, Application and Advisory level under the new syllabus. The study material under the new CA syllabus has been developed in technical collaboration with the Institute of Chartered Accountants in England and Wales (ICAEW). Following activities were undertaken incidental to the launching of the New Syllabus:



## Press Conference on Launching Ceremony of New CA syllabus

The Institute conducted a Press Conference on Launching Ceremony of New CA syllabus at Hotel Yak and Yeti, Durbar Marg on 13<sup>th</sup> May 2025. The opening session of the program was addressed by CA. Prabin Kumar Jha, President, ICAN whereby CA. Gaurab Khatiwada, Assistant Director, ICAN delivered a presentation highlighting major aspects of new CA syllabus. An open forum session was held after the presentation whereby the members of the Board of Studies answered the queries raised by the forum. CA. Nil Bahadur Saru Magar, Vice-President summarized the program and gave vote of thanks in the program. Altogether, 28 Journalists, President, Vice-President, Council Members, Members of Board of Studies along with ICAN officials attended the program.



*Glimpse of Press Conference on Launching of New CA Syllabus*

Notice regarding Modality of New Syllabus can be viewed from the link below:

[https://en.ican.org.np/\\_uploads/\\_downloads/\\_files/3/af7c897a5e12c3e6cb0d2247c978cff1.pdf](https://en.ican.org.np/_uploads/_downloads/_files/3/af7c897a5e12c3e6cb0d2247c978cff1.pdf)

Modality of New Syllabus can be viewed from the link below:

[https://en.ican.org.np/\\_browsable/file/general/Modality\\_of\\_New\\_CA\\_Syllabus\\_V\\_2\\_-\\_Website.pdf](https://en.ican.org.np/_browsable/file/general/Modality_of_New_CA_Syllabus_V_2_-_Website.pdf)

The brochure of new CA syllabus can be viewed from the link below:

[https://en.ican.org.np/\\_browsable/file/general/final\\_Brochure\\_CA\\_Students.pdf](https://en.ican.org.np/_browsable/file/general/final_Brochure_CA_Students.pdf)

## Online Training on New CA Syllabus of Foundation level

An online training on New CA syllabus of Foundation level was conducted from 26<sup>th</sup> to 29<sup>th</sup> May for resource person of the concern level, in technical support of ICAEW. Jonathan Mbewe and Pippa Riley, consultants from ICAEW facilitated the training. The details of the training session are presented as below:

Session / Date	Training Topics
1 <sup>st</sup> Session / 26 <sup>th</sup> May 2025	General Session: New syllabus, changes from current, syllabus progression, exam style and components of learning materials
2 <sup>nd</sup> Session / 27 <sup>th</sup> May 2025	Sessions for “Accounting” and “Assurance and Information Systems” modules of Foundation level
3 <sup>rd</sup> Session / 28 <sup>th</sup> May 2025	Sessions for “Business and Finance” and “Law and Taxation” modules of Foundation level
4 <sup>th</sup> Session / 29 <sup>th</sup> May 2025	General Session: Lesson plan, structuring courses, exam question styles and using the mock exams

## Staff Orientation on Launch of New CA Syllabus

The Institute conducted an orientation program as an informative discussion session related to New CA Syllabus on 23<sup>rd</sup> May 2025 at ICAN conference hall for all the staffs of ICAN. The staff in Branch office participated virtually in the program. In the program, CA. Gaurab Khatiwada presented modality of new CA syllabus and clarified the queries of the staff on launching of CA syllabus.

## Launching of Updated 60 and 40-Hours Information Technology (IT) Training Syllabus

The Institute has developed a new syllabus for 60 and 40-hours IT training. The updated syllabus shall be applicable for the upcoming IT training batch. The IT training of 60 hours shall be applicable for the students registered for June 2025 CA examination and 40 hours for the students appearing in December 2025 CA examination.

## Interaction Program with Accredited Academies

An interaction program with accredited academies was held on the topic “New CA Course: Syllabus, Modality and Effective Date” on 5<sup>th</sup> May 2025 at ICAN Head Office, Satdobato, Lalitpur. The program was attended by CA. Prabin Kumar Jha, President – ICAN, CA. Umesh Raj Pandeya, Council Member – ICAN, CA. Peeyush Anand, Council Member – ICAN, RA. Jhalak Mani Lamsal, Council Member – ICAN, concern officials from ICAN. Representatives from 5 accredited academies participated in the program.

## CA Scholarship for Fiscal Year 2081/82

The Institute has published the results of the CA Scholarship for Fiscal Year 2081/82. The Institute has been providing Scholarship to deserving Students under three different categories as presented below in accordance with the Scholarship Procedure 2078.

Synopsis of number of students receiving scholarship during FY 2081/82

Scholarship Category ↓ / Level →	CAPI	CAPII	CAPIII	Total
Meritorious Student	32	12	12	56
Poor Students based on Merit	49	37	14	100
Economically, socially, geographically & other disadvantages students based on merit	14	38	21	73
<b>Total</b>	<b>95</b>	<b>87</b>	<b>47</b>	<b>229</b>

The notice of scholarship results can be viewed from the link below:

[https://en.ican.org.np/\\_uploads/\\_downloads/\\_files/3/3236c4ae3f9aaa2cb5f005f5cd8f4a8e.pdf](https://en.ican.org.np/_uploads/_downloads/_files/3/3236c4ae3f9aaa2cb5f005f5cd8f4a8e.pdf)

## Students' Participation in SAFAs Quiz and Public Speaking Contest, 2024

Four students from the Institute participated in the South Asian Federation of Accountants (SAFA) Quiz & Public Speaking Contest, 2024 hosted by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) on 30<sup>th</sup> April 2025 in Colombo, Sri Lanka. The winners of ICAN's National Quiz and Public Speaking Contest, 2024 were nominated for participation in the SAFA Quiz and Public Speaking Contest, 2024.

Students participating in SAFA Quiz and Public Speaking Contest, 2024

S. No.	Name	Registration Number	Remarks
1.	Mr. Dibash Adhikari	FN004274	Quiz
2.	Mr. Bibek Jha	FN004314	Quiz
3.	Mr. Kashyap Raj Shrestha	FN004457	Public Speaking
4.	Ms. Rabita Khanal	FN004246	Public Speaking

Mr. Dibash Adhikari and Mr. Bibek Jha became Champions of the SAFA Quiz Contest 2024. Mr. Kashyap Raj Shrestha secured the 2<sup>nd</sup> Runner up position in the SAFA Public Speaking Contest 2024.

## Students' Participation in 39<sup>th</sup> International CA Students' Conference – 2025

Three students from the Institute participated in the 39<sup>th</sup> International CA Students' Conference – 2025

organized by the CA Students' Society (CASS) of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) on 29<sup>th</sup> April 2025 in Colombo, Sri Lanka. Notice to students of CAP III level regarding expressing nomination for participation was called on 7<sup>th</sup> April 2025. Out of 42 students who applied for participation, 17 students were shortlisted to deliver presentations. The shortlisting was based on an essay submitted by students at the time of filing their nomination and the final selection of 3 students was based on their power point presentation.

Students participating in 39<sup>th</sup> International CA Students' Conference

S.No.	Name	Registration No.
1.	Ms. Sadikshya Shrestha	FN003742
2.	Mr. Aashish Neupane	FN004788
3.	Ms. Chetana Dulal	FN004145

Ms. Sadikshya Shrestha, represent the Institute in a Student Panel session of the Conference.



*Group photo of Students participating in SAFA Quiz and Public Speaking Contest and the 39<sup>th</sup> CA Students Conference*



## Pre-exam Preparation Test

The Institute completed the 1<sup>st</sup> batch of Pre-exam Preparation Test (PEPT) for CAP II and CAP III level Students appearing in June 2025 CA examination. The examination under PEPT was conducted from 1<sup>st</sup> to 16<sup>th</sup> April 2025.

## Career Counselling

A series of career counseling programs was organized by Nepalgunj branch of the Institute regarding Accounting Technician (AT) courses on various colleges from 2<sup>nd</sup> to 13<sup>th</sup> April 2025. The primary objective of the Career Counseling Program was to provide comprehensive insights into the AT course structure, eligibility, and examination process, job opportunities and address students' queries regarding

the CA profession. A total of 118 students benefited from the counselling program.

## Chartered Accountancy Examination and CA Membership Examination for ACCA of June 2025

The Institute conducted the Chartered Accountancy Examination and CA Membership Examination for ACCA of June 2025 batch from 1<sup>st</sup> to 16<sup>th</sup> June 2025 inside Kathmandu Valley and in Pokhara, Butwal, Birgunj, Biratnagar, Chitwan and Nepalgunj. Altogether, 5,772 students appeared in CA examination out of 6,351 students applied for CA examinations in different levels.

The details about applicants and the students appeared are as depicted below:

Level	CAP I	CAP II			CAP III		
	Total	Group I	Group II	Both	Group I	Group II	Both
Applicants	1103	861	516	2259	773	304	535
Appeared	1011	747	400	2127	708	255	524

Likewise, 2 applicants applied and appeared for CA membership Examination for ACCA's.

## Registered Auditor (RA) Upgrading Examination, June 2025

The Institute conducted RA upgrading Examination of June 2025 from 13<sup>th</sup> to 16<sup>th</sup> June in Kathmandu. The status of applicants and appeared candidates are as follows:

	RA "C" to "B"	RA "D" to "C"
Applicants	1	1
Appeared	1	0

## Result of Accounting Technician Examination, March 2025

The result of the Accounting Technician Examination, March 2025 has been published on 17<sup>th</sup> April 2025. 1 applicant who appeared in the examination got qualified.

## Result of CA Membership Examination

The result of the CA Membership examination which was held on 16<sup>th</sup> and 17<sup>th</sup> March was published on 7<sup>th</sup> May 2025. Out of 323 candidates who applied for the CA membership examination only 247 appeared in the exam, and 43 of them got qualified. The re-totalling result of CA Membership Examination, March 2025 has been published on 23<sup>rd</sup> June 2025.

## Interaction Program on Proposed Amendment in ICAN Examination Manual

The Institute with the objective to maintain the quality and standard in the examination process and to revise the existing Examination Procedure Manual, organized an interaction program with the resource person on 29<sup>th</sup> June 2025. The program was attended by the Members of Examination Committee, Members of Examination Procedure Manual Revision Taskforce along with the staffs of Examination Division of ICAN. Altogether 34 participants attended the program.

## Interaction Program with the representatives of Educational Institutions

Nepalgunj branch office of the Institute organized a half day interaction program with the educational institutions including representatives from Private & Boarding Schools' Organization Nepal (PABSON) and head of Colleges and Schools in Nepalgunj on 19<sup>th</sup> June 2025. The objective of the program was to aware the concerned representatives about the CA education being offered by ICAN and identify new avenues of collaboration with the institutions. The program was addressed by RA Bhuwan Prasad Gaire, Member, Nepalgunj Branch Coordination Committee and CA. Sagar Adhikari addressed the program. Altogether, 18 participants attended the program.



## Engaging Members and Collaboration with Stakeholders

### 4<sup>th</sup> National Convention of Accounting Professionals

The Institute organized 4<sup>th</sup> National Convention of Accounting Professionals on theme “Transforming Economies Through Modernizing Tax and PFM” on 8<sup>th</sup> and 9<sup>th</sup> April 2025 at Nepal Academy, Kathmandu. The inaugural session of the convention was chaired by CA. Prabin Kumar Jha, President ICAN with Hon’ble Deputy Prime Minister and Finance Minister, Mr. Bishnu Prasad Paudel as the Chief Guest in the Program. Hon’ble Vice Chairman of the National Planning Commission, Prof. Dr. Shiva Raj Adhikari; Mr. Bam Dev Sharma Adhikari, Deputy Auditor General and Mr. Ashfaq Yousuf Tola, President of South Asian Federation of Accountants (SAFA) were the Special Guest in the program. CA. Arun Raut, President of Association of Chartered Accountants of Nepal (ACAN) and RA. Badri Prasad Bhattarai, Senior Vice President of Auditors Association of Nepal (AuDAN) addressed the session as Guest. The session concluded with vote of thanks by CA. Nil Bahadur Saru Magar, Vice-President, ICAN.



*Glimpse of the inaugural session of the 4<sup>th</sup> National Convention*

Mr. Ashfaq Yousuf Tola, President of South Asian Federation of Accountants (SAFA) delivered a keynote speech on “Achieving Economic Prosperity through Innovative PFM and Tax Policies”.



*Mr. Ashfaq Yousuf Tola, President, SAFA delivering Keynote speech in the Convention*

5 Technical sessions

2 Complementary sessions

4 International delegates including, President, SAFA and President, ICAN

34 Speakers

4 Paper Presentation

1044 Participants

The convention had in total 5 technical sessions and 2 complementary sessions as below:

#### 1<sup>st</sup> Session on “Innovating PDM with Digital Transformation: Global Trends and Local Implementation”

The session was chaired by CA. Charanjot Singh Nanda, President, the Institute of Chartered Accountants of India (ICAI); CA. Narendra Bhattarai, Past-President, ICAN moderated the session; Mr. Ramu Prasad Dotel, Former Deputy Auditor General presented a paper in the session. Mr. Subas Chandra Siwakoti, Joint Secretary, Nepal Government; CA. Hem Kumar Kafle, Council Member ICAN and CA. Prabin Kumar Jha, President, ICAN were the panelist in the session.

The session was focused on emerging trends in public financial management through digitalization to achieve efficiency and effectiveness in spending public funds, as well as delivering public services. Furthermore, the session explored the scope for digitalization in major

PFM initiatives in Nepal, benchmarking against international best practices.



*Glimpse of the 1<sup>st</sup> Technical Session, Day 1 of the Convention*

#### 2<sup>nd</sup> Session on “Integrating Green Initiatives in Tax and PFM Frameworks for a Sustainable Economy”

The session was moderated by CA. Ananda Raj Sharma Wagle, Council Member of ICAN, while the



paper on the topic was presented by Mr. Saman Sri Lal, Council Member of CA Sri Lanka. The paper presenter and moderator discussed how governments and organizations can integrate environmental sustainability into economic and fiscal policies, with a particular focus on taxation systems and public financial management frameworks. The session also explored strategies that promote green growth, reduce carbon footprints, and encourage eco-friendly practices within the structure of tax and financial management systems, all within the context of the growing importance of sustainable economic growth.



*Glimpse of the 2<sup>nd</sup> Technical Session, Day 1 of the Convention*

### 3<sup>rd</sup> Session on "PFM Reform Initiatives and the Role of Professional Accountants"

The session was chaired by CA. Baikuntha Bahadur Adhikari, Deputy Auditor General of OAG, while CA. Thakur Prasad Adhikari, Council Member of ICAN, moderated the session. The paper on the topic was presented by CA. Nanda Kishor Sharma and the panelists included CA. Bishwa Raj Basaula, Financial Management Specialist at the World Bank Nepal; Mr. Gorakh Bahadur Shahi, Under-Secretary of the Nepal Government; CA. Bhava Nath Dahal, Practicing Chartered Accountant; and CA. Sanjeeta Nepal, Practicing Chartered Accountant.



*Glimpse of the 3<sup>rd</sup> Technical Session, Day 1 of the Convention*

The session focused on actionable strategies that advance public financial management and underscored the vital role professional accountants play in ensuring that every rupee of public funds is managed with integrity and used for public good. The session also explored avenues where professional accountants can lead in PFM reform initiatives.

### 4<sup>th</sup> Session on "Financial Discipline as per Vedic Literature"

The session was moderated by CA. Hari Kumar Silwal, Council Member of ICAN, while the paper on the topic was presented by Pandit Arjun Prasad Bastola, Samhita Shaaastree. The paper presenter reflected on key teachings from Vedic literature and linked them with the ethical dimensions of the accounting profession, with particular emphasis on maintaining financial discipline by those in management or providing professional services. The moderator summarized the vital points of financial discipline, highlighting the relevance of the topic to professional accountants.



*Glimpse of the 4<sup>th</sup> Session, Day 1 of the Convention*

The first day of the convention was concluded with a vote of thanks by CA. Peeyush Anand, Council Member, ICAN.



*CA. Peeyush Anand, Council Member, ICAN delivering vote of thanks and concluding the 1<sup>st</sup> day of the Convention*

## 5<sup>th</sup> Session on “Healthy Diet and Healthy Lifestyle”

The presentation on this topic was made by Dr. Umesh Shrestha, Founder of Nature Lovers Group. The session offered valuable insights into ideal dietary practices, lifestyle management, and the importance of a positive mindset for overall well-being. It emphasized practical strategies for adopting a healthy lifestyle and underscored its critical relevance to the daily lives of professional accountants.



*Glimpse of the 5<sup>th</sup> Session, Day 2 of the Convention*

## 6<sup>th</sup> Session on “Strategic Tax Reforms: Adapting International Best Practices for Resilient Tax Systems”

The session was moderated by CA. Nil Bahadur Saru Magar, Vice President of ICAN, and the panelists included Mr. Madhu Kumar Marasini, Former Secretary of the Ministry of Finance (MoF) and Secretary of NPC; CA. Sudarshan Raj Pandey, Past President, ICAN; Mr. Ambika Prasad Paudel, Chairperson of the Tax and Revenue Committee, Federation of Nepalese Chamber of Commerce & Industries (FNCCI); Mr. Padam Kumar Shrestha, Deputy Director General of the Inland Revenue Department (IRD); and CA. Chandrashekhar Vasant Chitale, Central Council Member of ICAN.



*Glimpse of the 6<sup>th</sup> Session, Day 2 of the Convention*

This session focused on the best international practices that contribute to building resilient and efficient tax systems. The panel discussion provided valuable insights on strategic tax reforms aimed at ensuring a predictable and certain tax environment, which fosters economic sustainability, promotes FDI growth, and enhances taxpayer confidence. Additionally, the session highlighted the remarkable transformation of the Indian economy through strategic tax reforms and discussed recent advancements in tax policies and administration, offering valuable insights that Nepal could explore and adopt.

## 7<sup>th</sup> Session on “Role of Professional Accountants in Building a Resilient Tax Regime.”

The session was moderated by CA. Sunil Devkota, Council Member of ICAN. Mr. Madan Dahal, Director General of the IRD; Mr. Ghanashyam Parajuli, Assistant Auditor General; CA. Umesh Raj Pandeya, Council Member of ICAN; RA. Jhalak Mani Lamsal, Council Member, ICAN; and CA. Shesh Mani Dahal, were the panelist in the session.



*Glimpse of the 7<sup>th</sup> Session, Day 2 of the Convention*

The session delved into the critical role of professional accountants in fostering a robust and adaptable tax regime, while identifying key challenges professional accountants face in contributing to building a resilient tax system in Nepal. The discussion offered policy recommendations and actionable strategies to enhance tax resilience and uphold the integrity of the tax regime.

List of Sponsors of the 4<sup>th</sup> National Convention of Accounting Professionals:

- Nabil Bank Ltd.
- Sipradi Trading Pvt. Ltd.
- Rastriya Banijya Bank Ltd.
- MAW Enterprises
- Siddhartha Bank Ltd.
- Shikhar Insurance Ltd.



- NMB Bank Ltd.
- Citizen Life Insurance Ltd.
- Nepal Life Insurance Company Ltd.
- Butwal Power Ltd.
- NIMB Capital
- Nepal Bank Ltd.
- Shangrila Development Bank Ltd.
- IME Life Insurance Ltd.
- Sanima Reliance Life Insurance
- Sanima Bank Ltd.
- Kamana Sewa Bikash Bank Ltd.
- Garima Bikash Bank Ltd.

The second day of the convention also had a musical performance from Mr. Badri Pangeni and Miss Samjana Lamichhane Magar. Finally, the convention concluded with a vote of thanks by CA. Surendra Bhusan Shrestha, Executive Director, ICAN. The program was attended by 1044 participants.



*CA. Surendra Bhusan Shrestha, Executive Director, ICAN delivering closing remarks and concluding the 2<sup>nd</sup> day of the Convention*

## Post Budget Interaction Program on Federal Budget 2082/83

The Institute organized an interaction program on the Federal Budget 2082/83 on 4<sup>th</sup> June 2025 in Kathmandu. The objective of the interaction program is to highlight the rationality of Federal Budget 2082/83 and its likely impact on various spheres of the economy. The program started with a welcome speech of CA. Nil Bahadur Saru Magar, Vice-President, ICAN and the program had in total two technical session. The first session was Panel Discussion on “Budget Analysis and its Potential Impact on National Economy” and second session was Paper Presentation on “Changes in Tax Laws by Finance Bill 2082”.



*Glimpse of closing first technical session of the interaction program of Federal Budget 2082/83*

The first session was moderated by CA. Prabin Kumar Jha, President, ICAN and Dr. Prakash Kumar Shrestha, Member, National Planning Commission, presented paper in the session after which a panel discussion was held on session topic. Mr. Madan Dahal, Director General, Inland Revenue Department (IRD); Mr. Birendra Raj Pandey, Senior Vice President, Confederation of Nepalese Industries and CA. Suman Rayamajhi, Co-Founder and Managing Director, Upaya City Cargo were panelist in the session. Similarly, CA. Umesh Raj Pandeya, Council Member, facilitated the second technical session. The program concluded with closing remarks of CA. Surendra Bhusan Shrestha, Executive Director, ICAN. Altogether, 200 members participated in the program.

The branch office of the Institute also organized a Post-Budget Interaction program as below:

### Butwal Branch on 4<sup>th</sup> June 2025:

In the program CA. Sagun Khanal delivered a presentation on Budget. Whereby, Mr. Ramesh Acharya, Director, NRB; Mr. Ram Prasad Regmi, Chief Customs officer, Bhairahawa Custom Office; Mr. Tika Ram Gaire, Chief Tax Officer, IRD Butwal and Mr. Dhanaswor Aryal, Tax Officer, IRD Bhairahawa, Rupandehi addressed the program. There were altogether 58 participants in the program.

### Birgunj Branch, on 3<sup>rd</sup> June 2025

In the program CA. Roshan Sapkota delivered a presentation on the Finance Bill, 2082. Whereby, CA. Jagadish Khandelwal and CA. Arvind Khetan also addressed the program. There were altogether 37 participants in the program.

## Result of 2<sup>nd</sup> Batch of Post Qualification Course on Public Financial Management (PFM) Published

The result of the 2<sup>nd</sup> Batch of Post Qualification Course (PQC) on PFM was published on 17<sup>th</sup> April 2025. Total, 21 applicants qualified in the examination out of 42 applicants. The list of applicants qualifying in the assessment of PQC on PFM is presented below:

S.No.	Membership Number	Name of Member
1	CA-465	Ananda Raj Sharma Wagle
2	CA-1518	Ankit Dhital
3	CA-1177	Anuradha Neupane
4	CA-2285	Bikash Dangol
5	CA-1056	Chakra Bahadur Budha
6	CA-2316	Diwakar Pandey
7	CA-751	Harimani Acharya
8	CA-949	Kripa Shrestha
9	CA-1129	Lab Bahadur Rawal
10	CA-1721	Manish Goswami
11	CA-1709	Mithaleswar Sah
12	CA-2292	Pawan Koirala
13	CA-1220	Prajana Kayastha
14	CA-667	Priti Sharma
15	CA-1458	Raju Giri
16	CA-640	Rakin Bhansakarya
17	CA-1603	Ramesh Pande
18	CA-1273	Sanish Shrestha
19	CA-456	Sudip Dahal
20	CA-1583	Sushil Parajuli
21	CA-1051	Ujjwal Khanal

## Online Certification Course on Forensic Accounting and Fraud Detection (FAFD)

The Institute organized online certification course on Forensic Accounting and Fraud Detection (FAFD) for its members from 27<sup>th</sup> March to 7<sup>th</sup> April 2025 in technical collaboration with the Institute of Chartered Accountants of India (ICAI). Altogether, 41 members participated in the online certification course on FAFD.

## Online Certification Course on Public Financial Management (PFM)

The Institute has been conducting online certification courses on Public Financial Management (PFM)

from 19<sup>th</sup> June 2025. The course shall be conducted till 8<sup>th</sup> July 2025. Altogether, 71 were enrolled in online certification course on PFM.

## Online Post Qualification Course on Information System Audit (ISA 3.0)

The Institute has conducted online post qualification course on Information System Audit (ISA 3.0) from 3<sup>rd</sup> to 20<sup>th</sup> June 2025 in technical collaboration with the Institute of Chartered Accountants of India (ICAI). Altogether, 51 members were enrolled in a post qualification course on ISA 3.0.

## New Members Welcome Program

The Institute with the objective of welcoming the newly inducted Chartered Accountant Members of the Institute within the fraternity of Accounting Professionals organized a New Members Welcome program on 27<sup>th</sup> June 2025 at ICAN premises, Satdobato, Lalitpur. Members obtaining membership during the period 19<sup>th</sup> December 2024 to 26<sup>th</sup> June 2025 were eligible to participate in the program.

The program started with the welcome speech of CA. Prabin Kumar Jha, President, ICAN. And the technical session on topic “Traditional and Emerging Career Pathways for Chartered Accountants & Latest Trends and Opportunities Shaping the Accounting Profession” was facilitated by CA. Thakur Prasad Adhikari, Council Member. Likewise, CA. Nil Bahadur Saru Magar, Vice President, ICAN and Mr. Binod Prasad Neupane, Acting Executive Director also addressed the program. Altogether, 46 members participated in the program.



Group photo of Members with ICAN President, Vice-President along with Council Members and ICAN Officials, during New Members welcome program



## Orientation Training on Financial Statements and Audit Report

An orientation training on overview of Financial Statements and Audit Report to journalists from Society of Economic Journalists – Nepal (SEJON) was held coinciding with the Press Conference on Launching Ceremony of New CA syllabus in Kathmandu on 13<sup>th</sup> May 2025. The training was facilitated by CA. Hem Kumar Kafle.

## Members' Capacity Development Program

A one-day members' capacity development program on "Consideration of Misstatement Scenarios in forming an Audit Opinion" was conducted on 18<sup>th</sup> April 2025 at ICAN premises. Altogether, 48 members participated in the program.

## Member Capacity Development Program - Chitwan

The Institute, with the objective of enhancing the capacity of members, organized a two-days training program on model financial statement prepared based on NFRS for SMEs and Consideration of misstatement scenarios in forming an audit opinion in Chitwan on 10<sup>th</sup> and 11<sup>th</sup> May 2025. CA. Prabin Kumar Jha, President along with RA. Jhalak Mani Lamsal, Council Member and Mr. Binod Prasad Neupane, Director, ICAN also addressed the program and interacted with the participating members of the program. The program was facilitated by CA. Ananda Raj Sharma Wagle, Council Member and CA. Prabin Baral. Altogether, 59 members participated in the program.

## Member Capacity Development Program - Dhangadhi

The Institute, with the objective of enhancing the capacity of members, organized a two-days training program on model financial statement prepared based on NAS for MEs and Consideration of misstatement

scenarios in forming an audit opinion in Dhangadhi on 4<sup>th</sup> and 5<sup>th</sup> May 2025. CA. Prabin Kumar Jha, President along with RA. Jhalak Mani Lamsal, Council Member and Mr. Binod Prasad Neupane, Director, ICAN also addressed the program and interacted with the participating members of the program. The program was facilitated by CA. Sanjeev Dhakal. Altogether, 49 members attended the program.

## Training on NFRS for SMEs, Biratnagar

Biratnagar branch of the Institute organized three days training on NFRS for SMEs for Member and Account Preparers from 10<sup>th</sup> to 12<sup>th</sup> June 2025 in Birtamod. The training covered topics related with model financial statement based on NFRS for SMEs. The training was facilitated by CA. Yubaraj Upreti, CA. Bikash Shahu and CA. Prajwal Adhikari Sharma. Altogether, 23 participants attended the training.

## Training on NFRS for SMEs and NAS for MEs, Pokhara

The Pokhara branch of the Institute organized three days training on NFRS for SMEs and NAS for MEs for Member and Account Preparers from 28<sup>th</sup> to 30<sup>th</sup> June 2025 in Pokhara. The training covered topics related to model financial statements based on NFRS for SMEs and NAS for MEs. The training was facilitated by CA. Prabin Baral and CA. Sarbesh Koirala. Altogether, 31 participants attended the training.

## Continuing Professional Education (CPE) Training

The Institute with the objective of enhancing the capacity of members in various contemporary issues has organized Continuing Professional Education (CPE) training different locations across the country. The details of CPE training organized during the period of April to June 2025 is presented as below:

S.No.	Venue	Date	No. of Participants
1	Butwal	18 <sup>th</sup> -20 <sup>th</sup> April 2025	21
2	Kathmandu	17 <sup>th</sup> to 19 <sup>th</sup> May 2025.	69
3	Biratnagar	20 <sup>th</sup> to 22 <sup>nd</sup> June 2025	79
4	Online	19 <sup>th</sup> to 23 <sup>rd</sup> June 2025	463
Total			632

## Expanding Role as Government's Partner for Economic Prosperity and Elevating Global Standing

### Memorandum of Understanding (MoU) with the Financial Comptroller General Office (FCGO) Signed

The Institute signed MoU with the FCGO in presence of Financial Comptroller General Dr. Ganesh Prasad Pandeya on 5 May 2025 at the office of FCGO. The objective of MoU is to facilitate collaboration in matters of public financial management and related initiatives. A delegation led by President, CA. Prabin Kumar Jha, visited the FCGO for the MoU signing ceremony. The MoU shall be effective for a period of five years. Link to access MoU with FCGO:

[https://en.ican.org.np/\\_browsable/file/mou/MoU\\_with\\_fcgo\\_81\\_1\\_22.pdf](https://en.ican.org.np/_browsable/file/mou/MoU_with_fcgo_81_1_22.pdf)



*Glimpse of MoU signing ceremony with FCGO; CA. Prabin Kumar Jha, President, ICAN (sixth from left) and Joint Secretary Ms. Sushila Aryal (fifth from right)*

### Submission of Report Containing Suggestions for Reform of Tax Policy of the Government

The delegation led by President, CA. Prabin Kumar Jha submitted a report containing suggestions for reform of tax policy of the Government before the Hon'ble Deputy Prime Minister and Finance Minister, Mr. Bishnu Prasad Paudel on 8<sup>th</sup> May 2025 at the Ministry of Finance, Singha Durbar, Kathmandu.

The report was prepared in the pretext of the budget formulation process for Fiscal Year 2082/83. Link to access the report:

[https://en.ican.org.np/\\_uploads/\\_downloads/\\_files/3/f3db5729d5a17a0fff6b20206b4528f3.pdf](https://en.ican.org.np/_uploads/_downloads/_files/3/f3db5729d5a17a0fff6b20206b4528f3.pdf)



*President CA. Prabin Kumar Jha (fourth from right) submitting Tax Reform Report to the Hon'ble Deputy Prime Minister and Finance Minister, Mr. Bishnu Prasad Paudel (center) at the Ministry of Finance, accompanied by delegation from ICAN including Vice-President CA. Nil Bahadur Saru Magar (fourth from left)*

### Interaction Program "Proposed Format on Financial Statement and Disclosure Requirements of Cooperative Organization"

The Institute organized an interaction program on "Proposed Format on Financial Statement and Disclosure Requirements of Cooperative Organization" on 12<sup>th</sup> June 2025 at ICAN premises, Satdobato, Lalitpur. The objective of this program was to discuss on the draft format of a financial statement and obtain feedback on the draft. Representatives from National Cooperative Federation, Department of Cooperative, National Federation of Savings and Credit Cooperative Unions Ltd. (NEFSCUN), Auditors Association of Nepal (AUDAN), Association of Chartered Accountants of Nepal (ACAN), Auditing Standards Board, Nepal (AuSB) and Accounting Standards Board, Nepal (ASB) participated in the interaction program.



*Group photo of participants along with ICAN President, Council Members and Officials during the Interaction Program*



The program was commenced with the welcome speech of RA. Jhalak Mani Lamsal, Council Member and Chairman of RA Members Capacity Development Committee, ICAN. In the program, CA. Prabin Baral, deliver presentation on proposed Format on Financial Statement and Disclosure Requirements of Cooperative Organization. There were altogether 49 participants in the program.

## Interaction Program at the Office of the Auditor General (OAG), Nepal

Council Members along with the Past Presidents of the Institute participated in the interaction program hosted by the Office of the Auditor General of Nepal on 17<sup>th</sup> April 2025 at the premises of OAG, Nepal. The interaction program was focused on the context of process for finalization of Auditor General's 62<sup>nd</sup> Annual Report before submitting to the President.

## Facilitated Employee Capacity Development Training organized by Department of Cooperatives

The institute facilitated employee capacity development training organized by the Department of Cooperatives for their staff on 21<sup>st</sup> April 2025. CA. Umesh Raj Pandeya, Council Member and CA. Prabin Baral were resource person in two technical sessions of the program related with "Examining Financial Health of Cooperative through PEARLs Analysis and Compliance Ratios" and "Key aspect of NFRS for

SMEs based Financial statement in Cooperatives" respectively.

## Meeting with Public Service Commission

Mr. Binod Prasad Neupane, Director, ICAN attended the meeting called by the Public Service Commission for discussion on development of "Integrated Examination System for Recruitment of staffs by State Owned Enterprises (SOEs)" on 26<sup>th</sup> May 2025. The meeting was attended by representatives from various SOEs. The meeting decided to conduct examination of SoEs on cluster basis and the initial pilot examination for "Banking Cluster" shall be scheduled from Shrawan 2082 onwards.

## Hosting of 86<sup>th</sup> SAFA Committee Meeting and SAFA Committee Meetings

The Institute hosted the 86<sup>th</sup> SAFA Committee Meeting in Kathmandu on 7<sup>th</sup> April 2025. The Meeting was attended by SAFA Board Members, ICAN Vice-President, CA. Nil Bahadur Saru Magar including Chair of SAFA Committees and other delegates.

Similarly, the Institute also hosted a meeting of 10 SAFA Committees in Kathmandu on 7<sup>th</sup> April 2025. The details of the meeting hosted and attendees from the Institute are presented as below:

Name of SAFA Committee	Institute Representative / Meeting Attendees
Committee on Accounting Standards	CA. Aman Uprety
International Relations Committee	CA. Prabin Kumar Jha
Committee to study fiscal regimes and other statutory requirements of business in SAARC countries	CA. Sunil Devkota
Committee on Insolvency	CA. Hari Kumar Silwal
Committee on Anti Money Laundering	CA. Kiran Kumar Khatri
Economic Advisory Committee	CA. Hari Kumar Silwal
Committee on Education, Training and CPD	CA. Prabin Kumar Jha
Committee on Information Technology	CA. Hari Kumar Silwal
Committee on Sustainability Assurance and Reporting	CA. Ananda Raj Sharma Wagle/ CA. Hem Kumar Kafle and RA. Hari Bahadur Karki
SMP Committee	RA. Jhalak Mani Lamsal/ CA. Hem Kumar Kafle, CA. Anand Raj Sharma Wagle, CA. Thakur Prasad Adhikari, CA. Peeyush Anand and RA. Hari Bahadur Karki

## CAPA AGM and Members Meeting

CA. Prabin Kumar Jha, President, ICAN participated in the online meeting of Confederation of Asian and Pacific Accountants (CAPA) Annual General Meeting (AGM) hosted by the CAPA Secretariat virtually on 26<sup>th</sup> June 2025. Likewise, CA. Kiran Kumar Khatri, Director, ICAN and CA. Gaurab Khatiwada, Assistant Director, ICAN also attended the Member meeting virtually.

## Ensuring Operational Resilience and Sustainability

### Staff Training

Mr. Surendra Paudel, Senior Officer of the Institute participated in 3 Days Training of Trainers on “Adult Training & Methodologies” organized by Nepal Administrative Staff College from 26<sup>th</sup> to 28<sup>th</sup> May 2025.

### Training on Nepal Public Sector Accounting Standards (NPSAS)

The Institute nominated Mr. Ashim Adhikari, Officer, for participation in two days training on NPSAS organized by Financial Comptroller General Officer (FCGO) on 24<sup>th</sup> and 25<sup>th</sup> June 2025.

## ICAN NOTICE AND UPDATES

### Institute Published Report

A report of recent program organized by the Institute has been published on the website of ICAN. The report can be viewed from the link below:

- Report on 4<sup>th</sup> National Convention  
[https://en.ican.org.np/\\_browsable/file/downloads/Final\\_Report\\_of\\_4th\\_National\\_Convention\\_v5.pdf](https://en.ican.org.np/_browsable/file/downloads/Final_Report_of_4th_National_Convention_v5.pdf)
- Report on interaction program on Audit Quality with Audit Firms held on 4<sup>th</sup> March 2025  
[https://en.ican.org.np/\\_browsable/file/downloads/Report\\_on\\_Interaction\\_with\\_the\\_Audit\\_Firms-V\\_8.pdf](https://en.ican.org.np/_browsable/file/downloads/Report_on_Interaction_with_the_Audit_Firms-V_8.pdf)
- Report on interaction program on Audit Quality with Regulatory bodies held on 18<sup>th</sup> February 2025  
[https://en.ican.org.np/\\_browsable/file/downloads/Report\\_with\\_Regulatory\\_Bodies-V6.pdf](https://en.ican.org.np/_browsable/file/downloads/Report_with_Regulatory_Bodies-V6.pdf)

### Disciplinary Notice

The Institute has published a notice regarding the disciplinary action taken against the members. The notice can be viewed from the link below:

[https://en.ican.org.np/\\_browsable/file/notices/Notice\\_of\\_Decision\\_Related\\_to\\_Disciplinary\\_Matter\\_2081-82-02.pdf](https://en.ican.org.np/_browsable/file/notices/Notice_of_Decision_Related_to_Disciplinary_Matter_2081-82-02.pdf)

[https://en.ican.org.np/\\_browsable/file/notices/Notice\\_of\\_Decision\\_Related\\_to\\_Disciplinary\\_Matter\\_2081-82-03.pdf](https://en.ican.org.np/_browsable/file/notices/Notice_of_Decision_Related_to_Disciplinary_Matter_2081-82-03.pdf)

[https://en.ican.org.np/\\_browsable/file/downloads/Notice\\_of\\_Decision\\_Related\\_to\\_Disciplinary\\_Matter\\_2081.pdf](https://en.ican.org.np/_browsable/file/downloads/Notice_of_Decision_Related_to_Disciplinary_Matter_2081.pdf)

### Publication of Notice regarding SAFA Guidelines for Best Presented Annual Reports 2024

The Institute has issued notice regarding publication of SAFA Guidelines for Best Presented Annual Reports 2024. The notice can be viewed from the link below:

[https://en.ican.org.np/\\_uploads/\\_downloads/\\_files/3/c79b447010e1fe9bc084a364aff9ea1e.pdf](https://en.ican.org.np/_uploads/_downloads/_files/3/c79b447010e1fe9bc084a364aff9ea1e.pdf)

### Notice Regarding Biometric

The Institute has issued notice regarding making biometric optional for renewal of membership. The notice of the same can be viewed from the link below:

[https://en.ican.org.np/\\_uploads/\\_downloads/\\_files/3/d1529922ab230827da9e07bbc784833b.pdf](https://en.ican.org.np/_uploads/_downloads/_files/3/d1529922ab230827da9e07bbc784833b.pdf)

### Notice regarding reporting requirements of Articled Trainee, Accounting Trainee and Chartered Intern

The Institute has issued notice to the practicing members to comply with the reporting requirement in regard to Articled Trainee, Accounting Trainee and Chartered Intern. The notice of the same can be viewed from the link below:

[https://en.ican.org.np/\\_uploads/\\_downloads/\\_files/3/93fa42814f952126effe5289d6f50386.pdf](https://en.ican.org.np/_uploads/_downloads/_files/3/93fa42814f952126effe5289d6f50386.pdf)





## Notice Regarding action taken against unfair means in CA Exam, June 2025

The Institute has issued notice regarding action taken against unfair means by students in Chartered Accountancy Examination of June 2025. The notice of same can be viewed from the link below:

[https://en.ican.org.np/\\_uploads/\\_downloads/\\_files/3/3e7b485ba542401275cd2dbac1ea3302.pdf](https://en.ican.org.np/_uploads/_downloads/_files/3/3e7b485ba542401275cd2dbac1ea3302.pdf)

## NATIONAL UPDATES

### Amendment In Unified Directives, 2081 Issued to A, B and C Class Banks and Financial Institutions

The Nepal Rastra Bank has issued circular regarding amendments in Unified Directives, 2081 issued to A, B and C Class Bank and Financial Institutions. The circular can be viewed from the link below:

[https://www.nrb.org.np/contents/uploads/2025/04/Circular-no-11\\_2081.12.27\\_Final-upload.pdf](https://www.nrb.org.np/contents/uploads/2025/04/Circular-no-11_2081.12.27_Final-upload.pdf)

<https://www.nrb.org.np/contents/uploads/2025/05/Circular-12-Upload.pdf>

### Amendment In Unified Directives, 2081 Issued to Infrastructure Development Banks

The Nepal Rastra Bank has issued circular regarding amendments in Unified Directives, 2081 issued to Infrastructure Development Banks. The circular can be viewed from the link below:

<https://www.nrb.org.np/contents/uploads/2025/06/Circular-Upload.pdf>

### Fifth Amendment to Policies and Procedural Provisions for providing approval for Companies providing Hire Purchase Loan, 2070

The Nepal Rastra Bank has issued Policies and Procedural Provisions for providing approval for Companies providing Hire Purchase Loan, 2070 (Fifth Amendment). The Policies and Procedural Provision can be viewed from the link below:

<https://www.nrb.org.np/contents/uploads/2025/04/HP-Manual-2082.pdf>

### Financial Stability Report Fiscal Year 2023/24 (Issue 16)

The Nepal Rastra Bank has issued Financial Stability Report Fiscal Year 2023/24 (Issue 16). The report can be viewed from the link below:

<https://www.nrb.org.np/contents/uploads/2025/04/Financial-Stability-Report.pdf>

### Guidelines and Standards for Saving and Credit Cooperatives Institutions, 2081

The Nepal Rastra Bank has issued Guidelines and Standards for Saving and Credit Cooperatives Institutions, 2081. The Guidelines can be viewed from the link below:

[https://www.nrb.org.np/contents/uploads/2025/04/Sahakari-Mapdanda-tatha-nirdeshan-2081\\_For-upload.pdf](https://www.nrb.org.np/contents/uploads/2025/04/Sahakari-Mapdanda-tatha-nirdeshan-2081_For-upload.pdf)

### Current Macroeconomic and Financial Situation of Nepal

The Nepal Rastra Bank has published current macroeconomic and financial situation of Nepal based on nine-month data ending on Mid-April 2024/25. The data can be viewed from the link below:

<https://www.nrb.org.np/contents/uploads/2025/05/Current-Macroeconomic-and-Financial-Situation-English-Based-on-Nine-Months-data-of-2024.25-1.pdf>

### Third Quarter Review of Monetary Policy 2081-82

The Nepal Rastra Bank has published third quarter review of Monetary Policy 2081/82. The quarterly review can be viewed from the link below:

[https://www.nrb.org.np/contents/uploads/2025/05/MP\\_Q3\\_2082\\_Final-1.pdf](https://www.nrb.org.np/contents/uploads/2025/05/MP_Q3_2082_Final-1.pdf)

### Working Capital Loan Guidelines, 2079 (Second Amendment, 2082)

The Nepal Rastra Bank has published second amendment of Working Capital Loan Guidelines, 2079. The notice along with the Guidelines can be viewed from the link below:

<https://www.nrb.org.np/contents/uploads/2025/06/Working-Capital-Guidelines-for-Upload.pdf>

## Notice Regarding Submission of VAT Return for Taxpayers with Long-Overdue Filing

The Inland Revenue Department (IRD) has issued a notice concerning the submission of VAT returns by taxpayers who have not filed their returns for long period. The notice can be viewed from the link below:

<https://ird.gov.np/public/pdf/1709656871.pdf>

## Issuance of Excise Duty Directive, 2068 (Amended Edition, 2081)

The Inland Revenue Department (IRD) has issued an Excise Duty Directive, 2068 (Amended Edition, 2081). The Amended Edition can be viewed from the link below:

<https://ird.gov.np/public/pdf/317444790.pdf>

## Notice Regarding List of Taxpayers with Long-Overdue of Vat Return Filing

The Inland Revenue Department (IRD) has issued a notice publishing the list of tax payers who have not filed their VAT returns for long period. The notice can be viewed from the link below:

<https://ird.gov.np/public/pdf/1218720749.pdf>

## Issuance of Amendment made by Finance Bill, 2082

The Inland Revenue Department (IRD) has issued amendment to following Act and provision by Finance Bill, 2082. The changes can be viewed from the link below:

- Changes in provisions regarding digital service tax, luxury tax, and health risk tax
- Changes in Value Added Tax Act, 2052
- Changes in Schedule 1 of the Value Added Tax Act, 2052
- Special Exemptions and Facilities provided by Finance Bill, 2082
- Changes in Income Tax Act, 2058
- Changes in Excise Duty Act, 2058
- Changes in Schedule of Excise Duty Act, 2058

## Approval For Issuance of Green Bond

The Securities Board of Nepal has granted permission to the listed company for the issuance of Green Bond under the provisions of Securities Registration and

Issuance Regulations, 2073 for first time in Nepal . The news can be viewed from the link below:

<https://www.sebon.gov.np/news/regarding-the-issue-approval-of-green-bond>

## Amendment in Provision related to Initial Public Offering by Investment Companies

The Securities Board of Nepal has issued notice regarding amendment made in provision regarding issuance of securities as Initial Public Offering by the Investment Companies. The notice of the same can be viewed from the link below:

<https://www.sebon.gov.np/uploads/2025/06/22/jR7AGNTm3djEuuWWIil7gU0DvVfR53hDQUi0pt3T.pdf>

## Issuance of Second Amendment to the Directive on the Establishment and Operation of Foreign Employment Term Life Insurance Collective Insurance Fund (Pull), 2081

The Nepal Insurance Authority has issued Directive on the Establishment and Operation of Foreign Employment Term Life Insurance Collective Insurance Fund (Pull), 2081 (Second Amendment, 2082). The Directive can be viewed from the link below:

[https://nia.gov.np/Admin/images/Law/Directive/6811eb8ae9c21\\_1746004874.pdf](https://nia.gov.np/Admin/images/Law/Directive/6811eb8ae9c21_1746004874.pdf)

## Instruction of the Company Registrar to all the Companies to Collect Details of the Beneficial Owner (Beneficiary)

The Office of the Company Registrar has issued notice regarding instruction of the Registrar to all the registered companies for collection of details of actual beneficial owner (Beneficiary) of the companies. The Instruction can be viewed from the link below:

<https://ocr.gov.np/content/25/company-registrar-s-direction-of-company-registration-in/>

## Format of Application for Deregistration of Company

The Office of the Company Registrar has issued notice regarding format for application of deregistration of the company. The notice can be viewed from the link below:

<https://ocr.gov.np/content/26/the-petitional-application-and-pattern-for-the/>



## PUBLIC SECTOR NEWS

### Submission of Annual Report by Auditor General

Honorable Auditor General Toyam Raya submitted 62<sup>nd</sup> Annual Report of Fiscal Year 2080/81 (2023/24) as per Article 294 (1) of Constitution of Nepal, before the President of Nepal on 14<sup>th</sup> May 2025.

Link to access the 62<sup>nd</sup> Annual Report:

[https://oag.gov.np/site\\_uploads/mahalkhparakashhakaka-bsatathaou-varashhaka-paratavathana-0-com-1853199838.pdf](https://oag.gov.np/site_uploads/mahalkhparakashhakaka-bsatathaou-varashhaka-paratavathana-0-com-1853199838.pdf)

### Appointment of Governor

The Government of Nepal has appointed Economist, Dr. Bisow Nath Paudel as the 18<sup>th</sup> Governor of Nepal Rastra Bank on 20<sup>th</sup> May 2025 based on the recommendation of Search Committee.

### Hosted 1<sup>st</sup> Sagarmatha Sambaad

The Government of Nepal hosted 1<sup>st</sup> Sagarmatha Sambaad under the overarching theme of “Climate Change, Mountains and the Future of Humanity” in Kathmandu from 16<sup>th</sup> to 18<sup>th</sup> May 2025. [*The Sagarmatha Sambaad is a multi-stakeholder dialogue forum committed to deliberate on the most prominent issues of global, regional and national significance*].

Link to access website of Sagarmatha Sambaad:

<https://sagarmathasambaad.org/>

### Federal Budget 2082/83 Unveiled

The Federal Budget for Fiscal Year 2082/83 was tabled by Hon'ble Finance Minister Mr. Bishnu Prasad Paudel in the House of Representatives and National Assembly on 29<sup>th</sup> May 2024 (2082/02/15).

Link to access Budget Speech FY 2082/83:

<https://mof.gov.np/content/1523/budget-speech-2082-83/>

Link to access Finance Bill 2082

<https://hr.parliament.gov.np/uploads/attachments/daf5inq7ijznfdzk.pdf>

### Submission of Report by High-level Economic Suggestion Commission

The “High-Level Economic Sector Reform Recommendation Commission” formed by the Office of the Prime Minister and Council of Ministers (OPMCM) has submitted its report to the Government.

Link to access report:

[https://www.opmcm.gov.np/wp-content/uploads/2025/05/Action-Plan\\_final-1.pdf](https://www.opmcm.gov.np/wp-content/uploads/2025/05/Action-Plan_final-1.pdf)

### Final Draft of National Public Financial Management Reform Strategy – III (2025-2030)

The Ministry of Finance has issued final draft of National Public Financial Management Reform Strategy – III (2025-2030).

Link to access final draft of Reform Strategy:

[https://giwmscdnone.gov.np/media/pdf\\_upload/Nepal%20PFM%20Reform%20Strategy%202025-30\\_%20Jan%2015EN\\_ivfm8l7.pdf](https://giwmscdnone.gov.np/media/pdf_upload/Nepal%20PFM%20Reform%20Strategy%202025-30_%20Jan%2015EN_ivfm8l7.pdf)

### Public Financial Management Reform Operation Guideline, 2082

The Ministry of Finance has issued Public Financial Management Reform Operation Guideline, 2082 which shall be effective from 23<sup>rd</sup> May 2025.

Link to access Guidelines:

<https://www.pefa.gov.np/public/uploads/16706327A8.pdf>

### Economic Survey FY 2024/25 (2081/82)

Ministry of Finance has issued Economic Survey FY 2024/25 (2081/82) on 29<sup>th</sup> May 2025.

Link to access survey:

[https://giwmscdntwo.gov.np/media/pdf\\_upload/%.pdf](https://giwmscdntwo.gov.np/media/pdf_upload/%.pdf)

## INTERNATIONAL UPDATES

### Recent in IFAC Knowledge Gateway

The latest research and publications updated in IFAC Knowledge Gateway during the quarter from April to June 2025 are outlined below for reference:

- Not all Carbon Credits are Created Equal: Ecosystem Views on Quality Credits and the Future of the Voluntary Carbon Market
- Navigating the Energy Transition in the Caribbean: The Accountancy Profession Enabling Climate Resilience
- Implementing International Public Sector Accounting Standards (IPSAS): IFAC Tools
- IFAC and the Global Accountancy Profession Support the Financial Action Task Force's Continued Efforts to Drive Financial Inclusion
- The State of Play: Sustainability Disclosure and Assurance
- The State of Play in Sustainability Assurance

#### Recent Article published in IFAC:

- Interactive Small Business Sustainability Checklist
- From Entrepreneurship to Resilience: The Roles of Accountants in Business in the IPO Journey
- Preparing for the Future of Accountancy Education: 9 Tips for What's Taught, and How
- Artificial Intelligence & Accounting
- UN MSME Day 2025— IFAC, OECD, UNCTAD & World Bank Spotlight Building Capacity for SMEs in Sustainability Reporting: Simplicity, Coordinated Leadership & Purpose
- IESBA Establishes Global Baseline Ethics Standards for Sustainability Reporting and Assurance
- Enhancing the Appeal of the Accounting Profession: A New Multi-Stakeholder Study Seeks Insights
- The role of accountancy professionals in detecting and preventing fraud, in a digital landscape: a systematic literature review
- Sustainability Reporting in Türkiye: A Localized Approach to Global Alignment
- European bodies stress the importance of corporate governance frameworks

#### Recording

- Webinar Recordings Available: Elevating Education to Meet Global Sustainability Demands

### IFAC Releases Trailblazing Sustainability Tool for Small Businesses

The International Federation of Accountants (IFAC), in collaboration with the Edinburgh Group (EG), has launched a pioneering online tool designed to help small- and medium-sized enterprises (SMEs) maximize the benefits of incorporating sustainability into their strategy and business operations. Further details can be viewed from the link below:

<https://www.ifac.org/news-events/2025-06/ifac-releases-trailblazing-sustainability-tool-small-businesses>

### New Report Empowers Caribbean Accountants to Drive Climate Action

In partnership with the Institute of Chartered Accountants of the Caribbean (ICAC), IFAC has released a timely report emphasizing the critical role of the accountancy profession in accelerating climate resilience and energy transformation across the Caribbean.

Link to access the report: *Navigating the Energy Transition in the Caribbean: The Accountancy Profession Enabling Climate Resilience*.

Further details can be viewed from the link below:

<https://www.ifac.org/news-events/2025-06/new-report-empowers-caribbean-accountants-drive-climate-action>

### IFAC and IESBA, alongside IAASB, Convened Successful Multi-Stakeholder Summit on Global Standards Focused on Furthering the Public Interest

The International Federation of Accountants (IFAC) and the International Ethics Standards Board for Accountants (IESBA), alongside the International Auditing and Assurance Standards Board (IAASB), convened a multi-stakeholder Summit in Paris on 14





April 2025. The summit reaffirmed the important role that global assurance and ethics standards need to play in building trust in reported sustainability information, and hence the importance of ensuring successful global adoption and implementation. Further details can be viewed from the link below:

<https://www.iaasb.org/news-events/2025-04/ifac-and-iesba-alongside-iaasb-convened-successful-multi-stakeholder-summit-global-standards-focused>

## More Global Companies Seek Assurance on Sustainability Reporting, Study by IFAC, AICPA & CIMA Shows

Almost 3-in-4 of the largest global companies sought assurance on some aspect of their sustainability disclosures, according to an updated report from the International Federation of Accountants (IFAC) and AICPA & CIMA. Seventy-three percent of large companies from G20 countries obtained assurance on their sustainability disclosures in 2023, up from 69 percent the previous year, according to the report, *The State of Play: Sustainability Disclosure and Assurance, (Five-Year Trends and Analysis, 2019–2023)*. Five years ago, that number stood at 51 percent. Most of the assurance then and now is of limited scope. The study marks the fifth annual benchmark that now includes 2023 data. Further details can be viewed from the link below:

<https://www.ifac.org/news-events/2025-05/more-global-companies-seek-assurance-sustainability-reporting-study-ifac-aicpa-cima-shows>

## Practical Tools to Support IPSAS Implementation: New Resource From IFAC

In collaboration with the International Public Sector Accounting Standards Board (IPSASB), IFAC has published a new resource, *Implementing International Public Sector Accounting Standards (IPSAS): IFAC Tools*, a compilation of our resources designed to help governments and public sector entities adopt and implement IPSAS Standards and help Professional Accountancy Organizations (PAOs) advocate for their use. Further details can be viewed from the link below:

<https://www.ifac.org/news-events/2025-06/practical-tools-support-ipsas-implementation-new-resource-ifac>

## IPSASB Proposes Aligning Materiality Definition Across the Conceptual Framework and IPSAS Accounting Standards

The International Public Sector Accounting Standards Board (IPSASB) has released the IPSAS Exposure Draft (ED) 93, *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework) for public comment.

This ED seeks to provide more consistent guidance on materiality across the IPSASB's financial reporting literature to assist entities in its a

pplication, and help them to develop clearer, more useful financial reports. Further details can be viewed from the link below:

<https://www.ipsasb.org/news-events/2025-05/ipsasb-proposes-aligning-materiality-definition-across-conceptual-framework-and-ipsas-accounting>

## Request for Information and comment letters: Post-implementation Review of IFRS 16 Leases

The International Accounting Standards Board (IASB) has published a Request for Information as part of its Post-implementation Review of IFRS 16 *Leases*. The comment letter period is open until 15th October 2025.

Link to access Request for Information and Comment Letter:

<https://www.ifrs.org/content/dam/ifrs/project/pir-ifrs-16/rfi-iasb-2025-1-pir-ifrs-16.pdf>

Further details can be viewed from the link below:

<https://www.ifrs.org/projects/work-plan/post-implementation-review-of-ifrs-16-leases/pir-ifrs-16-rfi-cl/>

## New FAQ on Going Concern Now Available from IAASB

The International Auditing and Assurance Standards Board (IAASB) has published a new Frequently Asked Questions (FAQ) document to support stakeholders as they implement International Standard on Auditing 570 (Revised 2024), *Going Concern*. Further details can be viewed from the link below:

<https://www.iaasb.org/news-events/2025-05/new-faq-going-concern-now-available-iaasb>

## **SAC Press Release: IAASB-IESBA Stakeholder Advisory Council Advises on Advancing Standard Setting in the Public Interest**

The Stakeholder Advisory Council (SAC) of the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) convened in New York on May 5-6 providing strategic advice to the two boards on key challenges and opportunities in global standard setting for audit, assurance and ethics, including independence. Further details can be viewed from the link below:

<https://www.iaasb.org/news-events/2025-05/sac-press-release-iaasb-iesba-stakeholder-advisory-council-advises-advancing-standard-setting-public>

## **IAASB Announces Withdrawal of ISAE 3410 for Assurance Engagements on Greenhouse Gas Statements**

The International Auditing and Assurance Standards Boards (IAASB) has approved the withdrawal of International Standard on Assurance Engagements (ISAE) 3410, *Assurance Engagements on Greenhouse Gas Statements*. This decision follows the approval and certification in 2024 of the International Standard on Sustainability Assurance (ISSA) TM 5000, *General Requirements for Sustainability Assurance Engagements*. ISSA 5000 addresses assurance of all types of sustainability information, including greenhouse gas emissions, regardless of how that information is presented. It is effective for assurance engagements on sustainability information reported for periods beginning on or after December 15, 2026, or at a specific date on or after December 15, 2026. Consequently, the withdrawal of ISAE 3410 will take effect from the effective date of ISSA 5000. Further details can be viewed from the link below:

<https://www.iaasb.org/news-events/2025-05/iaasb-announces-withdrawal-isae-3410-assurance-engagements-greenhouse-gas-statements>

## **IAASB Requests Feedback on Proposed Narrow-Scope Amendments Related to Working with Experts**

The International Auditing and Assurance Standards Board (IAASB) has opened a public consultation on narrow-scope amendments to its standards to maintain interoperability between IAASB

standards and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code). These proposed amendments address recent revisions to the IESBA Code related to using the work of an external expert. The IAASB invites all stakeholders to comment using the digital Response Template, which is available on the IAASB website. Feedback is requested by July 24, 2025. Further details can be viewed from the link below:

<https://www.iaasb.org/news-events/2025-04/iaasb-requests-feedback-proposed-narrow-scope-amendments-related-working-experts>

## **IAASB Strengthens Auditor Responsibilities for Going Concern through Revised Standard**

The International Auditing and Assurance Standards Board (IAASB) on 09th April 2025 released its revised International Standard on Auditing 570 (Revised 2024), *Going Concern*. The revised standard responds to corporate failures that raised questions regarding auditors' responsibilities by significantly enhancing the auditor's work in evaluating management's assessment of an entity's ability to continue as a going concern. Effective for audits of financial statements for periods beginning on or after December 15, 2026, the standard will also increase consistency in auditing practices and strengthen transparency through communications and auditor reporting on matters related to going concern in a consistent manner. Further details can be viewed from the link below:

<https://www.iaasb.org/news-events/2025-04/iaasb-strengthens-auditor-responsibilities-going-concern-through-revised-standard>

## **IESBA Staff Releases Q&As on the Tax Planning and Related Services Standards in the IESBA Code**

The Staff of the International Ethics Standards Board for Accountants (IESBA) released a questions and answers (Q&A) publication to support the adoption and implementation of the IESBA Tax Planning and Related Services Standards on May 08th 2025. The standards provide a principles-based framework and a global ethical benchmark to guide professional accountants in public practice and in business when they provide tax planning services or perform tax planning activities, respectively. The Tax Planning and Related Services standards come into effect July



1, 2025. Further details can be viewed from the link below:

<https://www.ethicsboard.org/news-events/2025-05/iesba-staff-releases-qas-tax-planning-and-related-services-standards-iesba-code>

## **Amendments to Greenhouse Gas Emissions Disclosures (Amendments to IFRS S2)**

The International Sustainability Standards Board (ISSB) published the Exposure Draft *Amendments to Greenhouse Gas Emissions Disclosures*. The Exposure Draft sets out proposed targeted amendments to IFRS S2 *Climate-related Disclosures* in response to application challenges related to greenhouse gas emissions requirements. The Basis for Conclusions on the Exposure Draft explains the rationale for the proposed amendments in the Exposure Draft. The Exposure Draft comment period is scheduled to close on 27th June 2025. Further details can be viewed from the link below:

<https://www.ifrs.org/projects/work-plan/amendments-to-disclosure-of-greenhouse-gas-emissions-s2/>

## **New Educational Materials to Support Implementation of the IFRS for SMEs Accounting Standard**

The IFRS Foundation has published new educational materials to support the application of Section

11 *Financial Instruments* of the third edition of the *IFRS for SMEs* Accounting Standard.

The new resources are:

a webcast providing an overview of the amendments to Section 11; and an updated Educational Module 11 *Financial Instruments*.

These educational materials are intended to assist SMEs in applying the third edition of the Standard. Further details can be viewed from the link below:

<https://www.ifrs.org/news-and-events/news/2025/05/educational-materials-ifrs-smes-accounting-standard/>

## **IFRS Foundation Publishes Educational Material about Greenhouse Gas Emissions Disclosure Requirements in IFRS S2**

The IFRS Foundation has published educational material about the requirements in IFRS S2 *Climate-related Disclosures* related to measurement and disclosure of greenhouse gas (GHG) emissions on May 29th 2025. This material is structured as questions and answers about the requirements for an entity to disclose its GHG emissions in accordance with IFRS S2.

<https://www.ifrs.org/news-and-events/news/2025/05/educational-material-ghg-ifrs-s2/>

## HIGHLIGHTS OF FEDERAL BUDGET OF NEPAL FISCAL YEAR 2082/83 (2025/26)



**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL**  
*(Established under the Nepal Chartered Accountants Act 2053)*

The Institute of Chartered Accountants of Nepal (ICAN)  
Highlights of Federal Budget of Nepal for FY 2082/83



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## A QUICK INSIGHT OF NEPAL'S FEDERAL BUDGET 2082/83 (2025/26)

## 1. BUDGET SUMMARY

The annual budget acts as a tool to strengthen a nation's economic, social, and governmental system by outlining economic policies, setting priorities and directing investments, which ultimately promotes overall development of the Country. The Federal Budget of Nepal for Fiscal Year 2082/83 (2025/26) has prioritized entrepreneurship, employment, production, and infrastructure investment, alongside improvement in public sector through maintenance of good governance and corruption control.

Federal Budget for the Fiscal Year 2082/83 as presented by Hon'ble Deputy Prime Minister and Finance Minister, Mr. Bishnu Prasad Paudel on 29<sup>th</sup> May 2025 (2082 Jeshta 15) has been summarized below:

## 1.1. OBJECTIVES AND PRIORITIES OF BUDGET

## Objectives of Budget

To achieve high, sustainable and broader economic growth for poverty eradication

To develop entrepreneurship along with public and private sector investment for employment generation

To encourage use of modern technologies and enhance economic capacity

To maintain social justices through social protection and development

To promote quality public service delivery and Governance

## Priorities of Budget

Enhancement of Entrepreneurship, Employment, Production and Productivity

Expansion of Investment in productive and High-Quality physical Infrastructure

Qualitative Improvement in Public Sector

Balanced Development and Assurance of Social Security

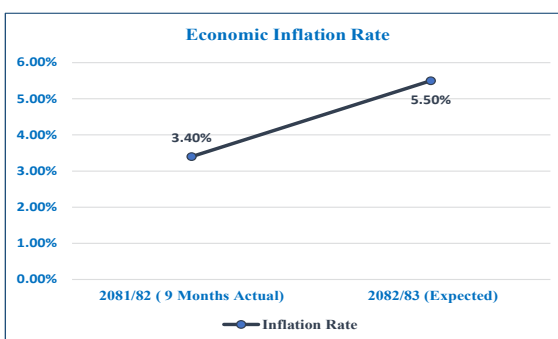
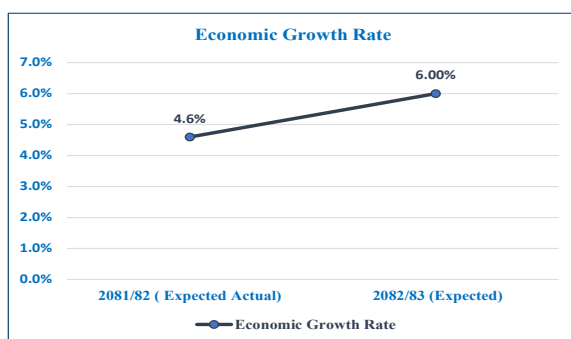
Citizen Friendly Services, Corruption Control and Governance Reform



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## 1.2. ECONOMIC GROWTH RATE AND INFLATION



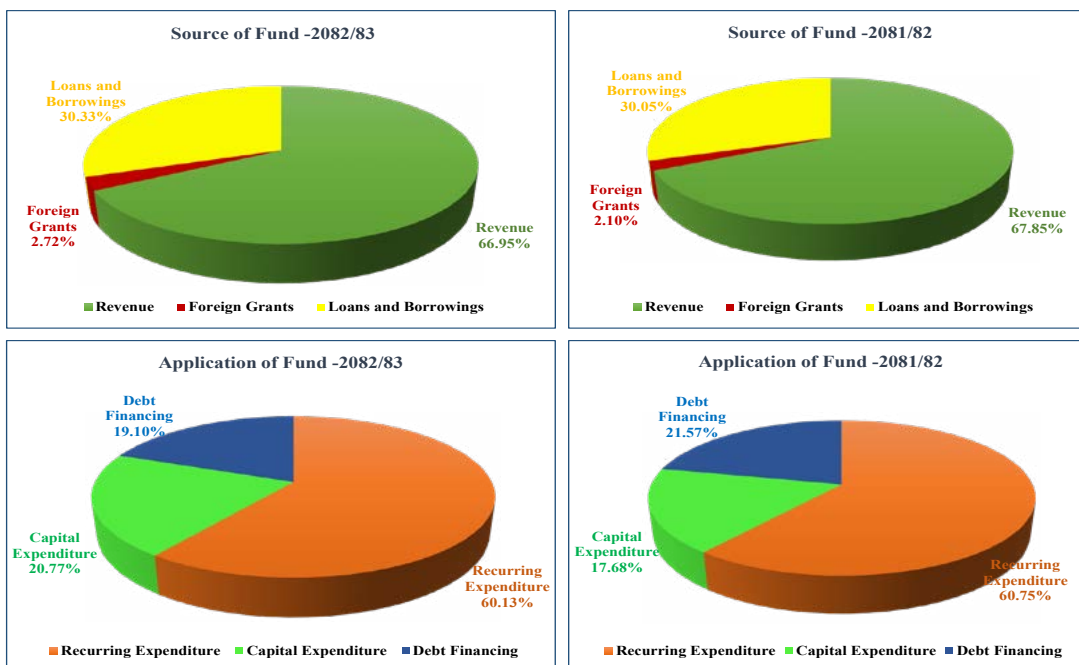
## 1.3. COMPARISON OF BUDGET SIZE

SN	Source of Fund	NPR (Billion)-2082/83	Revised NPR (Billion)-2081/82	Application of Fund	NPR (Billion)-2082/83	Revised NPR (Billion)-2081/82
1	Revenue	1,315.00	1,127.87	Recurring expenditures	1,180.98	1,009.93
2	Foreign Grants	53.45	34.89	Capital expenditures	407.89	293.9
3	Loans and borrowing	595.66	499.60	Debt Financing	375.24	358.53
	<b>Total</b>	<b>1,964.11</b>	<b>1,662.36</b>	<b>Total</b>	<b>1,964.11</b>	<b>1,662.36</b>



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Highlights of Federal Budget of Nepal for FY 2082/83


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The Institute of Chartered Accountants of Nepal (ICAN)  
Highlights of Federal Budget of Nepal for FY 2082/83


## 1.4. MINISTRY WISE BUDGET ALLOCATION

(NPR in Lakhs)

S.N.	Ministry	Central	Province	Local Level	Total Budget	% of Total
1.	Office of the Prime Minister and Council of Ministers	64,932.00	-	-	64,932.00	0.33%
2.	Ministry of Finance	494,141.00	4,842.00	43.00	499,026.00	2.54%
3.	Ministry of Industry, Commerce and Supplies	91,321.00	-	10,060.00	101,381.00	0.52%
4.	Ministry of Energy, Water Resources and Irrigation	847,382.00	10,368.00	2,338.00	860,088.00	4.38%
5.	Ministry of Law, Justice and Parliamentary Affairs	5,356.00	-	-	5,356.00	0.03%
6.	Ministry of Agriculture and Livestock Development	527,211.00	17,530.00	30,053.00	574,794.00	2.93%
7.	Ministry of Water Supply	296,670.00	6,972.00	35,307.00	338,949.00	1.73%
8.	Ministry of Home Affairs	2,082,479.00	-	3,765.00	2,086,244.00	10.62%
9.	Ministry of Culture, Tourism and Civil Aviation	131,464.00	-	1,334.00	132,798.00	0.68%
10.	Ministry of Foreign Affairs	78,481.00	-	-	78,481.00	0.40%
11.	Ministry of Forests and Environment	142,488.00	39,092.00	4,548.00	186,128.00	0.95%
12.	Ministry of Land Management, Cooperatives and Poverty Alleviation	73,227.00	-	1,709.00	74,936.00	0.38%
13.	Ministry of Physical Infrastructure and Transport	1,519,953.00	-	-	1,519,953.00	7.74%
14.	Ministry of Women, Children and Senior Citizen	15,277.00	871.00	4,661.00	20,809.00	0.11%
15.	Ministry of Youth and Sports	57,174.00	900.00	2,700.00	60,774.00	0.31%
16.	Ministry of Defense	620,121.00	-	-	620,121.00	3.16%
17.	Ministry of Urban Development	925,382.00	98,962.00	159,100.00	1,183,444.00	6.03%
18.	Ministry of Education, Science and Technology	605,617.00	49,264.00	1,456,788.00	2,111,669.00	10.75%
19.	Ministry of Information and Communications	77,199.00	-	-	77,199.00	0.39%
20.	Ministry of Federal Affairs and General Administration	72,678.00	12,946.00	33,253.00	118,877.00	0.61%
21.	Ministry of Health and Population	553,919.00	60,537.00	343,618.00	958,074.00	4.88%
22.	Ministry of Labor, Employment and Social Security	16,310.00	1,255.00	25,283.00	42,848.00	0.22%
23.	Others than above-including committees, commission	6,164,068.00	672,065	1,088,086.00	7,924,219.00	40.35%
	<b>Total Budget</b>	<b>15,462,850.00</b>	<b>975,604.00</b>	<b>3,202,646.00</b>	<b>19,641,100.00</b>	
	<b>% of Total Budget Level Wise</b>	<b>78.73%</b>	<b>4.97%</b>	<b>16.31%</b>	<b>100%</b>	<b>100.00%</b>



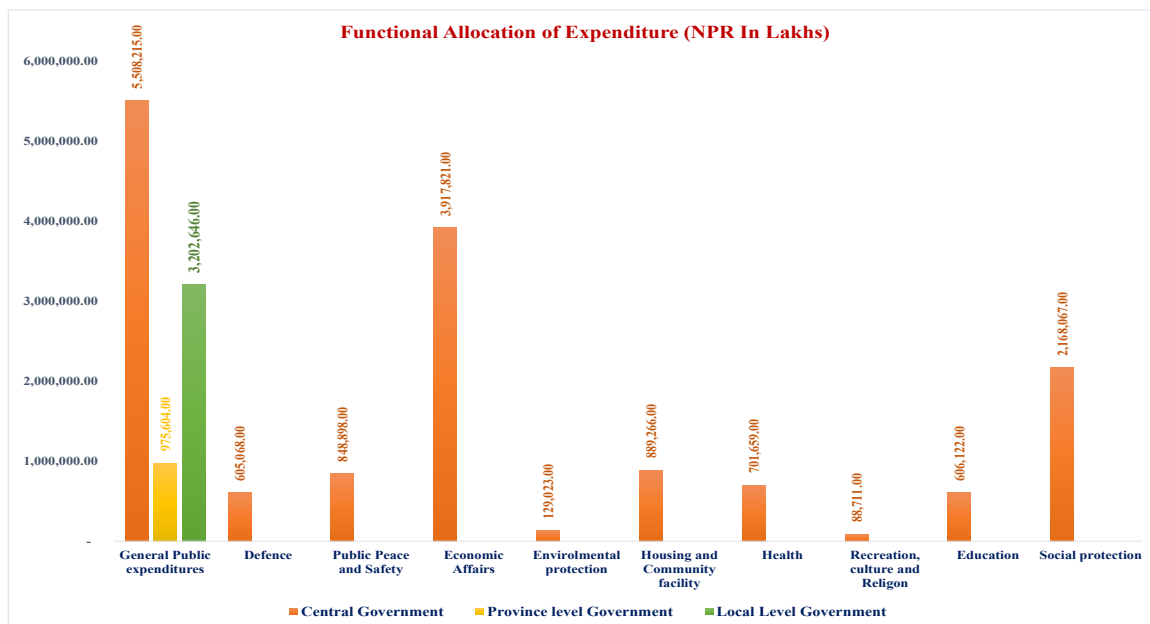
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### 1.5. FUNCTION WISE BUDGET ALLOCATION



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### 1.6. MAJOR HIGHLIGHTS OF BUDGET 2082/83

#### MAJOR HIGHLIGHTS OF BUDGET 2082/83

Minimum support price (samarthan mulya) of crops like paddy, maize, wheat, sugarcane, coffee etc. will be defined 15 days prior to the planting season. (41)

Classification, merger, and structural reform of cooperative institutions will be carried out. Effective regulations of saving and credit cooperatives will be ensured through the National Cooperative Regulatory Authority. (60)

Deposits of up to five lakh rupees in cooperative institutions will be insured through Deposit and Credit Guarantee Fund. A cooperative loan recovery tribunal will be established. (61)

Industries obtaining approval to establish new industry in Special Economic Zones and industrial areas will be granted rent exemptions during the initial three years of operation. The monthly rental rate in Special Economic Zones has been reduced from NPR 20 per square meter to NPR 5 per square meter. Industries located in industrial areas that export more than 30% of their production will be eligible for the same concessions as those provided to industries in Special Economic Zones. (71)

Arrangements will be made to allow Nepali citizens to receive sweat equity shares when they provide expertise, knowledge, or services of a special nature to foreign companies. (81)

Civil Aviation Authority of Nepal (CAAN) will be restructured by separating it into a regulatory body and a service provider entity, and institutional strengthening will be carried out accordingly. (101)

Necessary preparation will be done to properly account for carbon credit generated from activities aimed at reducing carbon emissions. (120)

Government bonds will be traded in the secondary market. Non-Resident Nepalese will be allowed to invest in the secondary market. (331)

Act will be formulated to regulate credit transactions. (335)

Intangible currencies such as cryptocurrency, illegal foreign currencies and similar assets shall be seized. (336)

30% of Nepal Telecom's shares will be sold to the general public while maintaining more than 50% ownership of the Government of Nepal. (340)

Subsistence allowance provided to government employees will be increased to NPR 5,000 per month, effective from Shrawan 1, 2082. (349)

Voter ID card will be linked with National ID card. (354)

Infrastructure projects will be constructed using alternative financing. (360)

Senior citizenship allowance will be provided only to those aged over 70 years. The age limit remains the same for those currently receiving the allowance, as well as for individuals from remote and marginalized areas. (375)

The contingency amount will be reduced to 3% for projects with a cost estimate of NPR 1 billion, and to 2% for projects with a cost estimate exceeding NPR 1 billion. (379)



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## 1.7. MAJOR HIGHLIGHTS RELATING TO TAX REVENUE AS PER BUDGET SPEECH

## MAJOR HIGHLIGHTS RELATING TO TAX REVENUE AS PER BUDGET SPEECH

Study shall be conducted on the feasibility and practical implications of introducing multiple rates in the Value Added Tax system. (384)

Income tax and electricity charge exemptions, as applicable to special industries, shall also be provided to the information technology industry, hotels and resorts. (386)

75 percent tax shall be exempted on income generated from the export of information technology services. (386)

Startup businesses with annual transactions not exceeding NPR 10 crore shall be granted a 100 percent tax exemption for a period of up to 5 years.

To increase the production and consumption of timber and timber-related materials, only 1% custom duty will be charged on the import of mill machinery by timber processing industries. (389)

Custom duty and other duties have been removed on import of mill, machinery and equipment for production of organic and natural fertilizer. (390)

Only 1% custom duty will be levied on the import of necessary machinery, equipment, and sports materials for the construction of football, cricket, and multi-purpose stadiums. (391)

All taxes and duties on import of necessary machinery and equipment for industries producing green hydrogen have been exempted. Income tax exemption will be provided up to 5 years for those industries. (392)

Only 1% custom duty will be levied on the import of battery and other equipment used to store electricity generated from solar and wind energy. (393)

Only 1% custom duty will be levied on the import of equipment for establishing industry producing or assembling charging machines for electric vehicles. Income tax exemption will be provided up to 5 years for those industries. (394)

For the purpose of deregistering public and private vehicles that are more than 20 years old and no longer operable, the remaining income tax shall be exempted if the income tax for the most recent two years has been paid. (395)

Only 1% customs duty will be levied on the import of tunnel boring machines by the private sector for use of tunnel technology in road, irrigation, and hydropower projects. (396)

Retirement Funds previously approved from Inland Revenue Department shall compulsory be associated with retirement fund operated by Employee Provident Fund, Citizens Investment Trust, Social Security Fund or Pension Fund. (398)

VAT exempted on clearing house service. (402)

TDS applicable on the import of food grains, pulses, fruits, and fruit-based, plant-based, and animal-based products at the customs clearance point has been removed. (403)



## MAJOR HIGHLIGHTS RELATING TO TAX REVENUE AS PER BUDGET SPEECH

The provision requiring export-import businesses to provide a bank guarantee of NPR 3 lakh to obtain an EXIM code has been removed. (414)

Provision requiring taxpayers to pay a minimum tax even when no taxable transactions have been carried out has been removed. (415)







## 2. MAJOR AMENDMENTS IN TAX LAWS

### 2.1. SPECIAL AMENDMENTS MADE BY FINANCE BILL, 2082

SECTION	PROVISIONS
<b>Section 16</b>	<p><b>Provision on Digital Service Tax</b> Digital Service will be levied at the rate of 2% on the transaction value of electronic services provided and transaction value of data sales collected from users in Nepal by non-resident person. However, such tax is not applicable on following cases: 1) The annual transactions of electronic services up to thirty lakh 2) Sales transactions made through a digital interface to business users in Nepal for commercial purposes A non-resident person providing electronic services in Nepal shall submit details of their transaction along with the applicable tax for each fiscal year within three months of expiry of the fiscal year online to the Inland Revenue Department, as determined by the department. Incase of failure to submit the details of the transaction and applicable tax, a fine of 0.1% per annum of transaction value and interest of 15% per annum of the applicable taxes will be charged. Further, a penalty of 50% will be applicable in case of tax evasion and deposit of taxes less than determined by the department.</p>
<b>Section 17</b>	<p><b>Provision on Luxury Tax</b> A luxury tax of 2% will be levied on the following: 1) Services provided by the five-star hotel or higher, and luxury resorts 2) Imported Liquors (Custom duty and Excise duty should be included while determining Luxury Tax) 3) Sale of gold and gold ornaments.</p>
<b>Section 20</b>	<p><b>Provision on Health Risk Tax</b> Health risk tax will be levied on goods that are imported from abroad and produced in Nepal as per Schedule -6</p>
<b>Section 21</b>	<p><b>Provision of Bank Guarantee on import by Hydroelectricity Projects</b> On recommendation of Department of Electricity Development, bank guarantee facility for custom duty and VAT can be availed on import of construction equipment, machineries, tools and their spare parts, penstock pipe and steel plate required for generation, transmission and distribution by the contractor, project promoter of hydroelectricity projects which has obtained the theoretical approval for power generation potential upgradation and design amendment.</p>
<b>Section 22</b>	<p><b>Special Provision on allowance of Transportation fee as expenses</b></p>



SECTION	PROVISIONS
	<p>If a transport service provider has incurred freight as expenses from the PAN unregistered Natural person in the fiscal year 2078/79, 2079/80 and 2080/81, then the incurred expenses can be claimed as deductible if the payments has been made deducting TDS under Section 88 (1)(8) of the Income Tax Act, 2058</p>
<b>Section 23</b>	<p><b>Special Provision Regarding the Transfer of Contribution-Based Retirement Funds</b> Retirement funds currently operating as approved retirement funds under the Income Tax Act, 2058 must be mandatorily transferred to or aligned with the retirement funds established under the following laws by the end of Ashadh 2083: 1. The Employees Provident Fund Act, 2019 2. The Citizen Investment Trust Act, 2047 3. The Social Security Fund Act, 2074 4. The Retirement Fund Act, 2075 1. As per sub-section (1), if a contributor transfers the lumpsum amount of their contribution-based retirement fund from an approved fund to the designated fund within the specified period, such transferred amount shall not be subject to withholding tax under the Income Tax Act, 2058</p>
<b>Section 24</b>	<p><b>Waiver of Penalty, Fine, Fee and Interest for Social Institutions</b> Community hospitals, health institutions, and transport-related organizations registered under the Association Registration Act 2034, which has been assessed or reassessed by the concerned tax office under the Value Added Tax Act 2052, the Income Tax Act 2058, and the applicable Finance Acts for any liabilities incurred before 15<sup>th</sup> Jestha 2082, shall be eligible for a waiver of interest, fines, fees and penalties if the assessed amount is fully paid by the end of Poush 2082.</p>
<b>Section 25</b>	<p><b>Rebates to the taxpayer remaining to submit the VAT Returns</b> Taxpayers who are registered in VAT but have not submitted the VAT return up to Chaitra end, 2081 can avail the waiver on penalties, additional fees, and remaining interest if the VAT returns, and 25% of applicable interest are submitted within Poush end, 2082. Even if VAT returns for transactions up to Chaitra 2081 were filed but tax remains unpaid, paying the due tax and 25% of interest by the end of Poush 2082 will result in waiver of remaining penalties and interest.</p>
<b>Section 26</b>	<p><b>Rebates to the taxpayer remaining to submit the Excise Returns</b> Taxpayers who are registered in Excise but have not submitted the Excise return up to Chaitra end, 2081 can avail the waiver on penalties and remaining late fees if the Excise returns, and 50% of applicable late fees are submitted within Poush end, 2082. 1. Even if excise returns for transactions up to Chaitra 2081 were filed but tax remains unpaid, paying the due tax and 50% of late fees by the end of Poush 2082 will result in waiver of penalties and balance late fees.</p>
<b>Section 27</b>	<p><b>Waiver on VAT to the International airline operators and ticket service providers</b></p>



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SECTION	PROVISIONS
	1. If a person engaging in international airline operations and ticket service providers who was required to be registered for VAT but did not collect VAT either being registered under VAT or without being registered for VAT from 2081 Kartik 1, deposit the collected VAT within Ashoj end, 2082, additional fee, interest, and penalty shall be exempted.
Section 28	<b>Exemption to Taxpayers who have been assessed for not submitting Income Tax Return</b> If an individual who has not submitted an income tax return for any year was previously assessed for tax by the relevant tax office under Section 101 of the Income Tax Act, 2058, and subsequently submits the Income Tax Return and pays the applicable tax amount or even if the Income Tax return is yet to be submitted, that individual may still file the Income Tax Return and pay the corresponding tax by the end of Poush 2082. For Income Tax Returns submitted or to be submitted under this provision, the relevant tax office may reassess the tax before the end of Ashadh 2083 and determine the revised tax liability. The limitation of periods specified in Section 20(4) of the VAT Act, 2052 and Section 101(3) of the Income Tax Act, 2058 shall not be applicable during this assessment process.
Section 29	<b>Special Provision relating to person outside Nepal providing Digital Services</b> Sub-Clause (5) of Clause (ar) of Section 2 of the Income Tax Act, 2058 will not be applicable in case of a non-resident person providing electronic services in Nepal who is registered in accordance with Section 16 of the Finance Act, 2081 and Section 10kha(1) of the Value Added Act, 2052.
Section 31	<b>Waiver on Income Tax of Public and Private Vehicle</b> If the income tax for the income year 2081/82 and 2082/83 is paid with in the end of Poush 2082 by the Public and Private Vehicles owner that are more than twenty years and can't be operated, income tax and interest prior to Income year 2081/82 shall be waived
Section 30	<b>Concession in case of Change in Ownership</b> Pursuant to Section 57(1), if a resident entity has undergone a change in ownership involving an interest in another resident entity, and if any outstanding tax liability has been assessed on the basis of such ownership change, the interest and fees related to the amended assessment shall be waived provided the assessed tax amount is paid by the end of Ashadh 2082.



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## 2.2. AMENDMENTS IN INCOME TAX ACT, 2058

SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
2(Bha)	<b>Definition: Entity</b> Entity" means the following organization or body: (1) A partnership, trust or company, (2) <b>Rural Municipality, Municipality or</b> District Coordination committee, (3) Government of Nepal, Provincial Government or Local Level, (4) Any foreign government or provincial or local government under that government or a public international organization established by any treaty, or A permanent establishment of the organization or body referred to in clauses (1), (2) (3) and (4), which is not situated in a country of which it is a resident.	<b>Definition: Entity</b> Entity" means the following organization or body: (1) A partnership, trust or company, (2) <b>Rural Municipality, Municipality or</b> District Coordination committee, (3) Government of Nepal, Provincial Government or Local Level, (4) Any foreign government or provincial or local government under that government or a public international organization established by any treaty, or A permanent establishment of the organization or body referred to in clauses (1), (2) (3) and (4), which is not situated in a country of which it is a resident.	Definition of rural municipality and municipality were already covered under "Local Level" under same clause. Therefore, this will not have any impact.
2(Tra1)	<b>Definition: Contribution Based Retirement Payment</b> "Contribution Based Retirement Payment" means amount deposited in approved retirement fund, which has already been included in income of natural person, and the increment in such amount.	<b>Definition: Contribution Based Retirement Payment</b> "Contribution Based Retirement Payment" means the payments of the amount deposited in approved retirement fund derived from the monthly deduction from remuneration of the employee or workers along with the addition by the employer as retirement contribution and the increment in such amount.	This is related to Section 65(1) and Section 88(1), and provides a clearer definition compared to the previous one.



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
2(KaDa)	<b>Definition: Permanent Establishment</b> <del>(5) A place outside Nepal where the person resides and assumes a significant digital presence in Nepal, or a place outside Nepal where a data server is kept and is engaged in the transaction of data or services in Nepal for at least 90 days in a period of last twelve months:</del>	<b>Definition: Permanent Establishment</b> (5) A place outside Nepal where the person resides and assumes a significant digital presence in Nepal, or a place outside Nepal where a data server is kept and is engaged in the transaction of data or services in Nepal for at least 90 days in a period of last twelve months.	Linked with Section 16 and section 29 of Finance Bill, 2082. Both the Digital Service Tax and Income Tax will not be applicable for those providing digital services as defined in section 16 of Finance Bill. Clarity provided for Income Year 2081/82 too.
4(4kha)	<b>Notwithstanding anything contained in sub section (4) and (4Ka), the person shall choose to make this provision applicable for that income year.</b>	No Provision	Section 4(4) (Presumptive Tax) and section 4(4ka) (Turnover based tax) have been made optional for taxpayers. They may elect to file D-03 return.
11(2Kha)	Exemption shall be provided as below on the tax to be imposed on income of special industry, <b>hotel, resort and information technology industry</b> that operates fully throughout the year in any income year.  Ka) By one third of tax if tax had been imposed at the rate of 30% on income of resident natural person  Kha) By 20% on tax applicable on income of the entity	Exemption shall be provided as below on the tax to be imposed on income of special industry that operates fully throughout the year in any income year.  Ka) By one third of tax if tax had been imposed at the rate of 30% on income of resident natural person  Kha) By 20% on tax applicable on income of the entity	Applicable income tax rate for hotel, resort and information technology industry has been made same as that for special industry.
11(3)	Tax shall be levied as follows on the income earned by any person from a special industry, <b>hotel, resort,</b> and	Tax shall be levied as follows on the income earned by any person from a	Hotels and resorts are also eligible for an income tax exemption if they provide



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
	information technology industry in any income year: Ka).... Kha).... Ga)....	special industry and information technology industry in any income year: Ka).... Kha).... Ga)....	employment as specified in Section 11(3).
11(3Ga)	Industry related to software development, data processing, cyber cafe, digital mapping established in technology park and information technology park and industry related to zoological, geological, biotech park as specified by the Government of Nepal by a notification in the Nepal Gazette shall have <b>seventy five percent</b> exemption from income tax.	Industry related to software development, data processing, cyber cafe, digital mapping established in technology park and information technology park and industry related to zoological, geological, biotech park as specified by the Government of Nepal by a notification in the Nepal Gazette shall have <b>fifty percent</b> exemption from income tax.	Additional 25 percent tax exemption provided.
11(3Na)	100 % tax exemption is provided up to 5 years from the date of commencement to the startup business, as prescribed by department, having annual transaction up to <b>10 crore</b> rupees by utilizing innovative knowledge, concept, skill, technology, system.	100 % tax exemption is provided up to 5 years from the date of commencement to the startup business, as prescribed by department, having annual transaction up to <b>1 crore</b> rupees by utilizing innovative knowledge, concept, skill, technology, system.	Start up business having annual transactions exceeding 1 core up to 10 core are also eligible for this income tax exemption.
11(3Ya)	100 % tax exemption is provided up to 5 years from the date of commencement to industry producing green hydrogen.	No Provision	Tax exemption to industry producing green hydrogen.
11(3Ra)	100 % tax exemption is provided up to 5 years from the date of commencement to	No Provision	Tax exemption to industry producing or assembling



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
	industry producing or assembling charging machines for electric vehicle.		charging machines for electric vehicle.
11(3La)	100 % tax exemption is provided up to 10 years from date of commencement and 50 % tax exemption is provided up to next 5 years to person establishing and operating an industrial zone or industrial estate.	No Provision	Tax exemption to person establishing and operating and industrial zone or industrial estate.
63(1)	Removed	<p>If a resident person who desires to hold a retirement fund makes an application to the Department for having the retirement fund, the Department shall give approval as prescribed.</p> <p>Provided that Citizens Investment Trust fund formed under the Citizens Investment Fund Act, 2047, retirement fund established by Social Security Fund under the Contribution-Based Social Security Fund Act, 2074, Employee Provident Fund formed under the Employee Provident Fund Act, 2019 or the Retirement Fund formed under the Retirement Fund Act, 2075 shall not require to obtain approval for establishment of such fund .</p>	<p>IRD will not grant approval to establish new retirement fund.</p> <p>Related to section 23 of Finance Bill, 2082 also: Retirement Funds approved from Inland Revenue Department shall compulsory be associated with Employee Provident Fund established under the Employee Provident Fund Act, 2019 or Citizens Investment Trust fund established under the Citizens Investment Fund Act, 2047 or retirement fund operated by Social Security Fund established under the Contribution-Based Social Security Fund Act, 2074 or pension fund established under Pension Fund Act, 2075 by the end of Ashadh, 2083.</p>



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
65(2)	<p><b>Clarification:</b> For the purpose of this section Approved Retirement Funds means Employee Provident Fund established under the Employee Provident Fund Act, 2019, Citizens Investment Trust fund established under the Citizens Investment Fund Act, 2047, retirement fund operated by Social Security Fund established under the Contribution-Based Social Security Fund Act, 2074 and retirement fund operated by pension fund established under Pension Fund Act, 2075.</p>	No Clarification	While calculating assessable income of natural person, amount contributed to retirement fund other than those as mentioned in clarification are not allowed for deductions.
67 Clause Kha) of Clarification	"Liability to be borne in Nepal" means the liability <b>created from activity operated in Nepal</b> of a resident person.	"Liability to be borne in Nepal" means the liability of a resident person.	Clarification added.
92(1)(Ta)	Payment for rent of vehicle or carriage service to natural person <b>paying tax under section 1(13) of Schedule 1.</b>	Payment for rent of vehicle or carriage service to natural person <b>other than sole proprietorship firm.</b>	Rental or carriage income from only those vehicles having black number plates (Bhada ka Sawari) of natural persons are final withholding. Those incomes of sole proprietorship firms are also final withholding. Other payments related to other vehicles are not final withholding.



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
95Ka(7)	Removed	<p>Advance tax shall be collected as below at custom point on goods imported, as per the prevailing laws on custom duty, for business purpose:</p> <p>Ka) 10% on the value determined for custom purpose on import of living animals under Chapter 1, meat, and edible offal under Chapter 2, live, fresh, and all types of fish products under Chapter 3, fresh flowers and other products under Chapter 6, edible plants, roots, and stems under Chapter 7, edible fruits, wood fruits and other products under Chapter 8.</p> <p>Kha) 2.5 % percentage on the value determined for custom purpose on import of dairy products, eggs, honey and other products under Chapter 4, food products other than for seed purpose under Chapter 10, falling in Chapter 4, flour, wheat flour and other product under Chapter 11, herbs and sugarcane under Chapter 12 and plant-based products under Chapter 14.</p> <p>However, advance tax at the rate of 1.5% shall be collected on import of goods on which Value Added Tax (VAT) is applicable.</p>	TDS treated as customs duty shall not be applicable on the import of goods at the point of customs clearance.



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
97(2)(c)(3Ka)	Information regarding the option exercised under sub section (4ka) of section 4.	No Provision	Section 4(4) (Presumptive Tax) and section 4(4ka) (Turnover based tax) have been made optional for taxpayers. They may elect to file D-03 return. Information regarding election of this provision shall be provided as per section 97.
97(3)	<p>The individual required to submit the return pursuant to sub-section (2) shall include in it the income gained from business exemption benefit referred to in clause (d) of Section 5, sub-section (3) of Section 7, clause (a) of sub-section (3) of Section 8, clause (a) of sub-section (3) of Section 9 and Section 11, in addition to the income required to be included.</p> <p>Provided that it shall not be mandatory to include <b>retirement payment</b>, meeting allowance and interest in income.</p>	<p>The individual required to submit the return pursuant to sub-section (2) shall include in it the income gained from business exemption benefit referred to in clause (d) of Section 5, sub-section (3) of Section 7, clause (a) of sub-section (3) of Section 8, clause (a) of sub-section (3) of Section 9 and Section 11, in addition to the income required to be included.</p> <p>Provided that it shall not be mandatory to include a meeting allowance and interest in income.</p>	While filling return by those natural persons having income more than 40 lakh rupees in an income year, it is not mandatory to include income related to retirement payment.
113(8)	Removed	If the amount collected under section 95Ka(7) in an income year is in excess after deduction of tax liability for that income year, the excess amount shall not be allowed to carry forward for upcoming income years or refunded.	As Section 95Ka(7) has been removed by the Finance Bill, the provision related to that section has also been removed. Hence, it is no longer relevant.
117(1)(Gha)	If the income return of any income year is not submitted under section 97(2), higher	No Provision	Charge under Section 117 has been introduced for non-filing



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
	of 0.1 percent per year of the assessable income (excluding final withholding income) or NPR. 1200 per return (or NPR. 100 per month if the period is less than one year) shall be imposed as a charge.		of returns by natural persons having income exceeding NPR 40 lakh in an income year.
<b>Section 3(2) of Schedule 2</b>	The projects mentioned in sub-section (2) of Section 19 of this Act and Sub section (2kha),(3Cha), (3tha) of Section 11 <del>and the entities mentioned in sub-sections (3) of Section 2 of Schedule-I</del> shall get an addition of one-thirds to the rate of depreciation applicable to the depreciable assets mentioned in categories "A", "B", "C" and "D" mentioned in sub-section (1) of this Schedule.	The projects mentioned in sub-section (2) of Section 19 of this Act and Sub section (2kha),(3Cha), (3tha) of Section 11 and the entities mentioned in sub-sections (3) of Section 2 of Schedule-I shall get an addition of one-thirds to the rate of depreciation applicable to the depreciable assets mentioned in categories "A", "B", "C" and "D" mentioned in sub-section (1) of this Schedule.	Co-operatives are not eligible to claim additional one third depreciation.



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## 2.3. AMENDMENTS IN VALUE ADDED TAX ACT, 2052

SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
<b>2 (Ta 2)</b>	Electronic Services refers to the following services that are provided to the users via the internet in an automated manner with minimal human intervention, where the use of information technology is essential: <b>(a) Paid personal consultation services,</b> <b>(b) Targeted online advertising services</b> Explanation: For the purpose of this section, "targeted online advertising" refers to any form of digital communication that promotes a product, service, or brand through a digital interface (such as an electronic platform, website, application, or other similar medium), where the interface collects and/or generates user-interaction data (directly or indirectly) to deliver personalized advertisements. <b>(c) Movies, television, music, over-the-top (OTT) services, and other similar subscription-based services</b> <b>(d) Data collection related services</b> <b>(e) Cloud services</b> <b>(f) Gaming services</b> <b>(g) Services related to mobile applications</b>	Electronic Services refers to the following services that are provided to the users via the internet in an automated manner with minimal human intervention, where the use of information technology is essential: <b>(a) Advertising Services</b> <b>(b) Movies, television, music, over-the-top (OTT) services, and other similar subscription-based services</b> <b>(c) Data collection related services</b> <b>(d) Cloud services</b> <b>(e) Gaming services</b> <b>(f) Services related to mobile applications</b> <b>(g) Internet marketplace (online marketplace) and services provided through them,</b> <b>(h) Software supply and updates (upgrades),</b> <b>(i) Download services including data, images, etc.,</b> <b>(j) Consulting, skill development, and training services,</b> Other services of similar nature not specifically mentioned in clause (a) to (j)	Clarity enhanced in the definition of Electronic Services by including paid personal consultation and adding explanation of advertisement services.





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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
	(h) Internet marketplace (online marketplace) and services provided through them, (i) Software supply and updates (upgrades), (j) Download services including data, images, etc., (k) Consulting, skill development, and training services, (l) Other services of similar nature not specifically mentioned in clause (a) to (k)		
17 (8)	Replaced by Section 30(2).	Notwithstanding anything contained elsewhere in this section, the name of a taxpayer who does not file the tax returns for a consecutive period of six months may be made public, and if there is any amount due for tax deduction by such a taxpayer, such amount may be suspended and his/ her registration may also be suspended.	This provision is placed in section 30 (2) by removing from section 17 (8).
21(1) ngha	By causing to deduct amounts due to the taxpayer by local bodies, <b>province government</b> or any body corporate owned by Government of Nepal, or Government of Nepal.	By causing to deduct amounts due to the taxpayer by local bodies, or any body corporate owned by Government of Nepal, or Government of Nepal.	Amount due to the taxpayer by the Province Government is now eligible for adjustment against tax payable to IRD.
25 (1 Kha)	If a consumer makes payment of the goods or services purchased via electronic medium in accordance to the prevailing laws, then the ten percent of the tax amount paid shall be refunded as cash	If a consumer makes payment of the goods or services purchased via electronic medium in accordance to the prevailing laws, then the ten percent of the tax amount paid shall be refunded as cash incentive and deposited in their	Refund needs to be made immediately and not necessarily through bank deposit.



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
	incentive <b>immediately</b> as per the procedure prescribed by the Department.	<b>bank account</b> as per the procedure prescribed by the Department.	
25 (1 Ga)	<b>If the amount deposited as per sub-section (6) of Section 31Ka after the final decision of the court or the competent authority on the revised tax assessment is found to be in excess, such excess amount shall be refunded to the taxpayer upon request.</b>	No provision	Excess amount deposited for administrative review to the amount subsequently decided by the Court is subjected to refund upon request.
29 (Ynha 1)	<b>A fine of one hundred thousand rupees for each instance of conducting transactions without registering branch or warehouse.</b>	No provision	Fine has been introduced for non-registration of branch and warehouse.
30	(1) If a registered person commits any of the offense mentioned under Section 29 two or more times, the Director General may, for each instance, order the tax officer to suspend the business operations of such person at their business premises for a maximum of seven days. <b>(2) Notwithstanding anything mentioned elsewhere in this section, if a taxpayer fails to submit a tax return continuously for a period up to six months, their name may be made public, and if there is any amount due for tax deduction by such a taxpayer, such amount may be suspended and his/ her registration may also be suspended.</b>	If a person, who has already been penalized, commits any of the acts mentioned in Section 29 two or more times, the Chief Tax Officer may order the tax officer to suspend business operations at that person's business premises for up to seven days.	Provision of existing 17(2) now replaced with Section 30(2).
33 (2)	While calculating the amount of deposit or bank guarantee as per sub-section (1), <b>one-fourth</b> of the tax amount filed under	While calculating the amount of deposit or bank guarantee as per sub-section (1), <b>25 percent</b> of the tax amount filed under	Seems an improvisation of language.



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	administrative review in the department shall also be included in the calculation.	administrative review in the department shall also be included in the calculation.	



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2.4. AMENDMENTS IN EXCISE DUTY ACT, 2058

SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
2 (ana1)	"Alcohol" means any substance containing more than 0.5% alcohol, produced by decomposing/fermenting grains, fruits, or any other starchy substance, through a biochemical process or by any other method and the term includes liquor, jaand, chhyang, whisky, rum, gin, brandy, vodka, beer, wine, sherry, champagne, cider, perry, mead, malt beverages, <b>sake, soju, vermouth, alcoholic beverages, liquor</b> , industrial alcohol, rectified spirit, malt spirit, silent spirit, denatured spirit, ENA and heads spirit.	"Alcohol" means any substance containing more than 0.5% alcohol, produced by decomposing/fermenting grains, fruit, or any other starchy substance, through a biochemical process or by any other method and the term includes liquor, jaand, chhyang, whisky, rum, gin, brandy, vodka, beer, wine, sherry, champagne, cider, perry, mead, malt beverages, industrial alcohol, rectified spirit, malt spirit, silent spirit, denatured spirit, ENA and heads spirit.	Some additional items have been included within the definition of alcohol.
4(ga)(2)(Ka)	When vehicles imported under diplomatic facility by foreign missions or donor organizations whose production date has not exceeded ten years, are transferred to any project as per the approved annual program of the project, and the number plate is changed to a government number plate, or when vehicles (excluding those imported under cost or bank guarantee under full or partial custom duty exemption facility) whose production date has not exceeded ten years are transferred to a <b>local level</b> , community school, community hospital, or government body after the completion of the project, with the approval of the Ministry of Finance.	When vehicles imported under diplomatic facility by foreign missions or donor organizations whose production date has not exceeded ten years, are transferred to any project as per the approved annual program of the project, and the number plate is changed to a government number plate, or when vehicles (excluding those imported under cost or bank guarantee under full or partial custom duty exemption facility) whose production date has not exceeded ten years are transferred to a <b>local authority</b> , community school, community hospital, or government body after the completion of the project, with the approval of the Ministry of Finance.	The word 'local authority' is replaced with the word ' <b>local level</b> '.



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SECTION	AMENDED PROVISION (2082/83)		EXISTING PROVISION (2081/82)		REMARKS														
9(1)	<p><b>Provision related to license:</b></p> <p>No one shall produce, export, import, sell, or store goods subject to excise duty, or provide services subject to excise duty without obtaining a license as per this Act or the rules made under this Act.</p> <p>However, it shall not be required to obtain an excise license for the import of excisable goods or for the <b>export, import or sale of goods other than tobacco-based items under the self-clearance system</b> under diplomatic facility on the recommendation of the Ministry of Foreign Affairs, Government of Nepal.</p>		<p><b>Provision related to license:</b></p> <p>No one shall produce, export, import, sell, or store goods subject to excise duty, or provide services subject to excise duty without obtaining a license as per this Act or the rules made under this Act.</p> <p>However, it shall not be required to obtain an excise license for the import of excisable goods or for the <b>import, sale, or storage of goods under the self-clearance system</b> under diplomatic facility on the recommendation of the Ministry of Foreign Affairs, Government of Nepal.</p>		<p>In the proviso to Section 9(1), word "import or sale or storage of goods under the self-clearance system" is replaced with the word <b>"export, import or sale of goods other than tobacco-based items under the self-clearance system"</b>.</p>														
9(5)	<p>A license holder who renews the excise license for 3 years at once can do so by paying a prescribed fee.</p>		<p>A license holder who <b>wants to</b> renew the excise license for 3 years at once can do so by paying a prescribed fee.</p>		<p>The word <b>"wants to"</b> is deleted.</p>														
9(6)	<p>Except for the license holder producers and importers, all other license holders who do not renew their license within the prescribed in sub-section (5) shall have to pay:</p> <table><tr><td>Within first 3 months after the expiry period</td><td>25% of renewal fee</td></tr><tr><td>Next 3 months</td><td>50% of renewal fee</td></tr><tr><td>Next 3 months</td><td>75% of renewal fee</td></tr><tr><td><b>within the remaining period</b></td><td>100% of renewal fee</td></tr></table>		Within first 3 months after the expiry period	25% of renewal fee	Next 3 months	50% of renewal fee	Next 3 months	75% of renewal fee	<b>within the remaining period</b>	100% of renewal fee	<p>Except for the license holder producers and importers, all other license holders who do not renew their license within the prescribed in sub-section (5) shall have to pay:</p> <table><tr><td>Within first 3 months after the expiry period</td><td>25% of renewal fee</td></tr><tr><td>Next 3 months</td><td>50% of renewal fee</td></tr><tr><td>Next 3 months</td><td>75% of renewal fee</td></tr></table>		Within first 3 months after the expiry period	25% of renewal fee	Next 3 months	50% of renewal fee	Next 3 months	75% of renewal fee	<p>It clarifies that all renewal after the year end is subject to 100% of renewal fees.</p>
Within first 3 months after the expiry period	25% of renewal fee																		
Next 3 months	50% of renewal fee																		
Next 3 months	75% of renewal fee																		
<b>within the remaining period</b>	100% of renewal fee																		
Within first 3 months after the expiry period	25% of renewal fee																		
Next 3 months	50% of renewal fee																		
Next 3 months	75% of renewal fee																		



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SECTION	AMENDED PROVISION (2082/83)		EXISTING PROVISION (2081/82)		REMARKS												
	<b>of the financial year and for each period of the license</b>		<b>Within the Remaining period up to the end of Ashadh</b>	100% of renewal fee													
9(6)(6ka)	<b>If the licensed producer or importer</b> fails to renew the excise license within the period prescribed in Sub-section (5), penalty shall be levied at the following rates: <table><tr><td>First 3 months</td><td>50% of renewal fee</td></tr><tr><td>Next 3 months</td><td>100% of renewal fee</td></tr><tr><td>Remaining period of the financial year and for each remaining period of the license</td><td>200% of renewal fee</td></tr></table>		First 3 months	50% of renewal fee	Next 3 months	100% of renewal fee	Remaining period of the financial year and for each remaining period of the license	200% of renewal fee	<b>To renew the excise license within the period prescribed in Sub-section (5),</b> penalty shall be levied at the following rates: <table><tr><td>First 3 months</td><td>50% of renewal fee</td></tr><tr><td>Next 3 months</td><td>100% of renewal fee</td></tr><tr><td>Remaining period of that financial year</td><td>200% of renewal fee</td></tr></table>		First 3 months	50% of renewal fee	Next 3 months	100% of renewal fee	Remaining period of that financial year	200% of renewal fee	Improvisation of language for conditions of imposition of penalty beyond the prescribed period.
First 3 months	50% of renewal fee																
Next 3 months	100% of renewal fee																
Remaining period of the financial year and for each remaining period of the license	200% of renewal fee																
First 3 months	50% of renewal fee																
Next 3 months	100% of renewal fee																
Remaining period of that financial year	200% of renewal fee																
9 (6)(6kha)	<b>Deleted.</b>		The license of a license holder who do not renew within the period specified in sub-section (5) or (6) shall be automatically cancelled.	The revision clears that the delay in non-renewal will not be automatically cancelled.													
16(2)(ga2)	After Sec. 16(2)(ga1), the following subsection is added:		<b>No provision</b>		Additional offence introduced for penalty as per section 16(2).												



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
	(1) "If any person produces, bottles, seals, packages, or sells or distributes alcohol or tobacco-based goods in violation of the provisions of this Act or the rules, or the conditions specified by the department"		
16 (5)	The utensils or machinery, equipment, vehicle used in the production of goods or services and found to be directly or indirectly used in committing an offence <b>under this Act shall also be seized by the excise officer.</b>	The utensils or machinery, equipment, vehicle used in the production of goods or services and found to be directly or indirectly used in committing an offence, shall also be seized.	Clarity enhanced on language.
19(1)	<b>Provision related to administrative review and appeal:</b> (1) If a person is not satisfied with a decision made by the excise officer regarding excise assessment and recovery, they may submit an application for administrative review to the Director General within 30 days of receiving such notice. However, in case of offence under subsection (1), (2), and 5 of Section 16, an appeal can be filed at the Revenue Tribunal within 35 days against the decision of the excise officer to imprison the offender.	<b>Provision related to administrative review and appeal:</b> (1) If a person is not satisfied with a decision made by the excise officer regarding excise assessment and recovery, they may submit an application for administrative review to the Director General within 30 days of receiving such notice. However, in case of offence under subsection (1), (2), (3), and (4) of Section 16, an appeal can be filed at the Revenue Tribunal within 35 days against the decision of the excise officer to imprison the offender.	The change now prohibits for filing an appeal to Revenue Tribunal for an offence under subsection 3 and 4 of section 16.
25(Ka)	The word "Directives" should be followed by the word <b>"and Norms (mapdanda)"</b> throughout Section 25(ka).	<b>Ability to make directives:</b> The Department may issue necessary <b>directives</b> under this Act and the rules made under this Act.	The change authorizes the Department to issue norms in addition to directives.



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## 2.5. AMENDMENTS IN CUSTOM ACT, 2064

SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
2(dha)	"Tarriff" means all types of <b>taxes, fees, and duties</b> payable on any goods or services that are subject to any kind of levy as per the law, including the term that refers to custom duty as well."	"Tarriff" means <b>custom duty</b> levied on imports and exports of goods or services that are subject to any of levy as per the law, including the term tax, fees, and service fees as well.	Scope of tariff has been broadened to from only custom duty to other fees and charges.
4(5)	Nepal Government on need basis as per Harmonised System could change <b>the after first six digit or description of the subheading of the classification of goods and services.</b>	Nepal Government on need basis as per Harmonised System could <b>change the digit of heading or subheading or description of goods and services.</b>	Numbering system of subheading has been systematized in case of any change to be made.
10	10(1) In case of reimport of exported goods that are manufactured or assembled in Nepal shall be levied custom duty assuming that they have been manufactured in the country from where it has been imported.  10(2) Notwithstanding anything mentioned in Section 10(1) if any goods are reimported under below circumstances shall be exempted from the custom duty and <b>the custom duty paid at the time of export shall be refunded.</b> a) Goods that have been exported through postal services but has been returned due to failure to deliver to the related person. b) Returned after the related person refuse to receive the goods at the foreign country	10(1) same  10(2) Notwithstanding anything mentioned in Section 10(1) if any goods are reimported under below <b>circumstances shall be exempted from the custom duty.</b>  same  same	No Change  Provision of refund has been added.  No Change  No Change



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
	<p>after approved from custom authority.</p> <p>c) Returned due to non-compliance with quality standards because of any accident or natural disaster.</p> <p>d) Returned due to degradation of goods and against the terms and condition between importer and exporter.</p> <p>10(3) Notwithstanding anything mentioned under section 10(2), no exemption of custom duty and refund of custom duty paid at time of export shall be given under below circumstances:</p> <ul style="list-style-type: none"> <li>In case goods are returned due to any kind of repair or use of application other than required to be used in case of damage of goods or to check whether the goods is as per the description mentioned in the contract between importer and exporter.</li> <li>In case it cannot be identified that the good reimported is the exactly one that has been exported.</li> <li>In case good is not reimported within 180 days of export.</li> </ul>	<p>Same</p> <p>No Provision</p> <p>No Provision</p> <p>No Provision</p>	<p>No Change</p> <p>Circumstances of refund has been covered.</p> <p>New provision of non-refund of custom duty has been added</p> <p>New provision of non-refund of custom duty has been added.</p>



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
	<p>10(4) Under subsection (c) of 10(3), if the importer request in writing specifying the reasons of inability to reimport the goods within stipulated time, the custom officer can give time period of additional 90 days.</p> <p>10(5) The importer could request to leave the goods reimported at the custom office. In case of such left goods are not in condition of auction, the custom officer can approve to scrap or destroy such goods in the periphery of Custom Officers recovering expenditure from importer.</p> <p>10(6) In case custom duty has not been paid on the raw materials of reimported goods at the time of production, such custom duty shall be recovered at the time of re import of such goods.</p>	<p>No Provision</p> <p>No Provision</p> <p>No Provision</p>	<p>Provision of Time extension for refund has been added.</p> <p>The provision has given scope to clear the goods that are lying in the custom office for long duration.</p> <p>Scope of recovery of custom duty has been expanded.</p>
12(GA)	While calculating the tariff, tax, fees and charges other than VAT and amount under Section 12 (KA) and 12(KHA), custom duty on goods including the amount of Section 12(KA) and 12(KHA) and other tariff, tax, fees and charges	While calculating the tariff, tax, fees and charges other than VAT and amount under Section 12 (KA) and 12(KHA), custom duty on goods, tariff, taxes fees and charges.	Charges have been increased.
14	14 (C) In case of goods manufactured from the raw materials imported under the bank guarantee are not exported as per the terms or not sold as per convertible foreign currency within the country, the amount	14 (C) In case of goods manufactured from the raw materials imported under the bank guarantee are not exported as per the terms or not sold as per the convertible foreign currency within the country, the amount shall be recovered	Agriculture Improvement fees has been added.



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
	<p>shall be recovered adding 15% <b>on the tariff and custom duty or agriculture improved tax</b> applicable on the date of import of raw materials.</p> <p>14(F) In case of goods imported under the bank guarantee cannot be sold per the convertible foreign currency within the country as per the terms, the amount shall be recovered adding 15% <b>on the tariff and custom duty or agriculture improved tax</b> applicable on the date of import of goods.</p> <p>14(G) Under this section, custom officer while giving approval to import goods, the bank guarantee shall be received equivalent to the amount including the <b>tariff</b> applicable on such import and amount calculated under subsection 14 (C) and 14 (F).</p>	<p>adding 15% <b>custom duty</b> applicable on the date of import of raw materials.</p> <p>14(F) In case of goods imported under the bank guarantee cannot be sold per the convertible foreign currency within the country as per the terms, the amount shall be recovered adding 15% on <b>custom duty</b> applicable on the date of import of goods.</p> <p>14(G) Under this section, custom officer while giving approval to import goods, the bank guarantee shall be received equivalent to the amount including the <b>custom tariff applicable</b> on such import and amount calculated under subsection 14 (C) and 14 (F).</p>	<p>Agriculture Improvement fees has been added.</p> <p>Only custom tariff has been replaced by tariff to cover other fees and charges.</p>
15	<p>15(1) If any industry has manufactured goods to export or to sell in convertible foreign currency within the country against the payment to be received through bank, <b>the custom duty or agriculture improved tax</b> as prescribed on import of such raw</p>	<p>15(1) If any industry has manufactured goods to export or to sell in convertible foreign currency within the country against the payment to be received through bank, <b>the tariff</b> as prescribed on import of such raw materials shall be</p>	<p>Tariff has been replaced by custom tariff or agriculture improvement fees</p>



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
	<p>materials shall be placed as security deposit for such imports.</p> <p>15(3) The goods manufactured by using the raw material imported under subsection 15(1) could not be exported or sold in convertible foreign currency, security deposit received against such raw material shall be deposit in related revenue accounts of the government and custom duty on such goods shall be recovered by adding <b>15% custom duty or agriculture improved tax</b> on custom duty applicable at the date of import of such raw material.</p>	<p>placed as security deposit for such imports.</p> <p>15(3) The goods manufactured by using the raw material imported under subsection 15(1) could not be exported or sold in convertible foreign currency, security deposit received against such raw material shall be deposit in related revenue accounts of the government and custom duty on such goods shall be recovered by adding <b>15% custom duty</b> on custom duty applicable at the date of import of such raw material.</p>	<p>Agriculture improvement fees has been added .</p>
19	<p>19(2) If any importer requests to leave the goods at custom office, custom duty shall not be applicable on such goods. Nepal Government can self-use the goods or auction sale the goods as per applicable rules and regulation. <b>If such goods cannot be used or auctioned, then tax officer shall request importers to take back such goods or instruct to destroy such goods with his own expenditure.</b></p>	<p>19(2) If any importer request to leave the goods at custom office, custom duty shall not be applicable on such goods. Nepal Government can self-use the goods or auction sale the goods as per applicable rules and regulation</p>	<p>The provision has given right to custom office to clear the unused goods by destroying them.</p>
20	<p>20(2) The custom duty calculated as per the relevant Custom Act 2081 shall be paid by the declarer within thirty days from the date of assessment. If such amount is not paid</p>	<p>20(2) The custom duty calculated as per the relevant Custom Act 2081 shall be paid by the declarer within thirty days from the date of assessment If such amount is not paid within the stipulated</p>	<p>Time period has been defined.</p>



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
	within the stipulated time, then interest @0.042 % per day on such amount shall be levied.	time, then interest @0.042 % per day on such amount shall be levied and <b>days of interest calculation shall not be more than thirty days from the date of such custom duty assessment.</b>	
24	<p>24(2) Notwithstanding anything mentioned under subsection 24 (1), the custom duty shall not be refunded under below circumstances:</p> <ul style="list-style-type: none"> <li>If application is not submitted to concerned Custom Office within 60 days, the goods are discharged from the Custom Office.</li> <li>If the amount to be claimed is below Nepali five hundred rupees.</li> <li><b>If any custom duty exemption was not mentioned at the time of declaration is claimed later for refund.</b></li> </ul>	<p>24(2) Notwithstanding anything mentioned under subsection 24 (1), the custom duty shall not be refunded under the circumstances below:</p> <ul style="list-style-type: none"> <li>If application is not submitted to concerned Custom Office within 60 days, the goods are discharged from the Custom Office.</li> <li>If the amount to be claimed is below Nepali five hundred rupees.</li> <li>No Provision</li> </ul>	<p>Same</p> <p>Same</p> <p>The added provision will cross examine the loophole of refund of duty.</p>
<b>Rule 6 Schedule-1</b>	The classification of goods within a particular subheading is based on the principle that only equivalent subheadings can be compared. The terms mentioned within the subheadings and the rules, with necessary modifications, are considered as per the relevant subheading's reference. If	The classification of goods within a particular subheading is based on the principle that only equivalent subheadings can be compared. The terms mentioned within the subheadings and the rules, with necessary modifications, are considered as per the	



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
	the context suggests a different meaning, the relevant appendix and section references apply for the purposes of these rules.	relevant subheading's reference. If the context suggests a different meaning, the relevant appendix and section references apply for the purposes of these rules. <b>If the reference specifies otherwise, the related appendix and section references will still be applicable.</b>	
<b>Schedule-4 Section 7 (4)</b>	<p><b>Regarding items brought by travelers:</b></p> <p>7(4)(1)(3) For the custom purpose, valuation of gold and gold jewelry, custom officer may use the prevailing rate of international market as well.</p> <p>7(4)(1)(5) If any foreigner brings excess quantity of gold and silver jewelry than allowed then in case, he/she declares to keep such excess quantity in transit then in such case custom office by issuing the receipt should safely keep those gold and silver jewelry. Custom office should return those jewelry at the time of return from Nepal.</p>	<p>The custom department provides the rate of 1<sup>st</sup> and 15<sup>th</sup> of every month prevailing in the international market for the valuation of gold and gold jewelry to custom office.</p> <p>New added</p>	<p>Date of consideration of rate is defined particularly.</p> <p>The added provision has given restriction to carry excess gold than defined and control smuggling .</p>
<b>Schedule-4 Section 7 (4)</b>	7(4)(3)(3) For the purpose of calculation of bus seats for <b>driver and passengers</b> under heading 87.02 <b>the standards set as per the law of Vehicle and Transport Management for passenger vehicles shall be applied.</b>	7(4)(3)(3) For the purpose of calculation of bus seats under heading 87.02 <b>the regular driver and passenger seat shall be counted.</b>	Systematic method of calculation has been introduced



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
<b>Schedule-4 Section 7 (4)</b>	7(4)(5)(2) (Pa) Heading for imports for industries 72.01 72.02 <b>72.03</b> and 72.04	7(4)(5)(2) (Pa) Heading for imports for industries 72.01 72.02 and 72.04	Heading classification has been changed
<b>Schedule-4 Section 7 (4)</b>	7(4)(5)(3) (Kha) Custom duty on medicine shall be charged @5% except on the subheadings falling under Part-30 (3002.12.00, 3002.13.00, 3002.14.00, 3002.15.00, 3002.41.00, 3002.42.00, 3002.49.00, 3002.51.00, 3002.59.00, 3003.90.41, <b>3003.90.49</b> , <b>3003.90.50</b> <b>3004.90.41</b> , 3004.90.49 and 3004.90.50)	7(4)(5)(3) (Kha) Custom duty on medicine shall be charged @5% except on the subheadings falling under Part-30 (3002.12.00, 3002.13.00, 3002.14.00, 3002.15.00, 3002.41.00, 3002.42.00, 3002.49.00, 3002.51.00, 3002.59.00, 3004.90.41, 3004.90.49 and 3004.90.50 and <b>human nutrition and healthy vitamins</b> )	Subheadings and scope has been changed
<b>Schedule-4 Section 7 (4)</b>	7 (4)(5)(3)(Nga) The industry producing poly coating paper and printed lamination film registered in Value added tax, will have to pay customs duties @ <b>fifteen percent</b> on all imports under subheading 3919.90.00 as well as under headings 39.20 and 39.21, including all subheadings concerning panel films, B.O.P.P. films, metallized C.P.P. films, and milky C.P.P. films required to produce poly coating paper and printed lamination film.	7 (4)(5)(3)(Nga) The industry producing poly coating paper and printed lamination film registered in Value added tax, will have to pay customs duties @ <b>ten percent</b> on all imports under subheading 3919.90.00 as well as under headings 39.20 and 39.21, including all subheadings concerning panel films, B.O.P.P. films, metallized C.P.P. films, and milky C.P.P. films required to produce poly coating paper and printed lamination film.	Rate of recovery of custom duty has been increased.
<b>Schedule-4 Section 7 (4)</b>	7(4)(5)(3)(Chya) The industries producing optical fibre cable requiring to import Spring	The industries producing optical fibre cable requiring to import Spring Steel	Subheading changed



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
	Steel Wire falling under subheading <b>7217.10.00</b> and Twisted Steel wire under 7312.10.00 as raw materials required to pay custom duty @ ten percent on such import of raw materials.	Wire falling under subheading <b>7217.12.00</b> and Twisted Steel wire under 7312.10.00 as raw materials required to pay custom duty @ ten percent on such import of raw materials.	
<b>Schedule-4 Section 7 (4)</b>	<b>7(4)(6)(2) (Ttha): The establishment and operation of Football, Cricket and multipurpose stadium on the recommendation from Ministry of Youth and Sports shall require under mentioned heading 56.07 which includes side screen boundary ropes; subheading 8424.10.00 includes fire extinguishers; heading 8531.20.00 includes digital scoreboards; subheading 8432.80.00 includes Turf rollers, subheading 8433.11.00 includes grass cutting machines; subheading 8479.89.40 includes garbage compactors machines; heading 9401.99.00 includes pre-fabricated seats and subheading 9405.49.00 includes flood lights.</b>	No Provision	The coverage of imports for specific industries has been made particular and traceable under predefined heading and subheading.
<b>Schedule-4 Section 7 (4)</b>	<b>7(4)(6) (2) Ta) On the recommendation of the Ministry of Energy, Water Resource and Irrigation, the industry producing green hydrogen will import high-pressure cylinders under subheading 7311.00.90 to store hydrogen; hydrogen compressors</b>	No Provision	The coverage of imports for specific industries has been made particular and traceable under predefined heading and subheading.



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
	under subheading 8414.80.00; electrolyzers under subheading 8419.60.00; gas purification equipment under subheading 8421.39.90; moisture measuring devices for hydrogen gas under subheading 9025.80.00; leak detectors under subheading 9026.80.90; and gas monitoring equipment under subheading 9027.10.00.		
Schedule-4 Section 7 (4)	7(4)(6) (2) (Wa) On the recommendation of industry department the industries involved in wood seasoning imports under heading 84.02 for boilers; subheading 8414.59.00 for air fans; subheading 8419.35.00 for wood drying machines (dryers); subheading 8422.40.00 for packaging machines; heading 84.25 for skip hoist; heading 84.65 for wood stripping machine; subheading 8465.91.00 for wood processing machines (sawing machines); subheading 8465.92.00 for saws and subheading 9025.80.00 for moisture measuring devices.	No Provision	The coverage of imports for specific industries has been made particular and traceable under predefined heading and subheading.
Schedule-4 Section 7 (4)	7(4)(6) (2) (Wa) On the recommendation of Department of Industries, industries involved in production and assembling of charging machine of vehicles imports	No Provision	The coverage of imports for specific industries has been made particular and



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION (2081/82)	REMARKS
	under subheading 8424.10.00 for fire extinguishers; subheading 8537.20.00 for panels; heading 85.44 for charging cable and connectors; subheading 9028.30.00 for smart electric meters, and subheading 9032.89.00 for controllers.		traceable under predefined heading and subheading.
Schedule-4 Section 7 (4)	7(4)(6)(2) (Ra)The Drug Management department on the basis of production capacity of the industry and the annual consumption parameters imports the PET bottles (polyethylene terephthalate)used only in drug industries , HDPE (high-density polyethylene) bottles, as well as the production of measurement caps for bottles under sub heading 3901.10.00,3901.20.00 and 3907.61.00 for the importation of plastic granules.	7(4)(6)(2) (Ra)The Drug Management department on the basis of production capacity of the industry and the annual consumption parameters imports the PET bottles (polyethylene terephthalate)used only in drug industries , HDPE (high-density polyethylene) bottles, as well as the production of measurement caps for bottles under sub heading 3901.10.00,3901.20.00 for the importation of plastic granules.	Subheading has been added.



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## 2.6. AMENDMENTS IN CUSTOM RULE, 2081

SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION/ (2081/82)	REMARKS
<b>Title</b>	<b>Custom Tariff Rules (first Amendment) 2082 has been introduced with immediate effect and considered as Main rule.</b>	<b>Custom Tariff Rules 2081 was in effect.</b>	Rule has been changed as per requirement to cover the current market.
<b>Rule 5</b>	Subsection (1) -Under Section 26(1) of the act, if any person for the purpose of processing the raw materials or to manufacture any goods from those raw materials or for any other purpose need to export any goods temporarily can do so by stating the purpose of export in Pragyapan Patra to custom office.  Subsection (2)-If someone temporarily exports any goods as mentioned in subsection (1), security deposit or bank guarantee <b>equivalent to one percent of the value of the goods to be export</b> shall be provided.	Under Section 26(1) of the act, if any person for the purpose of processing the raw materials or to manufacture any goods from those raw materials or for any kind of repair of goods or for any other purpose need to export any goods temporarily can do so by stating the purpose of export in Pragyapan Patra to custom office.  Subsection (2)-If someone temporarily exports any goods as mentioned in subsection (1), <b>security deposit or bank guarantee shall be provided.</b>	Same  The amount of cash deposit or bank guarantee has been defined.
<b>Rule 7 (4)</b>	If the time mentioned in 7(3) seems insufficient to bring the goods back sent for repair at abroad, then application shall be submitted to Custom Officer clearly mentioning the reasons and if custom officer finds the reasons appropriate may extend the time period at once or <b>from time to time up to 2 years.</b>	If the time mentioned in 7(3) seems insufficient to bring the goods back sent for repair at abroad, then application shall be submitted to Custom Officer clearly mentioning the reasons and if custom officer finds the reasons appropriate may extend the time period	Time period has been changed.



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION/ (2081/82)	REMARKS
		<b>at once or from time to time up to 6 months.</b>	
<b>Rule 9</b>	Application to be provided for the <b>exemption of Custom duty</b>  <b>9(2)(a) required quantity for the remaining period of the current fiscal year or for the next fiscal year.</b>	Application to be provided for <b>the exemption of duty.</b>  <b>9(2)(a) required quantity for the current or next fiscal year.</b>	Duty has been changed to custom duty.  Time period has been defined particularly
<b>Rule 16</b>	Under section 14(1) as per the prevailing rules and regulations the person who has got approval of bonded warehouse facility for the purpose of export or sale in convertible foreign currency , the goods that are produced by using the <b>raw material, sub raw material and packing raw material not available in Nepal</b> or the clothes produced by Nepal Kapada Udhog importing the thread from abroad on the recommendation from Kapda Udhog Organisation shall alongwith the bank guarantee equivalent to the custom duty applicable on <b>such raw material, sub raw material, packing material not available in Nepal</b> and thread shall apply to import against custom officer. Upon verification if all the details seems appropriate ,custom officer shall give approval to import.	Under section 14(1) as per the prevailing rules and regulations the person who has got approval of bonded warehouse facility for the purpose of export or sale in convertible foreign currency , the goods that are produced by using the <b>raw material, sub raw material and packing raw material not available in Nepal</b> or the clothes produced by Nepal Kapada Udhog importing the thread from abroad on the recommendation from Kapda Udhog Organisation shall alongwith the bank guarantee equivalent to the custom duty applicable on <b>such raw material,sub raw material, packing material not available in Nepal</b> and thread shall apply to import against custom officer.Upon verification if all the details	Definition of raw material has been expanded to auxiliary raw material and packing material not produced in Nepal  Definition of raw material has been expanded to auxiliary raw material and packing material not produced in Nepal



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION/ (2081/82)	REMARKS
	16(2) The bank guarantee to be provided under 16(1) shall be equivalent to the duty applicable on goods to be imported and <b>fifteen percent of the custom duty or agriculture improved tax.</b>	seems appropriate ,custom officer shall give approval to import.  16(2) The bank guarantee to be provided under 16(1) shall be equivalent to the duty applicable on goods to be imported and <b>fifteen percent of the duty amount calculated.</b>	Duty has been changed to custom duty or agriculture improvement fees .
19	19(1) The industries availing facility of bonded warehouse <b>shall apply within 15 days</b> from the expiry of the time limit as per Rule 17 or additional time as per Rule 18 along with required documents against the custom officer for release of bank guarantee.  19(2) The goods sold from the tax exempt shops <b>shall within 15 days from the expiry of time limit</b> as per Rule 17 or additional time limit as per Rule 18 shall submit along with required documents for the release of bank guarantee placed for the imports of goods for such sale.	19(1) The industries availing facility of bonded warehouse shall apply within the time limit as per Rule 17 or additional time as per Rule 18 along with required documents against the custom officer for release of bank guarantee.  19(2) The goods sold from the tax exempt shops shall <b>within time limit</b> as per Rule 17 or additional time limit as per Rule 18 shall submit along with required documents for the release of bank guarantee placed for the imports of goods for such sale.	Time limit has been made particular for release of bank guarantee  Time limit has been made particular.
21	21(2) In case of recovery of duties from the bank guarantee as per 21(1), the duties shall be the custom duty <b>or agriculture improved tax</b> at the date of import of goods and additional 15% as	21(2) In case of recovery of duties from the bank guarantee as per 21(1), the duties shall be the <b>custom duty</b> at the date of import and additional 15% as	Agriculture Improvement fee has been added



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION/ (2081/82)	REMARKS
	per section 14(3) of Custom Tariff Act, 2081.	per section 14(3) of Custom Tariff Act, 2081.	
23	23(1) As per section 16(1)(b) of the Act the industries established in special economic zone importing the raw materials, <b>sub raw materials and packing material not produced in Nepal</b> in order to manufacture the goods for export or to sell within the country in convertible foreign currency shall provide Bank Guarantee of one year equivalent to the amount of duties applicable for such raw material, sub raw material and packing material not produced in Nepal in the format available in Schedule-3 to the custom officer to import the raw material, sub raw material and packing material not produced in Nepal.	23(1) As per section 16(1)(b) of the Act the industries established in special economic zone importing the raw materials, in order to manufacture the goods for export or to sell within the country in convertible foreign currency shall provide Bank Guarantee of one year equivalent to the amount of duties applicable for such raw material, in the format available in Schedule-3 to the custom officer to import the raw materials.	Definition of raw material has been extended to auxiliary raw material and packing material not produced in Nepal.
24	Refund of <b>custom</b> duties of sold raw materials to industries.  24(2) After the application is received for refund if upon verification custom officer finds it appropriate to refund the <b>custom duty</b> shall refund the same within thirty days of receipt of the application.	Refund of <b>duties</b> of sold raw materials to industries.  24(2) After the application is received for refund if upon verification custom officer finds it appropriate to refund the <b>duty</b> shall refund the same within thirty days of receipt of the application.	Duties have been changed to custom duty  Duty has been changed to custom duty.



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION/ (2081/82)	REMARKS
25	<p>25(1) Under section 15 of the Act if any industries export its goods through LC or through any other banking system or sell same in convertible foreign currency within the country, such industries shall provide security deposit equivalent to the <b>custom duties or agriculture improvement fees of import of raw materials, sub raw materials or packing material not produced in Nepal</b> required to manufacture the goods.</p> <p>25(2) While importing the raw materials, <b>sub raw materials and packing material not produced in Nepal</b> one can import the same by declaring that the goods produced from such materials will be exported. Security deposit equivalent to <b>the custom duties or agriculture improvement fees</b> applicable on such raw material, <b>sub raw material and packing material not produced in Nepal</b> shall be provided along with the application as per the format available in Schedule-4</p> <p>25(3) On the basis of application received pursuant to subsection (2), the security</p>	<p>25(1) Under section 15 of the act if any industries export its goods through LC or through any other banking system or sell same in convertible foreign currency within the country, such industries shall provide security deposit equivalent to the <b>duties</b> of import of raw materials required to manufacture the goods.</p> <p>25(2) While importing <b>the raw materials</b> one can import the same by declaring that the goods produced from such materials will be exported. Security deposit equivalent to the <b>duties</b> applicable on <b>such raw material</b> shall be provided along with the application as per the format available in Schedule-4</p> <p>25(3) On the basis of application received pursuant to subsection (2), the</p>	<p>Scope of duties have been changed to custom duties or agriculture improvement fees.</p> <p>Definition of raw material has been extended.</p>



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION/ (2081/82)	REMARKS
	<p>deposit received against the raw material, <b>sub raw material and packing material</b> not produced in Nepal shall be examined. While importing the raw materials, <b>sub raw materials or packing material not produced in Nepal</b> or exporting the goods same shall be clearly mentioned in the pass book provided to importer.</p> <p>25(4) The finished products produced from the raw materials, <b>sub raw materials or packing material not produced in Nepal</b> shall be exported or sell in convertible foreign currency within 12 months of import.</p>	<p>security deposit received against the <b>raw material not produced in Nepal</b> shall be examined. While importing <b>the raw materials</b> or exporting the goods same shall be clearly mentioned in the passbook provided to importer.</p> <p>25(4) The finished products produced from the <b>raw materials</b> shall be exported or sell in convertible foreign currency within 12 months of import.</p>	<p>Definition of Raw material has been extended.</p>
27	<p>If the goods produced by importing the raw materials under Rule 25 are not export as per the provision of same rule or not sold within the country in convertible foreign currency or any application is not provided under Rule 26 then such goods are considered as sold in the domestic market. In such case the custom duty applicable as per section 15(3) of the Act on such sale shall be recovered from the bank guarantee provided and additional 15% of the <b>duties, custom duties or</b></p>	<p>If the goods produced by importing the raw materials under Rule 25 are not export as per the provision of same rule or not sold within the country in convertible foreign currency or any application is not provided under Rule 26 then such goods are considered as sold in the domestic market. In such case the custom duty applicable as per section 15(3) of the Act on such sale shall be recovered from the bank guarantee provided and additional 15%</p>	<p>Custom duties has been extended to duties and agriculture improvement fees.</p>



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SECTION	AMENDED PROVISION (2082/83)	EXISTING PROVISION/ (2081/82)	REMARKS
	<b>agriculture improvement fees</b> shall be recovered from the importer.	of the <b>custom duties</b> shall be recovered from the importer.	
<b>31</b>	Excess custom duty or <b>agriculture improvement fees</b> shall be refunded  31(1) Under section 24(1) of the act if in case any importer or exporter at the time of import or export has paid excess <b>custom duty or agriculture improvement fees</b> than prevailing rules and regulation, one shall submit an application to the custom office for such excess amount refund.	Excess custom duty or <b>penalties</b> shall be refunded.  31(1) Under section 24(1) of the act if in case any importer or exporter at the time of import or export has paid excess <b>duties or penalties</b> than prevailing rules and regulation, one shall submit an application to the custom office for such excess amount refund.	Agriculture Improvement fee has been added.  Agriculture Improvement fee has been added.

**DISCLAIMER**

*The Institute of Chartered Accountants of Nepal (ICAN) has created and maintains this publication as a service to its members, students, and the stakeholders. The compilation is extracted from Budget Speech 2082/83 and Finance Bill 2082. This publication is intended to provide general information and is not intended to provide or substitute legal or professional advice. This publication has been prepared so that it is current as at the date of writing.*

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL**

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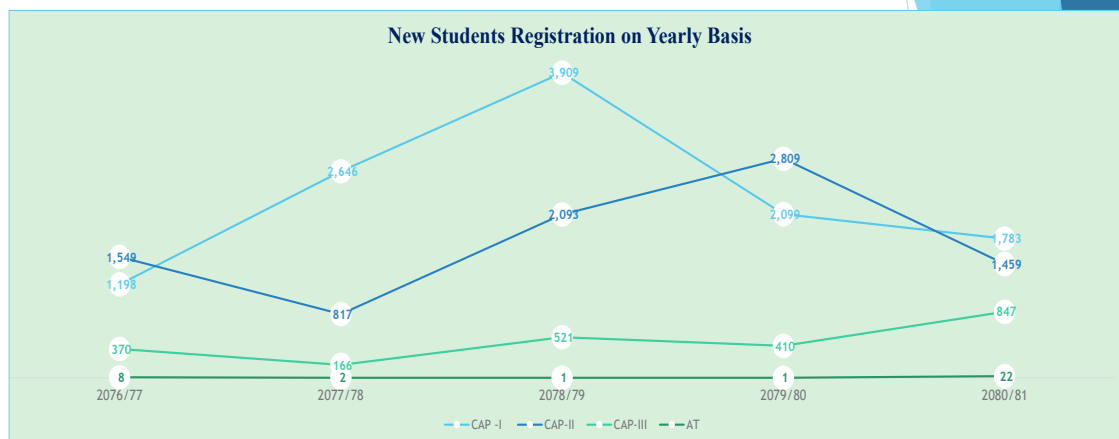
# New CA Course: Syllabus, Modality and Effective Date



नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था  
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL  
(Established under the Nepal Chartered Accountants Act, 1997)



## Number of Students and Members



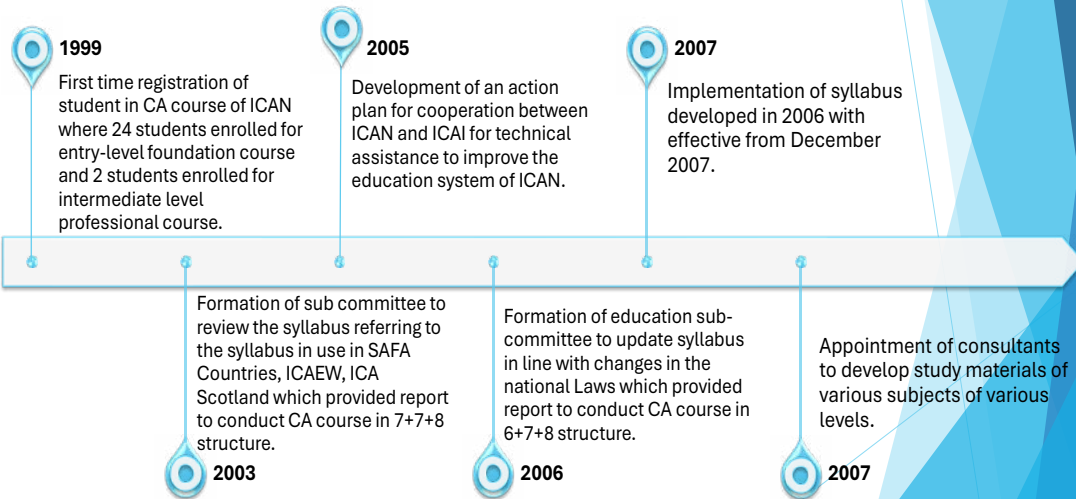
Details	FY 2080/81
<b>Total Active Students</b>	<b>14,197</b>
Enrolled in CAP- I Level	3,720
Enrolled in CAP- II Level	7,332
Enrolled in CAP- III Level	3,145

Details	FY 2080/81
<b>Total Members</b>	<b>9,429</b>
Chartered Accountants (CA) Members	2,220
Registered Auditors (RA) Members	7,209
‘B’ Class Registered Auditors Members	3,432
‘C’ Class Registered Auditors Members	1,546
‘D’ Class Registered Auditors Members	2,231

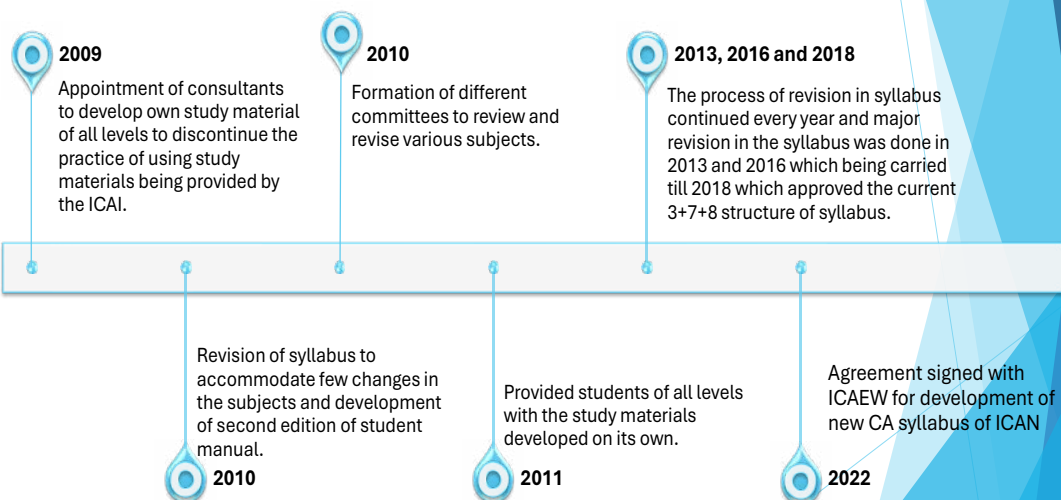




## History of CA course and syllabus of ICAN



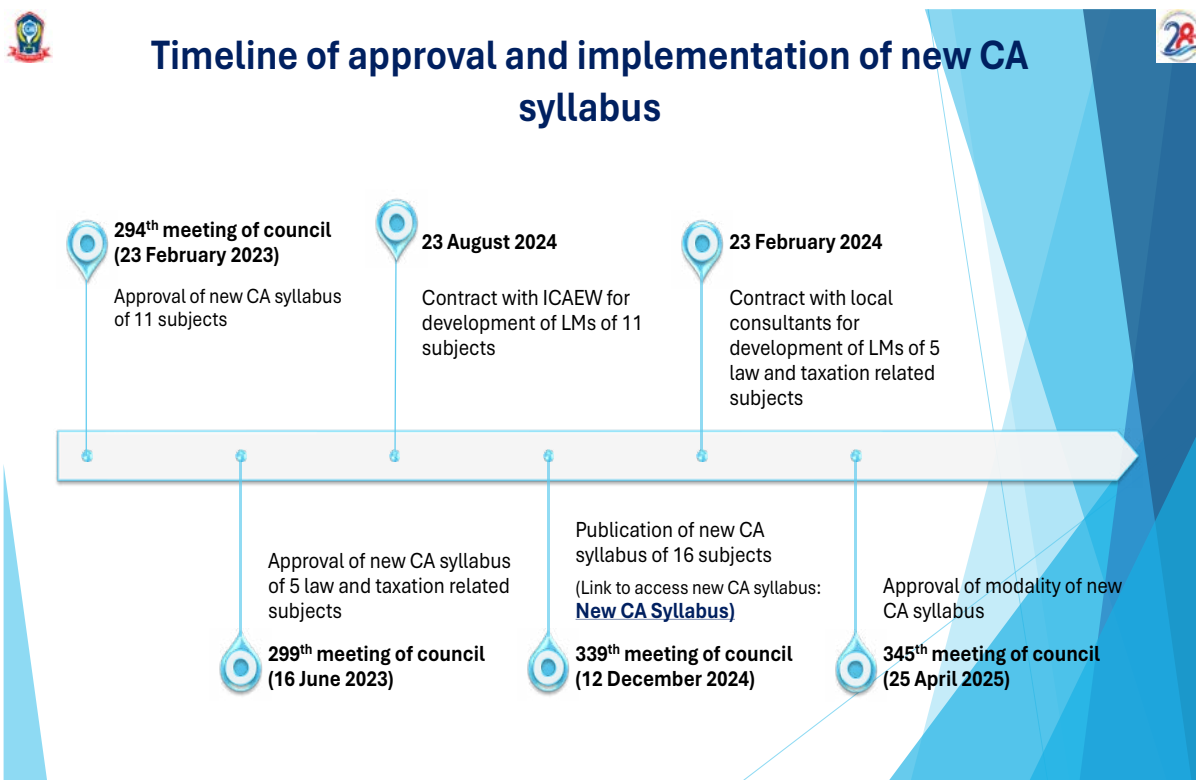
## History of CA course and syllabus of ICAN (Contd ...)



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## Timeline of approval and implementation of new CA syllabus



IES issued by IFAC, the apex body of all PAOs across the world sets underlying principles and concepts for accountancy education, training, and continuing development of professional accountants to ensure competence and serve the public interest.

Achieve clear expression of purpose

Adhere with the requirements of International Education Standards (IES) 1 to 7

Ensure benchmarking with international qualifications to facilitate mutual recognition

### Rationale of new CA syllabus

Identify progression from one level to another measured in terms of skills and competencies via learning outcomes

Provide sufficient local content to ensure that the competencies of members are relevant to the Nepalese context

Create a link between syllabus content and LMs

Syllabus in form of LOs with verbs such as:

- 1. Foundation – identify, state**  
(Simpler tasks with structured data and information)
- 2. Application – calculate, explain**  
(More difficult tasks with complex data and information)
- 3. Advisory – evaluate, analyze**  
(Challenging tasks - asking for professional advice)

- More than 30% of total weightage in law and taxation related modules
- Law and taxation related syllabus and LMs developed locally
- Integration of PFM in Nepal, NFRS, NAS, NSA, tax and laws wherever appropriate

High quality LMs developed in technical collaboration with ICAEW comprising of:

- ❖ Study text/textbook
- ❖ Question bank of 600 marks
- ❖ 2 Mock sets

- Coverage of recent developments, sustainability and technology
- Full Adherence of IES

## Features of new CA syllabus

Development of technical competence in a regulatory environment

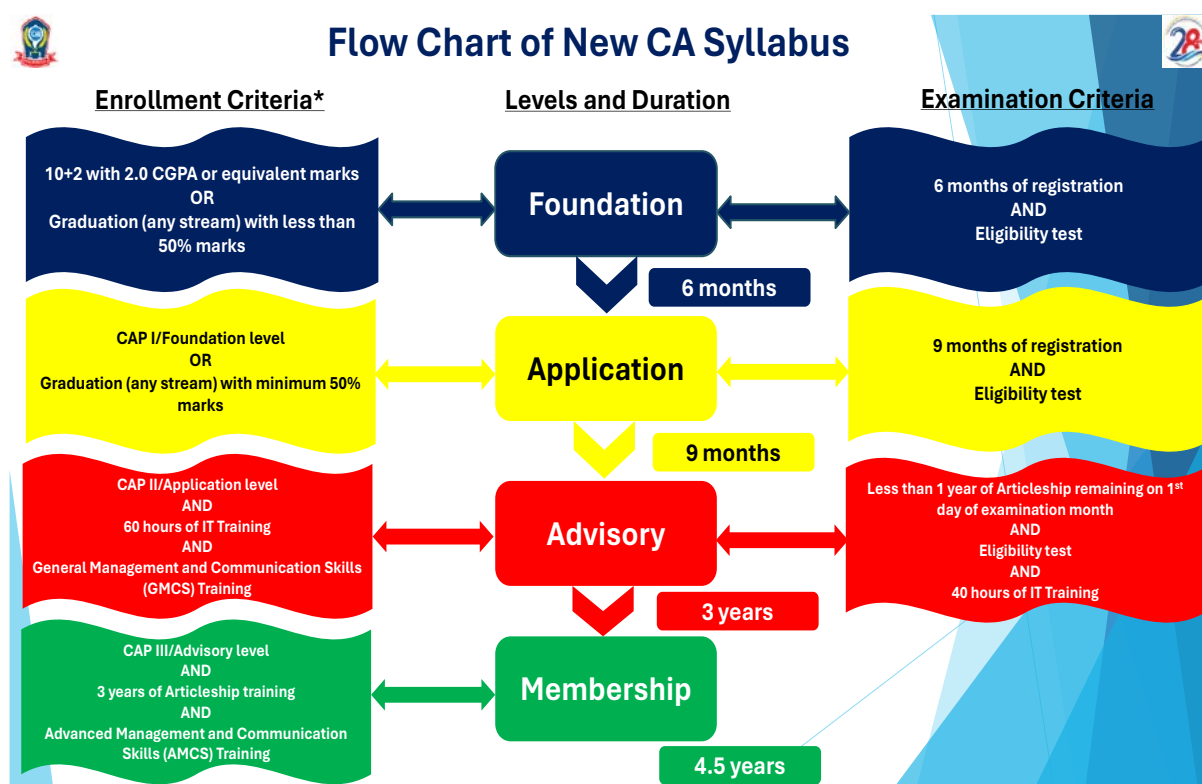
Integration of business and professional ethics and professional skepticism

Integration of Sustainability

Integration of Technology

Integration of Public Financial Management (PFM)

## Flow Chart of New CA Syllabus





## Structure of existing syllabus



CAP I level	CAP II level	CAP III level
<b>Single Group</b> Paper 1 – Fundamentals of Accounting  Paper 2A – Mercantile Laws Paper 2B – Fundamentals of Economics  Paper 3A – Fundamentals of Management Paper 3B – Commercial Mathematics and Statistics  <b>3 subjects – 300 Marks</b>  Duration – 6 months	<b>Group I</b> Paper 1 – Advanced Accounting Paper 2 – Audit and Assurance Paper 3 – Corporate and Other Laws  <b>Group II</b> Paper 4 – Financial Management Paper 5 – Cost and Management Accounting Paper 6 – Business Communication and Marketing Paper 7 – Income Tax and VAT  <b>7 subjects – 700 Marks</b>  Duration – 9 months	<b>Group I</b> Paper 1 – Advanced Financial Reporting Paper 2 – Advanced Financial Management Paper 3 – Advanced Auditing Paper 4 – Corporate Laws  <b>Group II</b> Paper 5 – Management Information and Control System Paper 6 – Advanced Taxation Paper 7 – Advanced Cost and Management Accounting Paper 8 – Strategic Management and Decision Making Analysis  <b>8 subjects – 800 Marks</b>  Duration – 3 years with Articleship Training
<b>Total subjects and marks – 18 subjects and 1800 Marks</b> <b>Total Duration – 4.5 years</b>		



## Structure of new syllabus



Foundation level	Application level	Advisory level
<b>Single Group</b> Paper 1 – Accounting  Paper 2A – Assurance Paper 2B – Information Systems  Paper 3 – Business and Finance  Paper 4A – Law Paper 4B – Taxation  <b>4 subjects – 400 marks</b>  Duration – 6 months	<b>Group I</b> Paper 1 – Financial Accounting and Reporting Paper 2 – Audit and Assurance Paper 3 – Applied Law  <b>Group II</b> Paper 4A – Management Accounting Paper 4B – Financial Management Paper 5 – Business Strategy Paper 6 – Applied Taxation  <b>6 subjects – 600 marks</b>  Duration – 9 months	<b>Group I</b> Paper 1 – Advanced Financial Reporting Paper 2 – Advanced Business and Financial Management Paper 3 – Advanced Assurance  <b>Group II</b> Paper 4 – Advanced Law Paper 5 – Advanced Management Accounting Paper 6 – Advanced Taxation  <b>6 subjects – 600 marks</b>  Duration – 3 years with Articleship Training
<b>Total subjects and marks – 16 subjects and 1600 Marks</b> <b>Total Duration – 4.5 years</b>		





## Effective date of new syllabus



Level	Effective Date	1 <sup>st</sup> Batch of Examination
Foundation	For students registering in first level of CA course on or after <b>15 May 2025.</b> <i>(Further, students registering in first level of CA course for December 2025 batch of examination (before 15 May 2025) shall also be provided with an option to appear examination of Foundation level (new syllabus))</i>	<b>December 2025</b>
Application	For students registering in second level of CA course on or after <b>1 November 2025.</b> <i>(Further, students registering in second level of CA course for December 2026 batch of examination (before 1 November 2025) shall also be provided with an option to appear examination of Application level (new syllabus))</i>	<b>December 2026</b>
Advisory	For students registering in third level of CA course on or after <b>1 March 2026.</b>	<b>June 2028</b>
<i>The above effective date shall also be applicable for students re-registering in CAP I (Foundation level) and CAP II (Application level).</i>		



## Carryover of previous batches



Level	No. of attempts to previous batches	Batches of examination under old and new syllabus
CAP I/ Foundation	Three (3)	June 2025 – old only <b>December 2025 – both old and new (1<sup>st</sup> batch of exam under new syllabus)</b> June 2026 – both old and new <b>December 2026 – both old and new (last batch of exam under existing syllabus)</b> <b>June 2027 – new only</b>
CAP II/ Application	Three (3)	June 2026 – old only <b>December 2026 – both old and new (1<sup>st</sup> batch of exam under new syllabus)</b> June 2027 – both old and new <b>December 2027 – both old and new (last batch of exam under existing syllabus)</b> <b>June 2028 – new only</b>
CAP III/ Advisory	Five (5)	December 2027 – old only <b>June 2028 – both old and new (1<sup>st</sup> batch of exam under new syllabus)</b> December 2028 – both old and new June 2029 – both old and new December 2029 – both old and new <b>June 2030 – both old and new (last batch of exam under existing syllabus)</b> <b>December 2030 – new only</b>



## Switchover to new syllabus

- Students registered under old/existing syllabus can opt to appear examination under new syllabus on or after examination under new syllabus is conducted.
- The above decision shall be irrevocable. It means once the student opts to appear examination under new syllabus and if is unable to pass the level, the student can't appear examination of that level under old/existing syllabus.
- After expiry of the period prescribed in 'Carryover of previous batches' section, examination under old/existing syllabus will not be conducted.
- Institute will give option to the eligible students registered under existing syllabus to appear examination under new syllabus for every batch of examination under new syllabus by publishing notice as follows:

Details	Date of publication of notice	Period of Option
For students registered from 1 December 2024 to 14 May 2025 in CAP I level (Dec 2025 batch)	16 June 2025	16 June 2025 to 30 June 2025
For students registered from 1 March 2025 to 31 October 2025 in CAP II level (Dec 2026 batch)	16 November 2025	16 November 2025 to 30 November 2025
For every June batch of examination (all levels)	16 February of same year	16 February to 28/29 February
For every December batch of examination (all levels)	16 August of same year	16 August to 31 August



## Switchover to new syllabus – carryover of eligibility test

Level	Case – As on the date of switchover	Carryover details
CAP I	EC has been obtained	<ul style="list-style-type: none"> <li>Need not obtain new/separate EC of Foundation level</li> </ul>
	EC has not been obtained	<ul style="list-style-type: none"> <li>Need to obtain EC of Foundation level by appearing and completing eligibility test of all subjects of Foundation level</li> </ul>
CAP II	EC of Group I <b>ONLY</b> has been obtained	<ul style="list-style-type: none"> <li>EC of Group I of CAP II will be carried forward to Group I of Application level</li> <li>Need to obtain EC of Group II by appearing and completing eligibility test of all subjects of Group II of Application level</li> </ul>
	EC of Group II <b>ONLY</b> has been obtained	<ul style="list-style-type: none"> <li>EC of Group II of CAP II will be carried forward to Group II of Application level</li> <li>Need to obtain EC of Group I by appearing and completing eligibility test of all subjects of Group I of Application level</li> </ul>
	EC of both groups has been obtained	<ul style="list-style-type: none"> <li>Need not obtain new/separate EC of Application level</li> </ul>

EC – Eligibility Certificate



## Switchover to new syllabus – carryover of eligibility test (Contd ...)



Level	Case – As on the date of switchover	Carryover details
CAP III	EC of Group I <b>ONLY</b> has been obtained	<ul style="list-style-type: none"> <li>EC of Group I of CAP III will be carried forward to Group I of Advisory level</li> <li>Need to obtain EC of Group II by appearing and completing eligibility test of paper 5 and paper 6 of Group II of Advisory level</li> </ul>
	EC of Group II <b>ONLY</b> has been obtained	<ul style="list-style-type: none"> <li>EC of Group II of CAP III will be carried forward to Group II of Advisory level</li> <li>Need to obtain EC of Group I by appearing and completing eligibility test of all subjects of group I and paper 4 of Advisory level</li> </ul> <p><i>(In this case, EC of Group I of the student will be available only after the student has completed eligibility tests of Paper 1 to 4)</i></p>
	EC of both groups has been obtained	<ul style="list-style-type: none"> <li>Need not obtain new/separate EC of Advisory level</li> </ul>
All levels	Eligibility test of few subjects completed	<ul style="list-style-type: none"> <li>Will not be carried forward to new syllabus</li> </ul>

EC – Eligibility Certificate



## Exemption to existing students at the time of shift to new syllabus – Completed level



Existing Course	Exemptions under new course
CAP I Qualified/Completed	Foundation level
CAP II Qualified/Completed	Foundation and Application level
CAP III Qualified/Completed	Foundation, Application and Advisory level



## Exemption to existing students at the time of shift to new syllabus – Part Qualified level



Existing Course	Exemptions under new course	Remarks
CAP II – Group I Qualified/Completed	Group I of Application level	
CAP II – Group II Qualified/Completed	Group II of Application level	
CAP III – Group I Qualified/Completed	Group I of Advisory level and Paper 4 of Group II of Advisory level	In this case, Paper 5 and Paper 6 of Advisory level are treated as Group II for the student and the same passing criteria/marks as per group wise passing criteria is applicable.
CAP III – Group II Qualified/Completed	Paper 5 and Paper 6 of Advisory level	In this case, Paper 1 to 3 are treated as Group I and Paper 4 is treated as Group II for the student and the same passing criteria/marks as per group wise passing criteria is applicable.



## Exemption to existing students at the time of shift to new syllabus – Subject exemption – CAP II/Application level



Existing Course	Exemptions under new course
Paper 1 - Advanced Accounting	Paper 1 - Financial Accounting and Reporting
Paper 2 - Audit and Assurance	Paper 2 - Audit and Assurance
Paper 3 - Corporate and Other Laws	Paper 3 - Applied Law
Paper 4 - Financial Management	Paper 4 - Management Accounting and Financial Management (Provided that the student has secured at least 40 marks in Paper 5 of CAP II in any of the past attempts)
Paper 5 - Cost and Management Accounting	Paper 4 - Management Accounting and Financial Management (Provided that the student has secured at least 40 marks in Paper 4 of CAP II in any of the past attempts)
Paper 4 - Financial Management and Paper 5 - Cost and Management Accounting	Paper 4 - Management Accounting and Financial Management
Paper 6 - Business Communication and Marketing	No exemption
Paper 7 - Income Tax and VAT	Paper 6 - Applied Taxation
The subject exemption detailed above shall be applicable only for the remaining attempts, within the maximum limit of 3 attempts as per Rule 16 of Nepal Chartered Accountants Regulation, 2061.	



## Exemption to existing students at the time of shift to new syllabus – Subject exemption – CAP III/Advisory Level



Existing Course	Exemptions under new course
Paper 1 - Advanced Financial Reporting	Paper 1 - Advanced Financial Reporting
Paper 2 - Advanced Financial Management	Paper 3 - Advanced Business and Financial Management
Paper 3 - Advanced Auditing	Paper 4 - Advanced Assurance
Paper 4 - Corporate Laws	Paper 2 - Advanced Law
Paper 5 - Management Information and Control System	No exemption
Paper 6 - Advanced Taxation	Paper 6 - Advanced Taxation
Paper 7 - Advanced Cost and Management Accounting	Paper 5 - Advanced Management Accounting
Paper 8 - Strategic Management and Decision Making Analysis	No exemption
<p><i>The subject exemption detailed above shall be applicable only for the remaining attempts, within the maximum limit of 3 attempts as per Rule 16 of Nepal Chartered Accountants Regulation, 2061.</i></p>	



## Enrollment Criteria\*



Level	Existing criteria	Revised criteria
Foundation	<p><b>Provisional Registration:</b> After appearing Grade 12 or equivalent examination.</p> <p><b>Full Registration:</b> Passed 10+2 or equivalent examination with <b>50% or GPA 2.4 or C or equivalent marks</b> in subjects with <b>except song, music, fine arts, dance, language, literature, culture etc. and related.</b></p>	<p><b>Provisional Registration:</b> After appearing Grade 12 or equivalent or above examination</p> <p><b>Full Registration:</b> Passed Grade 12 or equivalent or above examination with <b>40% or GPA 2.0 or C or equivalent marks.</b> <b>(Irrespective of any subjects)</b></p>
Application	<p>Completion of CAP I Level</p> <p><b>OR</b></p> <p><b>Graduate or Post-Graduate in Commerce, Business Administration or Management having Accounts, Audit and Tax as major subjects and secured minimum 50% marks or other major subjects and secured 55% marks or other faculty and secured 60% marks.</b></p>	<p>Completion of Foundation Level</p> <p><b>OR</b></p> <p><b>Bachelors' level or above with minimum of 50% or equivalent.</b></p>
<p><i>*These provisions will be effective only after relevant changes is made in Nepal Chartered Accountants Regulation, 2061. Until that period, existing provision will be applicable.</i></p>		





## Enrollment Criteria\* (contd....)



Level	Existing criteria	Revised criteria
Advisory	Completion of CAP II Level <b>AND</b> Completion of 60 hours of IT Training <b>AND</b> Completion of <b>Pre-Articleship Orientation Program</b> <b>AND</b> Registration as an article trainee under a practicing Chartered Accountant	Completion of Application Level <b>AND</b> Completion of 60 hours of IT Training <b>AND</b> Completion of <b>General Management &amp; Communication Skill (GMCS) Training</b> <b>AND</b> Registration as an article trainee under a practicing Chartered Accountant
Membership	Completion of CAP III Level <b>AND</b> Completion of 3 years Articleship Training <b>AND</b> Completion of <b>General Management and Communication Skill (GMCS) Training</b> .	Completion of Advisory Level <b>AND</b> Completion of 3 years of Articleship Training <b>AND</b> Completion of <b>Advanced Management and Communication Skill (AMCS) Training</b> .
<i>*These provisions will be effective only after relevant changes is made in Nepal Chartered Accountants Regulation, 2061. Until that period, existing provision will be applicable.</i>		



## Registration validity\*



Level	Existing criteria	Revised criteria	Remarks
Foundation	3 Years <b>Multiple times re-registration</b>	3 Years <b>One time re-registration</b>	It means the eligibility test of the student will be valid for a total period of 6 years. However, all training obtained in the level will be valid even after 6 years.
Application	5 Years <b>Multiple times re-registration</b>	5 Years <b>One time re-registration</b>	It means the eligibility tests, passed group or exemptions received in any subject will be valid for a total period of 10 years, after which the student shall start from scratch. However, all training obtained in the level will be valid even after 10 years.
Advisory	<b>Forever</b>	<b>10 Years</b> <b>Multiple times re-registration</b>	It means the passed group, exemptions received in any subject, eligibility test and all training will be valid forever.
<i>*This provisions will be effective only after relevant change is made in Nepal Chartered Accountants Regulation, 2061. Until that period, existing provision will be applicable.</i>			



## Examination criteria – no change



Level	Existing criteria	Revised criteria
Foundation	Completed 6 Months of Registration <b>AND</b> Completed Eligibility Test	Completed 6 Months of Registration <b>AND</b> Completed Eligibility Test
Application	Completed 9 Months of Registration <b>AND</b> Completed Eligibility Test	Completed 9 Months of Registration <b>AND</b> Completed Eligibility Test
Advisory	Completed 6 Months of Registration <b>AND</b> Completed 40 Hours IT Training <b>AND</b> Completed Eligibility Test <b>AND</b> Less than 12 months of articleship training remaining on the 1 <sup>st</sup> day of examination month	Completed 6 Months of Registration <b>AND</b> Completed 40 Hours IT Training <b>AND</b> Completed Eligibility Test <b>AND</b> Less than 12 months of articleship training remaining on the 1 <sup>st</sup> day of examination month



## Examination passing criteria for all levels – no change



Existing criteria	Revised criteria
<p><b>Examination Passing Criteria:</b></p> <p>A student is declared to have passed in both the groups of Intermediate Examination simultaneously, if he/she-</p> <ol style="list-style-type: none"> <li>secures at one sitting a minimum of 40% marks in each paper of each of the groups and a minimum of 50% marks in the aggregate of all the papers of each of the groups, or</li> <li>secures at one sitting a minimum of 40% marks in each paper of both the groups and a minimum of 50% marks in the aggregate of all the papers of the groups taken together.</li> </ol> <p>Alternatively, a student is declared to have passed in a group, if he/she secures at one sitting a minimum of 40% marks in each paper of the group and a minimum of 50% marks in the aggregate of all the papers of that group. He/she can pass both the groups individually in different sitting.</p>	<p><b>Examination Passing Criteria:</b></p> <p>A student is declared to have passed in both the groups of Intermediate Examination simultaneously, if he/she-</p> <ol style="list-style-type: none"> <li>secures at one sitting a minimum of 40% marks in each paper of each of the groups and a minimum of 50% marks in the aggregate of all the papers of each of the groups, or</li> <li>secures at one sitting a minimum of 40% marks in each paper of both the groups and a minimum of 50% marks in the aggregate of all the papers of the groups taken together.</li> </ol> <p>Alternatively, a student is declared to have passed in a group, if he/she secures at one sitting a minimum of 40% marks in each paper of the group and a minimum of 50% marks in the aggregate of all the papers of that group. He/she can pass both the groups individually in different sitting.</p>



## Subject exemption criteria for application and advisory level\*



Existing criteria	Revised criteria
<b>Subject exemption criteria:</b> <p>If a student has appeared in examination of all the papers in a Group, secured at least 30% marks in any of the paper and fails in one or more papers but secures a minimum of <b>60%</b> in any paper or papers of that Group, he/she shall be exempted for that paper or papers in which he/she has secured <b>60%</b> or more marks for the immediately next three following examinations. The student will be required to obtain a minimum of 50% marks in the aggregate of all the papers including the exempted paper(s) to pass the Group.</p>	<b>Subject exemption Criteria:</b> <p>If a student has appeared in examination of all the papers in a Group, secured at least 30% marks in any of the paper and fails in one or more papers but secures a minimum of <b>55%</b> in any paper or papers of that Group, he/she shall be exempted for that paper or papers in which he/she has secured <b>55%</b> or more marks for the immediately next three following examinations. The student will be required to obtain a minimum of 50% marks in the aggregate of all the papers including the exempted paper(s) to pass the Group.</p>
<p><i><b>*This provision will be effective only after relevant change is made in Nepal Chartered Accountants Regulation, 2061. Until that period, existing provision will be applicable.</b></i></p>	



## Other criteria



Details	Existing criteria	Revised criteria
Examination Date	<p>Two times a year</p> <p>1<sup>st</sup> Week of June and December</p> <p>CAP I Level – Regular examination with gap in public holiday only.</p> <p>CAP II and CAP III levels – Alternate day exams and no extra gap in public holiday.</p>	<p>Two times a year</p> <p>1<sup>st</sup> Week of June and December</p> <p>Alternate day exams and no extra gap in public holiday.</p>
Exam Duration	<p>3 hours and additional <b>10 minutes of question paper reading time</b></p>	<p><b>Foundation and Application</b> – 3 hours in total for all subjects where objective questions (MCQs) are examined.</p> <p><b>Application and Advisory</b> – 3 hours and additional <b>15 minutes of question paper reading time</b> for all subjective examinations.</p>
Eligibility Test	<p>100% online</p> <p>To be completed by <b>3 months before the examination date</b></p>	<p>100% online</p> <p>To be completed by <b>3 weeks before the examination form open date</b></p>



## Examination question pattern



Level	Subjects	Types of Question	Exam Duration
Foundation	All subjects	Objective – 60% Subjective – 40%	3 hours
Application	Paper 2 – Audit and Assurance Paper 3 – Applied Law Paper 5 – Business Strategy Paper 6 – Applied Taxation	Objective – 30% Subjective – 70%	3 hours
Application	Paper 1 – Financial Accounting and Reporting Paper 4 – Management Accounting and Financial Management	Subjective – 100%	3 hours and additional 15 minutes of question paper reading time
Advisory	All subjects	Subjective – 100%	3 hours and additional 15 minutes of question paper reading time



## Interpretation and Clarification



- The right to interpret or clarify any aspect of modality of the new CA syllabus remains with the Council.
- In case of confusion regarding any aspect of modality, the decision of the Council shall remain final.

## MEMBERS AND FIRM UPDATE

### Name and Membership Number of New Chartered Accountant (CA) Members

The Institute registered Chartered Accountant Members pursuant to Section 16(2) of the Nepal Chartered Accountants Act, 1997. New CA Membership issued during the quarter from April to June 2025 are presented in the table below:

S.N.	Membership No.	Members Name	S.N.	Membership No.	Members Name
1	CA-2378	Dev Raj Pant	34	CA-2411	Mausham Mishra
2	CA-2379	Bibek Bhandari	35	CA-2412	Roshila Parajuli
3	CA-2380	Bhagawati Regmi	36	CA-2413	Bivek Chaudhary
4	CA-2381	Binay Bhattarai	37	CA-2414	Ankit Raya
5	CA-2382	Sushil Subedi	38	CA-2415	Sashin Sharma
6	CA-2383	Pragati Bhuwai	39	CA-2416	Anuraj Basnet
7	CA-2384	Saurav Timalsena	40	CA-2417	Atish Ratna Shakya
8	CA-2385	Dibya Gnyawali	41	CA-2418	Sreeju Nepal
9	CA-2386	Kashinath Dhakal	42	CA-2419	Kritagya Pyakurel
10	CA-2387	Dikpal Shamser Kunwar	43	CA-2420	Amrit Kumar Chhetri
11	CA-2388	Manish Shrestha	44	CA-2421	Dhananjaya Poudel
12	CA-2389	Mohit Shrestha	45	CA-2422	Kshitij Timalsina
13	CA-2390	Dewamsh Basyal	46	CA-2423	Vijuwal Poudel
14	CA-2391	Sarita Pokharel	47	CA-2424	Bishesh Shrestha
15	CA-2392	Anish Kumar Sah	48	CA-2425	Rabindra Pokhrel
16	CA-2393	Bishal Khanal	49	CA-2426	Amir Khan
17	CA-2394	Rohan Shrestha	50	CA-2427	Prabhat Ranjan Thakur
18	CA-2395	Jiban Kumar Shrestha	51	CA-2428	Bishal Lohia
19	CA-2396	Sandesh Badal	52	CA-2429	Dipendra Bhusal
20	CA-2397	Yogesh Neupane	53	CA-2430	Dinesh Kumar Chauhan
21	CA-2398	Kritika Shrestha	54	CA-2431	Ashish Chandra Neupane
22	CA-2399	Sneha Shrestha	55	CA-2432	Kalpana Khadka
23	CA-2400	Sudha Poudel	56	CA-2433	Roshan Kumar Yadav
24	CA-2401	Palistha Manandhar	57	CA-2437	Sagar Paudel
25	CA-2402	Ria Sharma	58	CA-2438	Swastik Karmacharya
26	CA-2403	Nischal Pathak	59	CA-2439	Sarun Budhathoki
27	CA-2404	Sachin Oli	60	CA-2440	Santosh Acharya
28	CA-2405	Hardik Jajodia	61	CA-2441	Chiranjeebi Acharya
29	CA-2406	Ganesh Sankhi	62	CA-2442	Madhukar Gautam
30	CA-2407	Prajwal Khadka	63	CA-2443	Dipak Bhurtel
31	CA-2408	Rezan Lamichhane	64	CA-2444	Rubin Shrestha
32	CA-2409	Janak Bhattarai	65	CA-2445	Ishan Khatri
33	CA-2410	Sharad Gaire			



## Name and Membership Number of New Fellow Chartered Accountants (FCA) Member

The Institute registered Fellow Chartered Accountants pursuant to Section 17(b) of the Nepal Chartered Accountants Act, 1997. New Fellow Chartered Accountants Membership issued during the quarter from April to June 2025 are presented in the table below:

S.N.	Membership No.	Members Name	S.N.	Membership No.	Members Name
1	CA-1437	Santosh Gyawali	5	CA-1441	Sangam Raj Sipkhan
2	CA-1513	Nishedh Sharma	6	CA-1483	Manoj Mandal
3	CA-408	Krishna Prasad Lamichhane	7	CA-1445	Kiran Prasad Regmi
4	CA-1439	Subash Ghimire	8	CA-268	Sripasad Bhandari

## Name and Membership Number of New Certificate of Practice (CoP) issued Member

The Institute issues Certificate of Practice to the Chartered Accountant Members pursuant to Section 28 of the Nepal Chartered Accountants Act, 1997. New Certificate of Practice issued during the quarter from April to June 2025 is presented on the table below:

S.N.	Membership No.	Members Name	S.N.	Membership No.	Members Name
1	CA-1561	Kshitiz Adhikari	14	CA-1892	Kavita Vinod Kumar Chopra
2	CA-1918	Baishali Thakur	15	CA-2426	Amir Khan
3	CA-2012	Sanjeev Bhakta Acharya	16	CA-2427	Prabhat Ranjan Thakur
4	CA-2359	Rajesh Kumar Sah	17	CA-2428	Bishal Lohia
5	CA-2377	Madhusudhan Chapagain	18	CA-2430	Dinesh Kumar Chauhan
6	CA-2140	Madhav Pokharel	19	CA-2431	Ashish Chandra Neupane
7	CA-2230	Deepak Kumar Dev	20	CA-2433	Roshan Kumar Yadav
8	CA-2290	Rajendra Kunwar	21	CA-2434	Mustaque Alam
9	CA-2339	Deepak Kharel	22	CA-2436	Prabesh Chhetri
10	CA-2386	Kashinath Dhakal	23	CA-2439	Sarun Budhathoki
11	CA-2396	Sandesh Badal	24	CA-2440	Santosh Acharya
12	CA-2397	Yogesh Neupane	25	CA-2442	Madhukar Gautam
13	CA-2399	Sneha Shrestha			

## Name of New Accounting Firms

The Institute issued registration of Auditing Firms pursuant to Section 28A of the Nepal Chartered Accountants Act, 1997. New firms' registration during the quarter from April to June 2025 is presented in table below:

S.N.	Firm No.	Firm Name	S.N.	Firm No.	Firm Name
1	1398	Kshitiz Adhikari & Associates	15	1409	J. Basnet & Associates
2	1399	Baishali & Associates	16	1410	B. Lohia & Associates
3	1400	S. B. A. & Associates	17	1411	P. R. T. & Associates
4	1401	Rajesh Sah & Associates	18	1412	Chauhan & Associates

S.N.	Firm No.	Firm Name	S.N.	Firm No.	Firm Name
5	1402	M. Chapagain & Associates	19	1413	A. C. N. & Associates
6	6298	A. K. Verma & Associates	20	1414	M. Alam & Associates
7	1403	Deepak Kharel & Associates	21	1415	Amir K. & Associates
8	1404	Badal Associates	22	1416	Sarun Budhathoki & Associates
9	1405	K. Dhakal & Associates	23	1417	Roshan Kumar & Associates
10	6299	Naw Raj Subedi & Associates	24	1418	Prabesh & Associates
11	1406	Neupane Y. & Associates	25	1419	Gautam M. & Associates
12	1407	D. K. Dev & Associates	26	1420	A. Santosh & Associates
13	1408	R. Kunwar & Associates	27	6301	Bhumiram & Associates
14	6300	Jagadishwor & Associates			

### Name and Membership Number of Demised Member

The Institute removes name of members from the Membership Register in case of death of members pursuant to Section 22(1) of the Nepal Chartered Accountants Act, 1997. Details of demised members whose membership has been removed from list of members during the from April to June 2025 are presented in table below:

S.N.	Membership No.	Members Name	Class
1	RA-2689	Bhagawati Prasad Sharma	RA- "D Class"
2	RA-3088	Krishna Prasad Ghimire	RA- "D Class"

## Elevate: Celebrating Member Milestones

**CA. Pradeep Sigdel**, (CA- 896) has been appointed as Chairman of Sampada Laghubitta Bittiya Sanstha Limited w.e.f. 19<sup>th</sup> April 2025.



**CA. Pradeep Sigdel**

**CA. Santosh Neupane** (CA-1701) has been appointed in the of Chief Finance Officer at First Choice Foods Pvt. Ltd. w.e.f. 4<sup>th</sup> May 2025.



**CA. Santosh Neupane**

**CA. Dikpal Shamser Kunwar**, (CA-2387) has been appointed as Partner of Khagendra & Associates, Chartered Accountants.



**CA. Dikpal Shamser Kunwar**

**CA. Anish Kumar Sah**, (CA-2392) has been appointed in the as of Finance Manager of Saurya Krishi Company Limited w.e.f. 8<sup>th</sup> May 2025.



**CA. Anish Kumar Sah**

**CA. Palistha Maandhar**, (CA- 2401) has been appointed as Assistant Manager at Nepal Reinsurance Company Limited w.e.f. 19<sup>th</sup> May 2025.



**CA. Palistha Maandhar**

**RA. Kumar Khatiwada**, (RA- 6081) has been appointed as Regional Director of Nepal and Bhutan for the Institute of Certified Management Accountants (ICMA), Australia w.e.f. April 2025. Further, he was elected as a Vice-President of ICMA, Australia's Council in November 2024 for three years.



**RA. Kumar Khatiwada**

**RA. Nabaraj Dhakal**, (RA-4330) has been appointed as the Board Member of Grameen Bikas Laghu Bitta Bittiya Sanstha Ltd. w.e.f. 7<sup>th</sup> April 2025.



**RA. Nabaraj Dhakal**

## संस्थाका सदस्य तथा विद्यार्थीको शुल्क परीमार्जन सम्बन्धी सूचना

मिति २०८२ असार १५ गते बसेको परिषदको ३५१औं बैठकको निर्णय बमोजिम नेपाल चार्टर्ड एकाउन्टेन्ट्स नियमावली २०६१ को अनुसूची ४ मा सदस्य तथा विद्यार्थीसंग सम्बन्धित विभिन्न शुल्कहरू मिति २०८२ श्रावण ०१ गते देखि लागु हुने गरी निम्नानुसार परिमार्जन भएको व्यहोरा सम्बन्धित सबैको जानकारीको लागि यो सूचना प्रकाशित गरिएको छ ।

### १. सदस्यता सम्बन्धी शुल्क :

विवरण	एफ.सि.ए. (रु.)	सि.ए. (रु.)	आर.ए. "ख" (रु.)	आर.ए. "ग" (रु.)	आर.ए. "घ" (रु.)
दर्ता शुल्क	१०,०००	५,०००	३,५००	१,५००	१,०००
वार्षिक शुल्क	४,५००	३,०००	१,५००	१,२००	१,०००

### २. पेशागत प्रमाणपत्र सम्बन्धी शुल्क :

विवरण	एफ.सि.ए. (रु.)	सि.ए. (रु.)	आर.ए. "ख" (रु.)	आर.ए. "ग" (रु.)	आर.ए. "घ" (रु.)
दर्ता शुल्क	६,०००	४,०००	१,५००	१,५००	१,५००
वार्षिक शुल्क	४,०००	३,५००	२,०००	१,५००	१,०००

### ३. लेखाव्यवसायी फर्म सम्बन्धी शुल्क :

#### एकल फर्म

विवरण	एफ.सि.ए. (रु.)	सि.ए. (रु.)	आर.ए. "ख" (रु.)	आर.ए. "ग" (रु.)	आर.ए. "घ" (रु.)
दर्ता शुल्क	६,०००	६,०००	३,०००	२,५००	२,०००
नविकरण दस्तुर	५,०००	३,५००	१,५००	१,०००	८००

#### साझेदारी फर्म

विवरण	सि.ए.एफ.सि.ए. (रु.)	आर.ए. (रु.)
दर्ता शुल्क	१०,०००	५,०००
नविकरण दस्तुर	८,०००	३,०००

### ४. शाखा सम्बन्धी दस्तुर

विवरण	दस्तुर (रु.)
अनुमति दस्तुर	१०,०००
अनुमति नविकरण दस्तुर (प्रति शाखा)	२,०००

### ५. विदेशमा दर्ता भएको लेखाव्यवसायी संस्थाको आवद्धता शुल्क:

विवरण	दस्तुर (रु.)
दर्ता शुल्क	७५,०००
आवद्धता नविकरण दस्तुर	२५,०००

### ६. सदस्यसँग सम्बन्धित अन्य शुल्क

क्र.सं.	विवरण	दस्तुर (रु.)
१	तोकिएको समयावधि पछि नयाँ UDIN (कुनै कारणले गर्दा UDIN सम्बन्धी प्रचलित विनियमावली अनुसार कार्यकारी निर्देशकलाई निवेदन दिएर संशोधन गर्दा वा तेश्रो पक्षको निवेदनको आधारमा) जारी गर्दा प्रति UDIN	१,०००
२	सबै किसिमको Quality Assurance Review गर्दा पहिलो ताकेता भ्रमणबाट प्रति भ्रमण	३०,०००
३	प्रत्येक पटक Good Standing Letter जारी गर्दा	१,०००
४	सि.पि.ई तालिम शुल्क काठमाडौं उपत्यकामा प्रति दिन	२,३००
	सि.पि.ई तालिम शुल्क काठमाडौं उपत्यका बाहिर प्रति दिन	२,०००
	CPE Processing Fee प्रति क्रेडिट आवर (POUs)	४०

### ७. विद्यार्थी सम्बन्धी शुल्क:

विवरण	CAP I / Foundation level	CAP II / Application level	CAP III / Advisory level
दर्ता शुल्क	३४,५००	४०,५००	५०,०००
पहिलो किस्ता	२०,०००	२२,५००	२५,०००
दोस्रो किस्ता	१४,५००	१८,०००	२५,०००
परीक्षा आवेदन शुल्क	१,१५० प्रति पेपर	१,२०० प्रति पेपर	१,२५० प्रति पेपर

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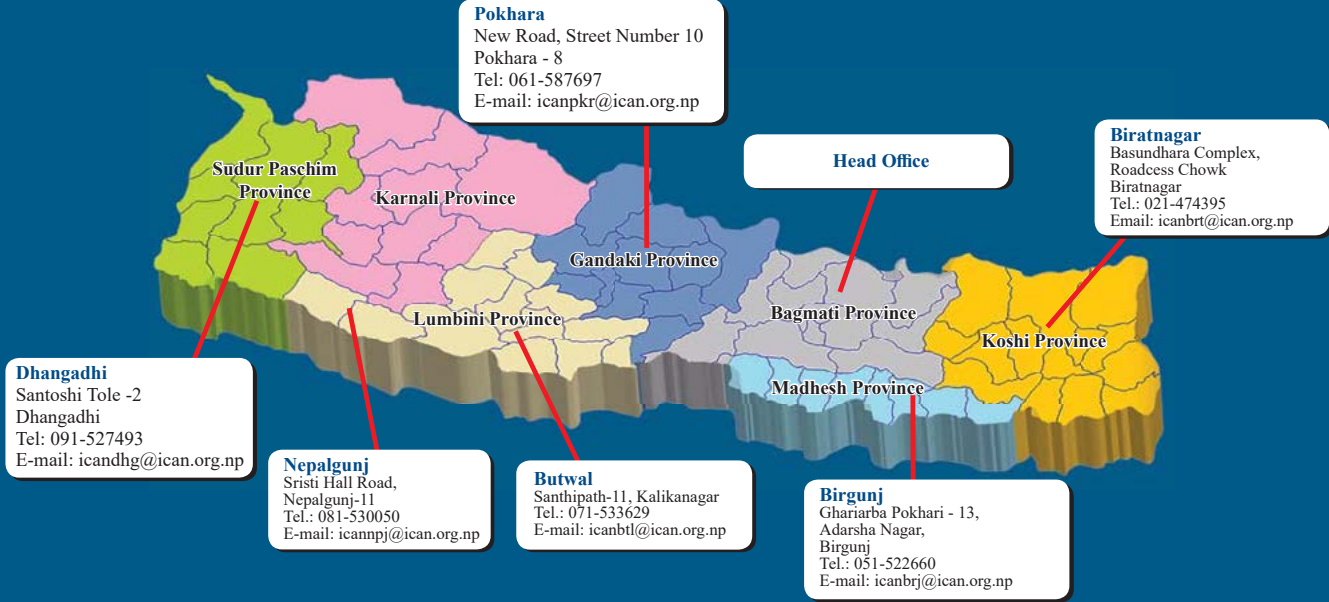
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