

Investment Environment and Incentives in Nepal

Presented by: Mr. Mikio TAMADA
JICA Foreign Investment Expert
Investment Board Nepal (IBN)

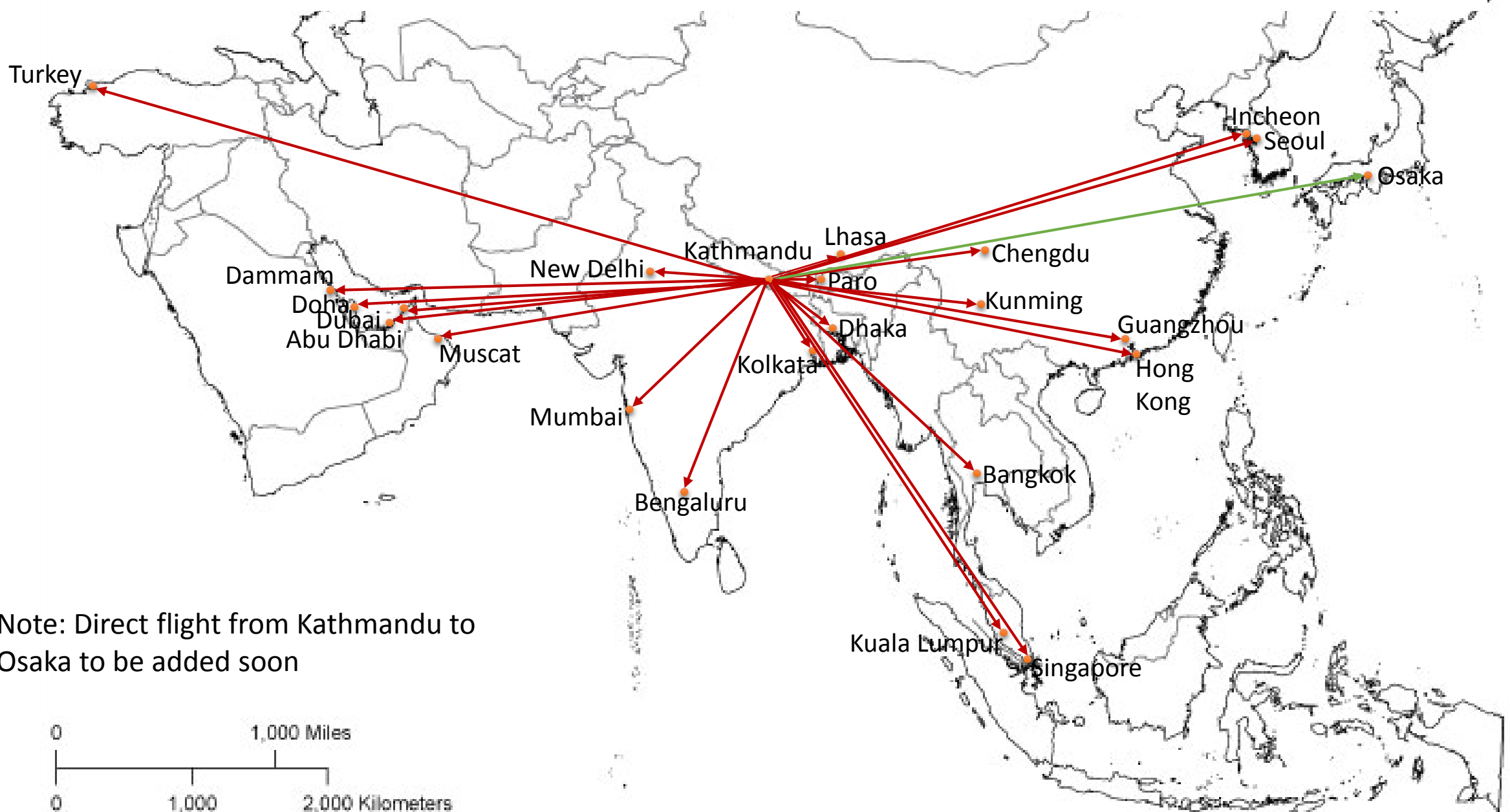
Nepal: Country Profile



| | |
|---|---|
| Official Country Name | Federal Democratic Republic of Nepal |
| Capital | Kathmandu |
| Population | 28.72 million (about 3 million people in the Kathmandu Valley) |
| Area | 147,181 square km (about 1/3 of Japan) |
| Altitude | 59 to 8,848 meters (Mt Everest) |
| Language | Nepali, written in Devanagari script; English is widely used in business |
| Religion | Hinduism 81.3%, Buddhism 9.0%, Islam 4.4%, Kirat 3.1%, Christianity 1.4% |
| Currency | Nepalese Rupee (NPR) (July 30, 2018 - Central Bank) US \$ 1 = NPR 109.55; JP ¥ 1 = NPR 0.99 |
| Foreign exchange reserves | US\$ 10.08 billion (Mid-July 2018) |
| Corporate tax | General corporate 25% However, infrastructure, road construction 20% |
| Nepalese Japanese society | Regular members: 176 people; supporting members |
| Japan Chamber of Commerce and Industry (JCCN) | 40 member companies (July 2018) |



Direct International flights from Kathmandu



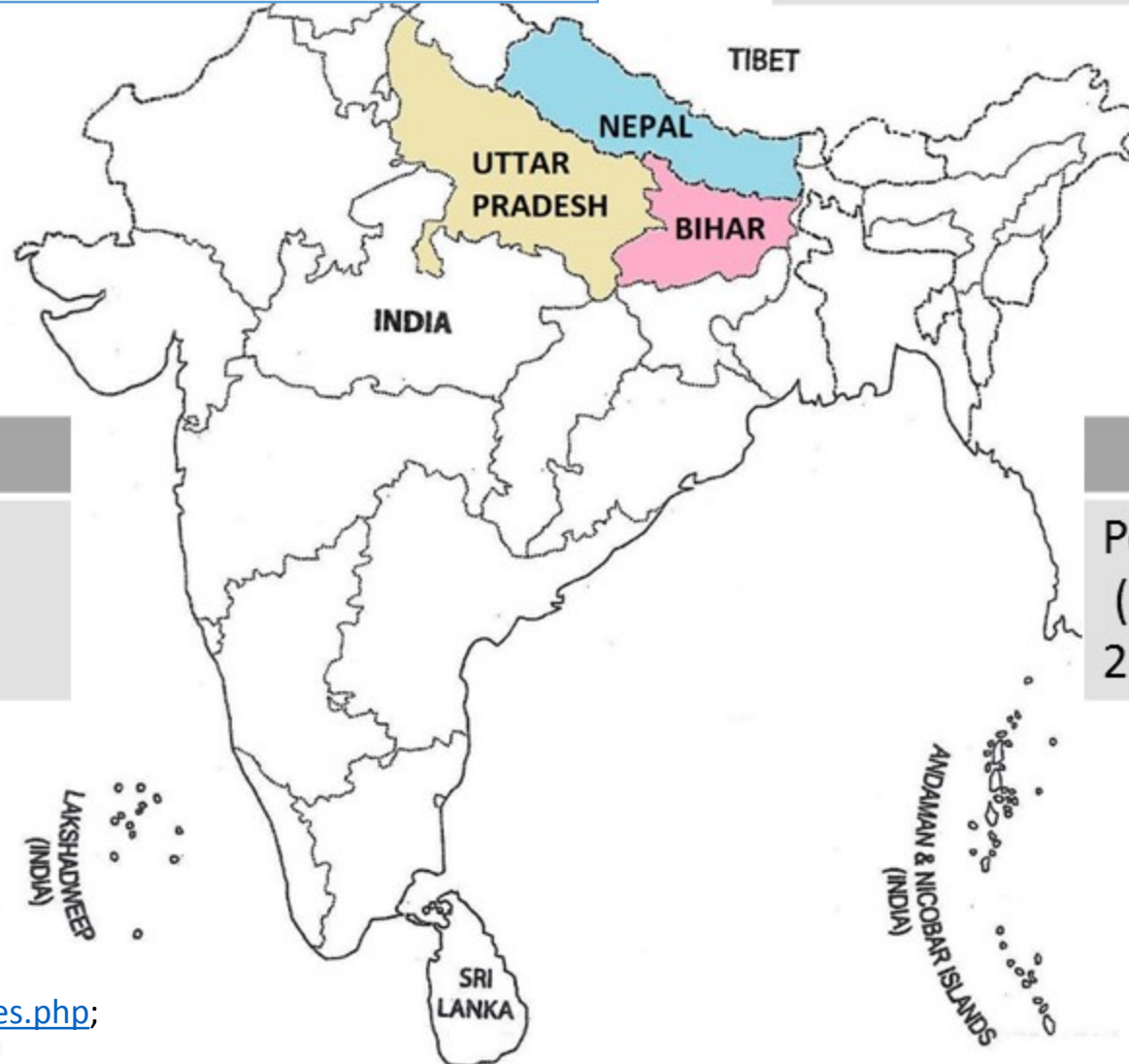
Note: Direct flight from Kathmandu to Osaka to be added soon



Indian States neighboring Nepal

Nepal

Population: 28,720,262
(Projected based on Census 2011)

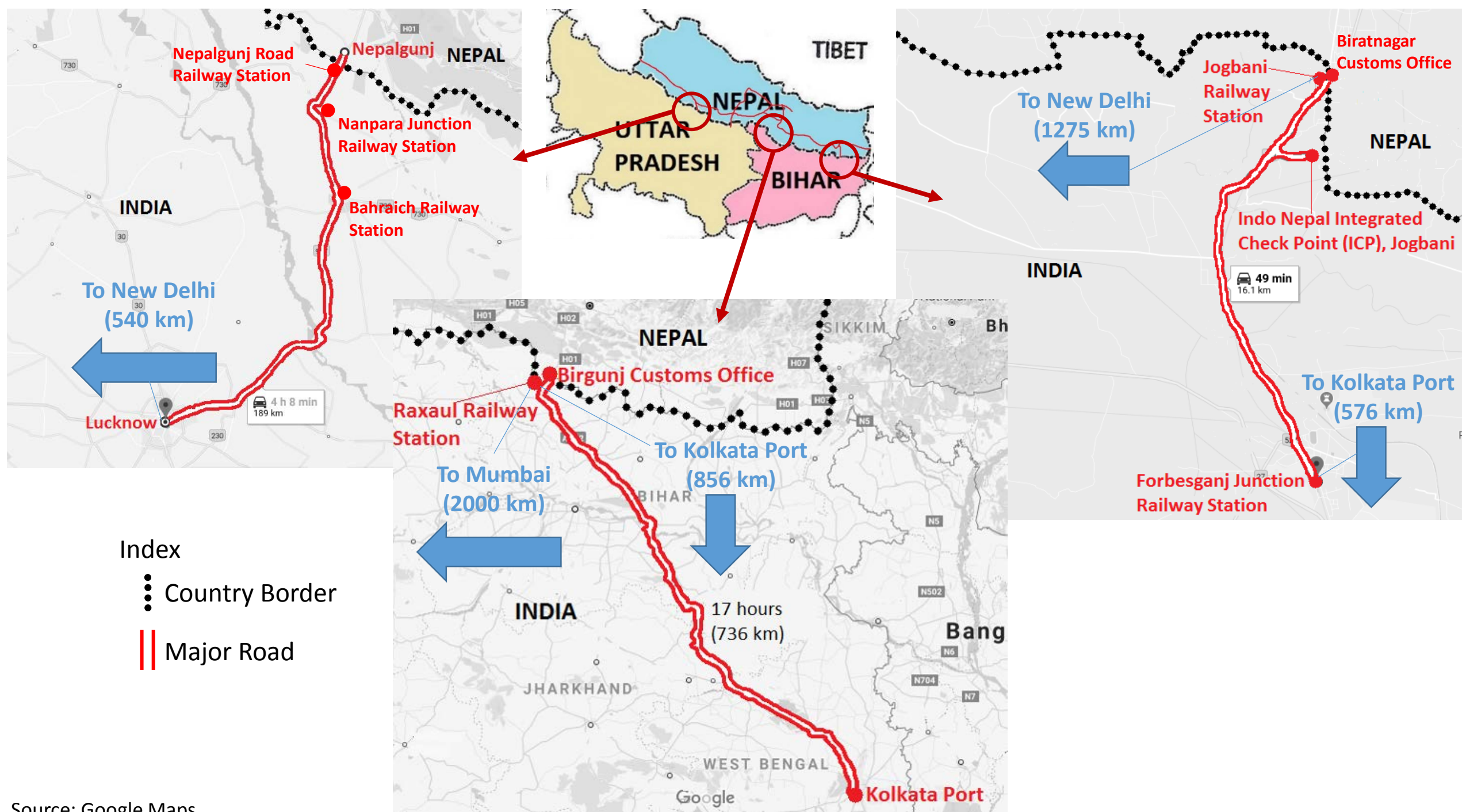


Uttar Pradesh

Population: 224,571,834
(Projected based on Census 2011)

Bihar

Population: 122,988,691
(Projected based on Census 2011)



Benefits of investing in Nepal

1. Export market;
 - India (Population: 1,342,512,706)
 - China (Population: 1,415,045,928)
 - SAARC (Population: 1,788,388,852)
2. Incentives;
 - Special Economic Zones: Tax exemption
 - Bonded Warehouse Facility: Export oriented industrial
 - Industrial Districts: Development and management by the government
 - Corporate Tax Rate: Lower than in other SAARC countries
3. Working population (17.053 million) (Source: World Bank Data Bank)
 - Minimum wage (about \$ 120 per month) (Source: Ministry of Labor, Employment and Social Security, GON)
4. Assembly plant: Difference in import duty between components and final products



Special Economic Zone (SEZ)

- Started development in 2013 to promote export
- Under the jurisdiction of Ministry of Commerce, Special Economic Zone Authority (SEZA)
- Established in 14 domestic sites
- One stop window at SEZA

Income tax 100% exemption for the first 5 years; 50% for next 5 years

100% exemption for SEZ for 10 years in mountainous area

Tax exemption for the first 5 years on profit dividends; 50% for next 3 years

Rebate on land and building rent

Zero VAT facilities

Customs duty concessions

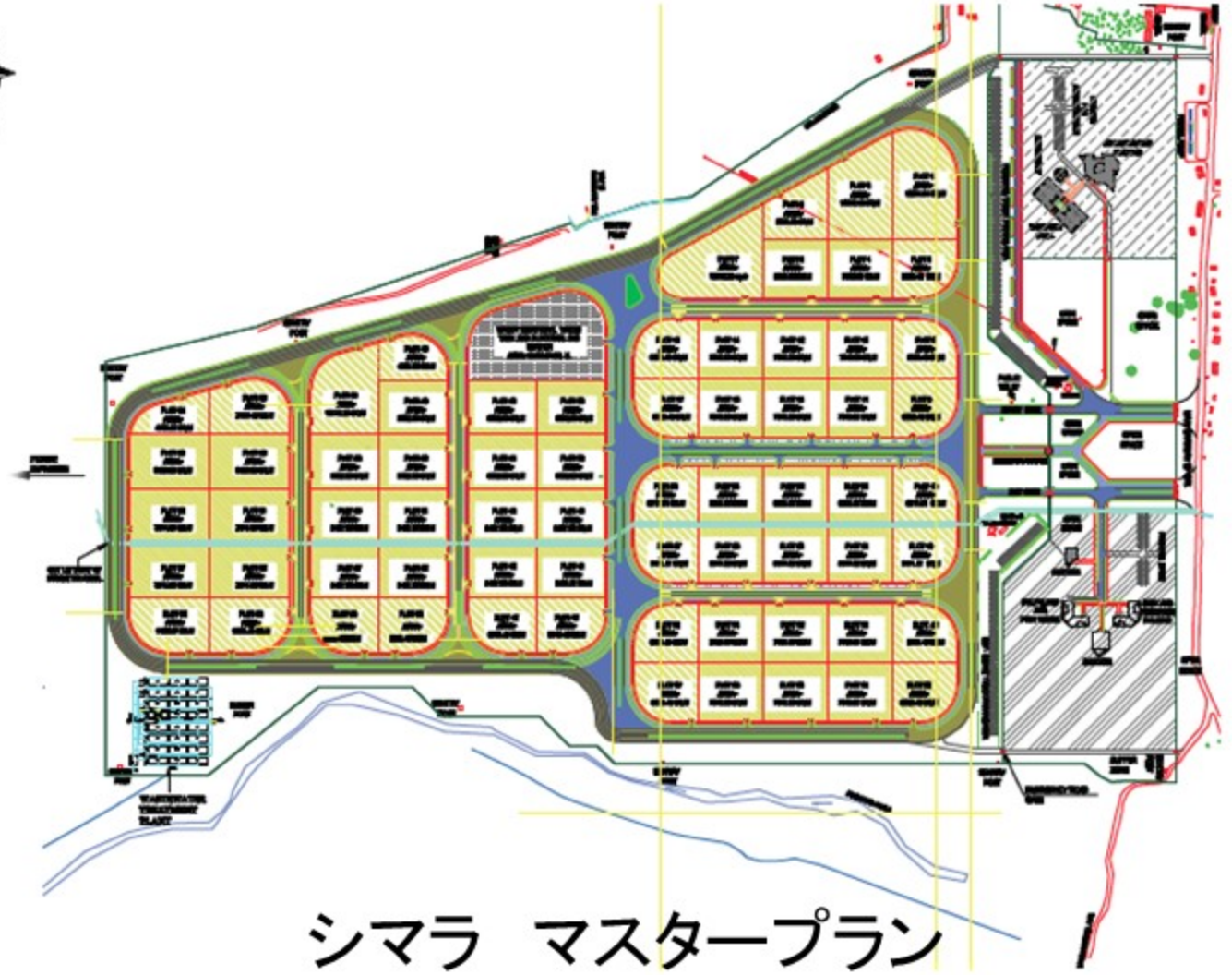
Strikes and protests prohibited

40% tax exemption for infrastructure provided by BOOT

Bhairahawa and Simara SEZ Master Plan



Bhairahawa SEZ master plan



シマラ マスタープラン
Simara SEZ master plan

Industrial Districts (IDs) under development

| Industrial District | Location | Area (Ha) | Situation |
|---------------------------------|---|-----------|-----------------------------|
| Damak | Jhapa | 1,419 | 637 Ha acquired |
| Sagarnath | Sarlahi | 2,027 | Master Plan being prepared |
| Lamki | Kailali | 743 | Master Plan completed |
| Satakhani | Surkhet | 743 | Master Plan completed |
| Total | 5 announced by GON, 5 to be announced as of Nov 5, 2018 | 8,607 | |
| 10 others in operation (295 Ha) | | | 209 Ha under Lease Contract |

Bonded Warehouse system

Bonded Warehouse Registration

- Get license from customs offices (**1 year validity**)

Import raw material

- With bond covering 115% of Import duty (10% is service charge for Bonded Warehouse)
- Process raw material in Bonded Warehouse

Export the final products

- **Import duty free as 'Made in Nepal'**
- **10% service charge is exempted as 'Made in Nepal'**

Get customs duty and fee refund

Necessary documents

For bonded warehouse registration

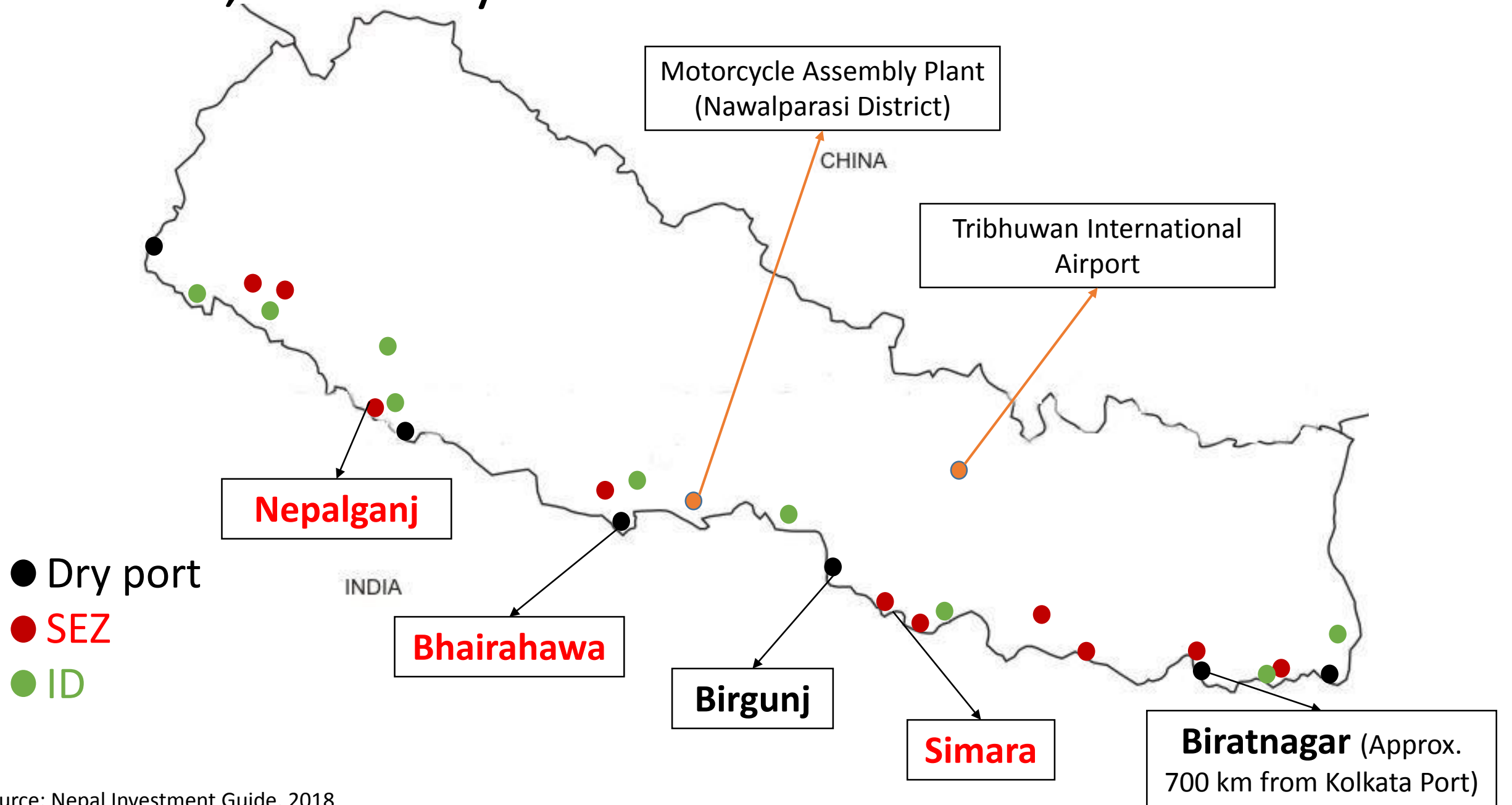
- Company registration
- Foreign investment approval
- Industry registration
- L/C for raw material import
- Bond covering import duty plus 15%

For Nepal origin "Made in Nepal"

Certificate of origin to be issued by:

- Federation of Nepalese Chambers of Commerce and Industries (FNCCI)
- Nepal Chamber of Commerce (NCC)

SEZ, ID and Dry Port locations near the Indian border



Assembly Plant (Motorcycle)

A recently established motorcycle assembly industry in Nepal:

- Manufactures up to 30 motorcycles per day
- Components supplied by parent company from India
- Operations under direct supervision of parent company
- Investment in the assembly unit: NPR 700 million (approx. US\$ 7 million)
- No. of employees: 50

- Import tax on finished motorcycle is 30%
- Import tax on Motorcycle parts is 5-15%
- Excise duty of finished motorcycle is 40-100%
- Excise duty of motorcycle parts is 5%

Price range of two-wheelers in Nepal:
US\$ 1,700 to US\$ 41,000

Average price rates of most popular two-wheeler segments in Nepal:

- Motorcycles (200 cc): US\$ 4,000
- Scooters: US\$ 1,900



Total duty on selected products by HS code

| HS code | Description | Import Duty | Excise duty | VAT | Total duty |
|-------------------------------|--|-------------|-----------------------------|-----|----------------|
| Motorcycles and Mopeds | | | | | |
| 8711 | Motorcycles and mopeds | 30 | 40-100 (based on engine cc) | 13 | 105.66 - 193.8 |
| 8714 | Motorcycle and moped parts and accessories | 5-15 | 5 | 13 | 35.56 - 36.45 |



Japan Desk at Investment Board Nepal



JAPAN DESK at IBN

East Building of Federal Parliament Building
New Baneshwor, Kathmandu, Nepal

Contact Number: +977-1-4475277,
4475276, 4475278, 4475280, Ext no.: 209

Email address: japandesk@ibn.gov.np

Representative: Mikio TAMADA, JICA Expert

Incharge: Rajiv SHAKYA, Consultant

IBN Japan Desk has been established as an invitation to Japanese investors in Nepal.

Grow together



Mr. Mikiro TAMADA
JICA Foreign Investment Expert
Investment Board Nepal (IBN)
Mail: tamada.mikiro@friends.jica.go.jp



Government of Nepal
Office of the Investment Board



Aganchen, Hanuman Dhoka Palace,
Kathmandu Durbar Square

Photo Credit: JICA Nepal



Narayanhiti Palace Museum, Kathmandu