



Nepal Budget Statement FY 2026-27 Highlights

On Friday, 29 May 2026, Finance Minister Dr. Swarnim Wagle presented the full budget for FY 2026-27 — **Building a Prosperous, Inclusive and Resilient Nepal**. This document highlights the budget's resource allocation, priorities, and key policy measures.

FY 2083/84

Budget Overview: Source & Allocation

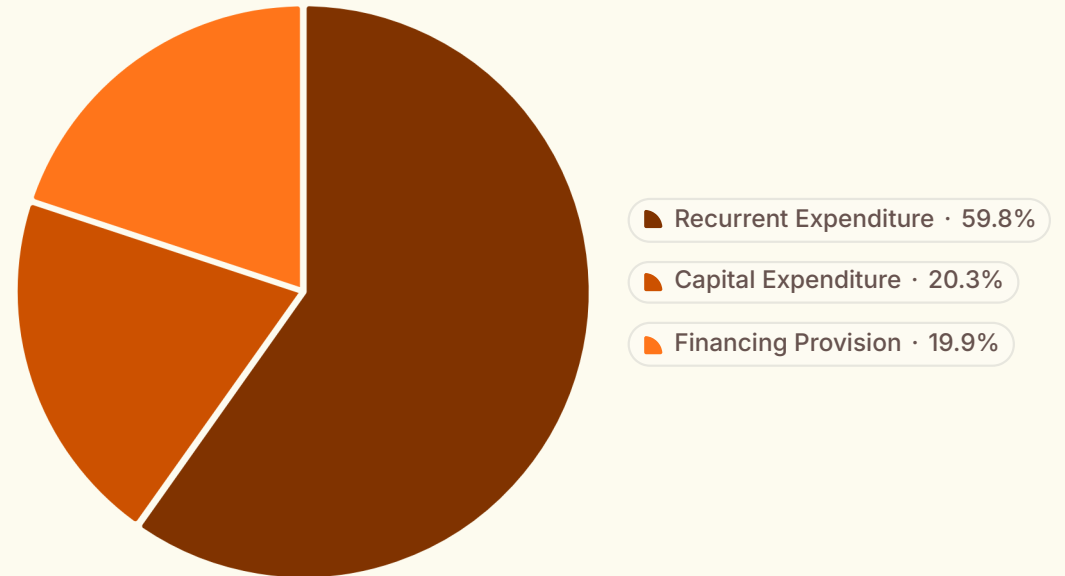
Total Budget

Rs 2,124.34B

Presented for FY 2026-27, targeting 7% economic growth and inflation within 6%.

Financing Sources:

- Revenue: Rs 1,405.31B (66.2%)
- Domestic Loan: Rs 410B (19.3%)
- Foreign Loan: Rs 247.28B (11.6%)
- Foreign Grant: Rs 61.74B (2.9%)



Of the total budget, **Rs 600 billion** is allocated as fiscal transfers to provincial and local governments.



Budget Background & Objectives

Background

The FY 2026-27 budget drives reform, strengthens governance, restores private sector confidence, and spurs growth through production, innovation, and entrepreneurship. It leverages strong macroeconomic indicators, ample liquidity, solid foreign exchange reserves, and Nepal's clean energy and demographic strengths.

Key Objectives

- Achieve 7% growth; keep inflation within 6%
- Build a simple, fair, production-oriented tax system
- Restore private sector confidence and encourage investment
- Make public spending economical and results-driven
- Improve public services through technology and good governance
- Develop energy, agriculture, tourism, IT, and human capital

Economic Situation & Fiscal Transfers

7%

GDP Growth Target

Up from 3.5% last year

\$23.55B

Forex Reserves

As of 13 April 2026

39.1%

Remittance Growth

Year-on-year increase

Rs 600B

Fiscal Transfers

Revenue sharing, royalties & grants to provinces & local levels

The balance of payments is in surplus of **Rs 731.16 billion**. Imports and exports rose by 13.8% and 18.5% respectively. Bank loans grew 5.7% while deposits increased 8.5%. Provincial and local governments receive equalization, supplementary, special, and conditional grants totaling over Rs 600 billion.

Tax Reforms: Income Tax & Revenue Policy

Key Income Tax Changes

- Income tax exemption threshold doubled to **Rs 1 million**
- Top personal income tax rate cut by 10 points to **29%**
- Tax audit period reduced from 4 to **3 years**
- Refund claim window extended from 2 to **5 years**
- Cash transaction disallowance threshold lowered to **Rs 25,000**
- Sweat equity in IT sector excluded from taxable income
- 25% deduction on children's tuition fees (up to Rs 25,000)
- Insurance premium deduction raised to **Rs 10,000**

Unified Tax Slabs (Resident Individuals)

Taxable Income (Rs)	Rate
First 1,000,000	1%*
Next 500,000	10%
Next 1,000,000	20%
Next 1,500,000	27%
Above 4,000,000	29%**

*Social Security Tax. **27% + 2% additional.

Digital Tax Administration & VAT Reforms



E-Invoicing & Digital Admin

Paperless, faceless, contactless revenue administration. Businesses over Rs 100M must connect to the Central Billing Monitoring System. Automated VAT refunds introduced.



Multi-Rate VAT

New rates of 0%, 5%, and 13% introduced. A 5% rate applies to electricity (above 50 units/month) and ride-hailing services. A 10% VAT exemption at billing for digital payments — an immediate 1.3% discount.



Taxpayer Amnesty

Disputes pending before courts settled by paying assessed tax plus 1%; fees, penalties, and interest waived. AI-based e-assessment system for risk-based audits to be developed.



Customs & Excise

Customs tiers streamlined from 11 to 7. Duty cut on 273 industrial raw materials. Excise abolished on 360 items. Green tax consolidates infrastructure and road charges.

Governance, Enterprise & Industrial Reforms

Government Restructuring

- Federal ministries reduced from 22 to **18**
- 31 entities abolished, 6 merged, 18 restructured
- Nepal Airlines Corporation converted to a company
- Public shares issued for Rastriya Bima, Bishal Bazar, Nepal Telecom (govt retains 66%)

Capital Markets

- NEPSE restructured; intraday trading, short selling & derivatives introduced
- Listed companies may issue Global Depository Receipts internationally
- National Asset Management Company to manage non-performing loans

Industrial & Business Reforms

- SEZs upgraded to "Special Economic Administration Zones" with single-window services
- Start-ups receive early-stage grants, concessional loans, and co-investment
- "Investment Express" for automatic registration within three months
- Simplified foreign investment, repatriation, and technology transfer laws
- Sovereign AI compute center to be established in Syuchatar, Kathmandu
- Nepal Electricity Authority restructured; private sector opened to transmission

Major Tax Law Amendments: VAT, Excise & Customs

VAT — Key Changes

- Multi-rate structure: 0%, 5%, 13% now legislated
- Ride-hailing platforms collect & remit VAT under RCM
- E-invoicing mandated; IRD to manage CBMS integration
- Rs 500,000 penalty for software altering transaction data
- VAT exempted on digital financial service fees and insurance agent services

Excise Duty — Key Changes

- Digital excise stamps and Track & Trace System introduced
- Excise credit now allowed on auxiliary raw materials and packing materials
- Tobacco/nicotine definition expanded to include vapes, nicotine pouches, hookah
- 200% penalty + up to 1 year imprisonment for excise evasion
- 80% excise discount for brandy, wine & cider from local fruits in underdeveloped areas

Customs Duty — Key Changes

- EV customs duty shifted from motor output to purchase value (CIF-based)
- Clean Infrastructure Investment Fee (CIIF) levied on EV imports
- Cigarette customs duty raised: Rs 11,000 → Rs 12,000 per 1,000 sticks
- Electronic cigarettes/vapes duty increased from 20% to 30%

Major Amnesty Provisions — Finance Bill 2083

Taxpayers may avail the following amnesty schemes generally by **end of Poush 2083 (mid-January 2027)** by paying outstanding tax plus an additional 1%:

Income Tax & VAT Waivers

- PAN-less taxpayers: file FY 2079/80–2082/83 returns; prior years waived
- VAT-registered persons: file outstanding returns + 1%; interest & penalties waived
- Pending court/tribunal cases: withdraw & pay assessed tax + 1% for full waiver
- UN/diplomatic mission employees: interest & fees waived on compliance

Excise, Customs & Other Waivers

- Excise licensees: pay duty + 1% to waive late fees and penalties
- Post-clearance audit: pay assessed duty + 1% to waive penalty & interest
- Gen-Z Movement affected businesses: 50% customs & excise exemption on restoration imports
- Luxury duty on gold/ornaments and VAT on diamonds due before 2 Bhadra 2082 deemed exempt

Sector-Specific Relief

- Casino royalty & renewal fees waived for period of Gen-Z closure
- Insurance agents: VAT interest, fees & penalties waived for FY 2082/83 and prior
- Non-profits: full tax waiver on donation income if return filed by Poush end 2083
- Petrol & diesel customs duty reduced by 50%; 10% green tax applied on imports

Key Takeaways

→ Ambitious Growth Agenda

Rs 2,124.34 billion budget targets 7% GDP growth, backed by strong forex reserves of USD 23.55 billion and rising remittances.

→ Digital & Structural Transformation

E-invoicing, AI-based assessments, sovereign AI compute center, NEPSE restructuring, and NEA unbundling signal a decisive shift toward a modern, tech-enabled economy.

→ Taxpayer-Friendly Reforms

Income tax threshold doubled to Rs 1 million, top rate cut to 29%, audit period shortened, and a broad amnesty scheme offered across income tax, VAT, and excise.

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