

# Newsletter



## Notice issued by OCR

### Notice on Mandatory Digital Signatures for Company

The Office of Company Registrar (OCR) is implementing mandatory digital signatures for document submissions in a phased approach. A new software, the Company Administration Management System (CAMIS), is being introduced to fully automate service delivery, requiring digital signatures for all company filings. Initially, public companies must digitally sign and submit all necessary documents, including board resolutions, within 30 days of this notice. The requirement will later extend to new registrations and submissions from private and non-profit companies. Companies are advised to secure digital signatures through a Licensed Certifying Authority and prepare for data migration to CAMIS, with additional guidance to follow.

To view full notice please [click here](#).

## Notice issued by DoI

### Notice for Investors

Investors who have obtained foreign investment approval must make the investment and commence operations within the timeframe specified by the Foreign Investment and Technology Transfer Act and rules thereunder. This timeframe is 35 days from the publication of the notice (2081/04/18). Failure to submit the required documents within this period will result in forfeiture of the deposit made during the approval process. The list of documents required to be submitted are as follows:

- Application for Refund
- Tax clearance after operation of Industry ( Zero tax clearance is not considered)
- Document proving the investment
- Industry Registration Certificate
- Original Copy of Deposit Made
- Audit Report
- Documents proving Renewal of Company

To view full notice please [click here](#).



## Inside this Newsletter

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## Notice issued by NRB

### Amendment in Unified Directives A, B and C ,2080

- Banks and financial institutions can now include industries, projects, or businesses which were not operating as intended but are regularly paying interest and principal on their loans, in their watch list category.
- Forced loans related to construction businesses created due to claim of guarantee amount can be classified based on the number of days overdue for FY 2081/82, provided it was not classified as a loss loan in FY 2080/81.
- In the event where there is a condition that the selling institution shall repurchase the credit if the purchaser institution fails to recover the credit while entering into transaction of credit purchase and sale, the selling institution shall show such amount in the Financial Statement under contingent liability with appropriate disclosure in notes and risk weight for such contingent liability for the purpose of calculating capital funds shall be 20 percent (previously 100 percent).
- The existing Single Obligor Limit (SOL) of NRs. 20 crores for margin lending to institutions with the primary objective of investing in the secondary market have been removed.
- Supporting industries for agriculture, agricultural tools production industry, information technology industry and tourism and other domestic production related enterprises have been added to the existing list of industries where Bank and Financial Institutions have to fix the interest rate by adding maximum up to 2 percent on the base rate while providing loans up to NRs. 2 crore.
- As per provision mentioned in Capital Adequacy Framework 2015, previously, banks were required to maintain a 0.5% countercyclical buffer by the end of FY 2080/81, but for FY 2081/82, the buffer shall be 0% starting from Shrawan 2081.
- A new provision has been introduced in Schedule 1.1 of the Capital Adequacy Framework 2015, under point (viii) of section 2.1(II). This provision allows banks to include accrued interest receivable on pass loans and interest capitalized in the regulatory reserve as part of Tier 2 Capital for the calculation of Capital Adequacy, unless otherwise specified.
- A new provision has been added to Schedule 1.1 of the Capital Adequacy Framework 2007, under point (g) of section 2. It states that banks can now include accrued interest receivable on pass loans and interest capitalized in the regulatory reserve as part of Tier 2 Capital for the purpose of calculating Capital Adequacy, unless specified otherwise.
- The existing limit of NRs.1 crore for loans for the purpose of calculating minimum 15% threshold for micro, cottage, small and medium enterprises has been increased to NRs. 2 crore.

To view full notice please [click here](#).

### Amendment in Directives of Microfinance

- Microfinance companies can restructure loans for borrowers who are unable to repay due to unforeseen circumstances, excluding those who are intentionally defaulting. Restructuring or rescheduling must be completed by Poush 2081 and the repayment period can be extended up to additional 3 years.
- Loan loss provision @ 5% should be provided for such restructured/rescheduled loans except for loans categorized as non-performing immediately before such restructuring/rescheduling in which case existing loan loss provision should be maintained. Such existing loan loss provision cannot be adjusted unless such loan has been regular for one consecutive year.
- In case of restructured or rescheduled loans falling under performing category, such loans can be classified as pass loans and adjustment in the loan loss provision can only be made after six consecutive months of regular installment payments.
- Microfinance Entity should recommend Credit Information Centre for removal of blacklist status of a borrower previously blacklisted for non-payment of loan or facility amounts in case they have fully repaid the principal and interest of such loan and facility amounts. Additionally, the entity should recommend Credit Information Centre for removal of blacklist status of borrowers whose loan has been rescheduled or restructured as per the Directive.

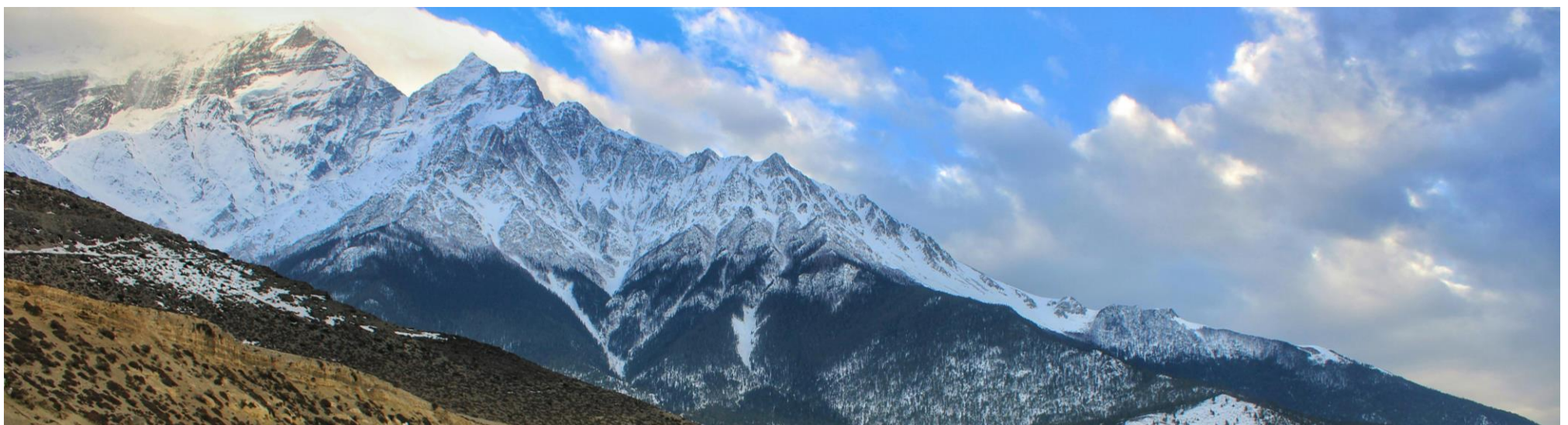
To view full notice please [click here](#).

### Issue of “Nepal Rastra Bank Swap Transaction Byelaw, 2081”

Nepal Rastra Bank has issued byelaw to regulate and monitor swap transactions in Nepal, as authorized by Section 12 of the Foreign Exchange (Regulation) Act 2019. To view full notice please [click here](#).

### Amendment in Directives 2080 issued for Infrastructure Bank

Previously, banks were required to maintain a 0.5% countercyclical buffer by the end of FY 2080/81, but for FY 2081/82, the buffer will remain at 0% with effect from Shrawan 2081. To view full notice please [click here](#).



## Notice issued by IRD

### Notice by IRD on Format of VAT Invoice

All VAT-registered persons must issue VAT invoices in the formats specified in Schedules 5, 5Ka, and 6 of the VAT Rules, 2053, regardless of whether the goods or services are taxable or non-taxable. Invoice issued through computer billing do not require prior approval from the Internal Revenue Department (IRD).

The first four digits of the Harmonized System (HS) code are mandatory on all invoices. However, while all traders dealing in imported goods must include the HS code on their invoices, local producers are not required to do so. Even if the goods were imported before the notice was issued, the HS code must be included on invoices for their sale. To view full notice please [click here](#).

### Digital Service Tax Guidelines 2081

The Inland Revenue Department (IRD) has issued guidelines concerning the Digital Service Tax, which is to be paid by Non-Resident Persons on the supply of digital services in Nepal, in accordance with Section 16 of the Income Tax Act, 2081. To view full notice please [click here](#).

### Guidelines on VAT implication on Digital Services by Non-Resident Person

The Inland Revenue Department (IRD) has issued guidelines concerning the VAT implication on Digital Service which is to be paid by Non-Resident Persons on the supply of digital services in Nepal, in accordance with Section 10kha1, section 18 subsection (1Kha) and section 19 subsection(7kha) of VAT Act 2052. To view full notice please [click here](#).

### Guidelines on Foreign Tourism Fee 2081

The Inland Revenue Department (IRD) has issued guidelines to ensure the smooth and effective operation of procedures for the payment of foreign tourism fees in accordance with Section 20(7) of the Finance Act, 2081. To view full notice please [click here](#).

### Guidelines on VAT on Offline Airway Services provided by Non-Resident Airlines Company

The Inland Revenue Department (IRD) has issued guidelines to ensure the smooth and effective payment of VAT on offline airline services provided by non-resident airline companies, in accordance with Section 10Kha1, Section 18(1kha), and Section 19(7) of the VAT Act, 2052. To view full notice please [click here](#)

### Guidelines on Luxury fees

The Inland Revenue Department (IRD) has issued guidelines to simplify and ensure the effective payment of luxury fees applicable to five-star and above hotels and resorts, imported alcohol, and gold jewelry valued at over ten lakh rupees, or gold jewelry adorned with diamonds, pearls, and stones, in accordance with Subsection 7 of Section 17 of the Finance Act, 2081. To view full notice [please click here](#).

## Notice issued by ICAN

### Notice on Change in applicable date of NFRS 17: Insurance Contracts

The Institute of Chartered Accountants of Nepal (ICAN) has announced a revised timeline for implementing NFRS 17: Insurance Contracts. Initially, the Board had decided during its 253rd meeting on Ashad 17, 2078, to mandate the application of NFRS 17 from the fiscal year 2080/81. However, after receiving a request from the Nepal Insurance Authority to postpone the implementation, the Board, in its 333rd meeting, agreed to defer the mandatory adoption. The new implementation date is now set for 1st Shrawan 2082, (Fiscal year 2082/83). To view full notice please [click here](#).

### Notice on Carve-Outs for NPOs

In response to implementation challenges associated with the NAS for NPOs 2018, the 162nd Meeting of the Accounting Standards Board held on July 11, 2024, has introduced carve-outs for Sections 6 and 15.2. These adjustments offer alternative approaches for addressing issues related to the Fund Accountability Statement, the Statement of Budget Variance, and the Fair Value of Investment Property, thereby simplifying compliance for Non-Profit Organizations (NPOs).

Under this alternative treatment, entities are no longer mandated to prepare the Fund Accountability Statement or the Statement of Budget Variance as outlined in Section 6, "Financial System." Furthermore, Section 15.2, "Investments," permits entities to choose whether or not to disclose the Fair Value of Investment Property. To view full notice please [click here](#).

### Notice on Carve-Outs for SMEs

The 162nd Meeting of the Accounting Standards Board, held on July 11, 2024, introduced carve-outs to Section 25 of the Nepal Financial Reporting Standards (NFRS) for Small and Medium-sized Enterprises (SMEs) 2017. These modifications aim to address concerns regarding the fairness of financial statements in light of borrowing costs.

Under this alternative treatment, entities have the option to capitalize borrowing costs. If an entity decides not to capitalize these costs, it is only required to disclose the total interest expense (using the effective interest method) for financial liabilities not measured at fair value through profit or loss. No further disclosures are necessary. To view full notice please [click here](#).

### Notice on Publication of Exposure Draft on NSA for Less Complex Entities

Following the International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE) issued by the International Auditing and Assurance Standards Board (IAASB), the Auditing Standards Board (AuSB) of Nepal has developed an exposure draft for a new standard: "Nepal Standard on Auditing for Audits of Financial Statements of Less Complex Entities (NSA for LCE)."

This draft standard is available for public review on the AuSB website: [www.ausb.gov.np](link to website).

To view full notice please [click here](#).



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