



TRADE POLICY REVIEW

REPORT BY

NEPAL

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Nepal is attached.

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List of Abbreviations

ASCM	: Agreement on Subsidies and Countervailing Measures
ASYCUDA	: Automated System for Customs Data
BBIN	: Bangladesh-Bhutan-India-Nepal
BFI	: Bank and Financial Institution
BIMSTEC	: Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BIT	: Bilateral Investment Treaties
BRI	: Belt and Road Initiative
CRMP	: Customs Reform and Modernisation Plan
CRMSAP	: Customs Reform and Modernisation Strategies and Action Plans
DFQF	: Duty-Free and Quota-Free
DFTQC	: Department of Food Technology and Quality Control
DRMS	: Domestic Revenue Mobilisation Strategy
DTAA	: Double Tax Avoidance Agreement
ECTS	: Electronic Cargo Tracking System
e-GP	: Electronic Government Procurement
ERC	: Electricity Regulatory Commission
FDI	: Foreign Direct Investment
FITTA	: Foreign Investment and Technology Transfer Act
FTA	: Free Trade Area
FY	: Fiscal Year
GDP	: Gross Domestic Product
GI	: Geographical Indication
GNI	: Gross National Income
GoN	: Government of Nepal
GSP	: Generalized System of Preferences
IBN	: Investment Board Nepal
IC	: Integrated Circuit
ICD	: Inland Container Depo
ICP	: Integrated Check Post
ICT	: Information and Communication Technology
IEC	: International Electrotechnical Commission
IP	: Intellectual Property
ISO	: International Organization for Standardization
LDCs	: Least Developed Countries
MoU	: Memorandum of Understanding
MTS	: Multilateral Trading System
MVA	: Motor Vehicle Agreement
MW	: Mega Watt
NAC	: Nepal Accreditation Centre
NAP	: National Adaptation Plan
NBSM	: Nepal Bureau of Standards and Metrology
NDC	: Nationally Determined Contribution
NNSW	: Nepal National Single Window
NPR	: Nepalese Rupees
NRB	: Nepal Rastra Bank
NTFC	: National Trade Facilitation Committee
NTIS	: Nepal Trade Integrated Strategy
NTPP	: Nepal Trade Preference Programme
ODA	: Official Development Assistance
PFM	: Public Finance Management
PPP	: Public Private Partnership
PTA	: Power Trade Agreement
RKC	: Revised Kyoto Convention
SACA	: Safeguard, Anti-Dumping and Countervailing Act
SAFTA	: South Asian Free Trade Area
SASEC	: South Asia Subregional Economic Cooperation
SDG	: Sustainable Development Goals
SEZ	: Special Economic Zone
SPS	: Sanitary and Phytosanitary
TEPC	: Trade and Economic Promotion Centre

TIFA : Trade and Investment Facilitation Agreements
TIPF : Trade and Investment Promotion Framework
TPR : Trade Policy Review
TRIPS : Trade-Related Aspects of Intellectual Property Rights
USD : United States Dollars
VAT : Value Added Tax
WTO : World Trade Organization

1 INTRODUCTION

1.1. The Third Trade Policy Review (TPR) of Nepal covers the period from 2019 (FY 2018/19) to 2025 (FY 2024/25). This country report highlights the reforms undertaken by Nepal concerning trade policies and laws, trade arrangements, institutional frameworks, and procedures governing trade and investment regime during the review period.

1.2. During the review period, Nepal achieved significant progress in post-earthquake reconstruction, particularly in housing, education, and health. The National Reconstruction Authority (NRA) and other stakeholders have successfully rebuilt infrastructure and improved the lives of those impacted by the 2015 earthquake.

1.3. The total trade-to-Gross Domestic Product (GDP) ratio stood at 34.07% in FY 2024/25, as compared to 39.28% in FY 2018/19, encompassing trade in both goods and services. Despite the adverse impacts of the COVID-19 pandemic and international geopolitical challenges, along with the disruption in global supply management, Nepal's GDP growth rate averaged 3.57%.

1.4. Nepal has embraced the vision of 'Prosperous Nepal, Happy Nepali' to achieve inclusive, broad-based, and sustainable economic growth. The Sixteenth Periodic Plan (FY 2024/25 – FY 2028/29), Trade Policy 2025, Nepal Trade Integration Strategy (NTIS), 2023, and Nepal's Least Developed Country (LDC) Graduation Smooth Transition Strategy 2024 reflect the clear policy guidelines for promoting trade and investment in the country.

1.5. Nepal's Sixteenth Periodic Plan (2024/25–2028/29) identifies trade and investment as key drivers for achieving the national goals of 'Good Governance, Social Justice, and Prosperity'. The plan seeks to strengthen the country's economic foundations by enhancing production, productivity, and competitiveness in the economy. Nepal's smooth graduation from the LDC status in November 2026 will be a significant milestone in its socio-economic development and global standing.

1.6. The sixteenth periodic plan also prioritises attracting and mobilising domestic and foreign investment, recognising the private sector as a pivotal partner in the country's development agenda. Strategic measures include improvement in the investment climate, expansion of Industrial Zones and Special Economic Zones (SEZs), and promoting green investments and sustainable development to drive economic progress while addressing the urgent challenges posed by climate change.

1.7. The Government has focused on creating a conducive environment for investment through the amendment of relevant laws, as well as policy and institutional reforms.

1.8. Technical assistance provided under the Aid for Trade Program, along with the preferential trade arrangements, has contributed to strengthening Nepal's trade capacity and expanding its market access.

2 MACROECONOMIC CONTEXT AND DEVELOPMENT PERFORMANCE

2.1 Economic Performance

2.1. Nepal's economy, measured by its GDP at current prices, expanded from NPR 3.86 trillion in FY 2018/2019 to NPR 6.10 trillion in the review period.^{1,2} During the same period, Nepal's Gross National Income (GNI) per capita is estimated to have increased from USD 1,216.29 to USD 1,517.43.

2.2. The structure of Nepal's economy has been gradually shifting towards the services sector (Table 1). The share of agriculture and industry sectors to GDP declined by 0.21 and 2.42 percentage

¹Economic Survey, 2024/25, Ministry of Finance, <https://mof.gov.np/content/1520/economic-survey-2081-82/>.

² Exchange rate of NPR to USD at the end of FY 2024.25, (USD 1 = NPR 137), Nepal Rastra Bank, <https://www.nrb.org.np/forex/>.

points, respectively. In contrast, the service sector expanded with its share of GDP rising by 2.64 percentage points to reach 62.70% of the total GDP.

2.3. Remittance inflows increased from 21.8% of GDP in FY 2017/18 to 25.3% in FY 2023/24. This upward trend continued in FY 2024/2025, with inflows reaching NPR 1,532.93 billion in the first eleven months: a year-on-year growth of 15.5%.

2.4. The COVID-19 pandemic had a severe impact on Nepal's economy, causing a substantial contraction in the national economy during the review period. However, the economy has gradually revived and thrived with the conducive government policies and targeted interventions. Recovery has been particularly notable in the services sector, especially tourism and Information and Communication Technology (ICT), along with a resurgence in remittance inflows, which has helped stabilise foreign exchange reserves.

Table 1 Selected Macroeconomic Indicators

Fiscal Year	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	In NRs billion at 2010/11 prices						
GDP in basic prices	2,339.7	2,284.3	2,394.8	2,529.7	2,579.8	2,674.4	2,797.6*
Agriculture	614.3	629.2	647.2	662.4	682.4	705.3	728.4*
Industry	331.5	318.1	340.2	376.6	381.5	381.9	399.2*
Services	1,163.5	1,110.8	1,163.1	1,225.0	1,251.8	1,306.3	1,361.2*
GDP growth rates (%)	6.7	(2.4)	4.8	5.6	2.0	3.7	4.6*

* Estimated.

Source: Government of Nepal, Ministry of Finance (Economic Survey, 2024/25), Nepal Rastra Bank (Current Macroeconomic and Financial Situation), National Statistics Office, National Account of FY 2024/2025.

2.2 Fiscal Policy

2.5. During the review period, Nepal's fiscal policy emphasised increasing public expenditure and investment, fostering entrepreneurship, and promoting the use of modern technology. It also prioritised the promotion of industries and investment, alongside the effective management of public finance. These measures contributed to creating a more enabling environment for investment in infrastructure, connectivity, and trade logistics, while supporting institutional reforms aimed at enhancing trade facilitation.

2.6. Nepal maintains a competitive corporate tax regime, with rates largely unchanged during the review period. The normal corporate tax rate remained at 25% with a preferential rate of 20% for priority sectors such as energy, transport infrastructure, and the manufacturing industry. The government has implemented a digital tax administration system along with the expansion of the tax base with a view to improving tax compliance and revenue performance in the country.

2.7. The government has abolished the provision of paying advance income tax at the customs point, reduced customs duties on electric vehicles, and removed Value-Added Tax (VAT) on clearinghouse services to promote digital transactions. Additionally, all duties and taxes have been exempted for five years on the importation of machinery, equipment, plants, and other accessories used in the production of green hydrogen.

2.8. The Government has also introduced the Domestic Revenue Mobilisation Strategy (DRMS) for the fiscal years 2024/2025 to 2028/2029. The strategy aims to enhance economic efficiency and equity, facilitate and encourage private sector investment, and ensure consistent domestic revenue mobilisation in the country. It also seeks to secure a steady tax and non-tax revenue inflow to maintain fiscal stability and manage the budget deficit.

2.3 Monetary Policy

2.9. Nepal Rastra Bank (NRB), the Central Bank of Nepal, has been entrusted to formulate and implement monetary and foreign exchange rate policies to ensure macro-economic stability while contributing to economic growth and sustainable development.

2.10. Nepal's monetary policy, by and large, continues to adopt a cautious approach that focuses on price and external stability. During the review period, monetary policy focused on controlling inflation, regulating the financial sector, and supporting post-pandemic recovery through concessional lending and refinancing measures. Nepal recently adopted an accommodative monetary policy to stimulate the private sector, supporting economic recovery and growth.

2.4 Trade and Investment Scenario

2.11. During the review period, Nepal continued to face a persistent trade deficit. Total imports increased significantly, amounting to NPR 1,804.12 billion in FY 2024/25 from NPR 1,418.56 billion of FY 2018/19.³ Correspondingly, the trade deficit widened from NPR 1,321.45 billion to NPR 1,527.09 billion over the same period. Nepal's total exports reached an exceptionally high record of NPR 277.03 billion in FY 2024/25 compared to NPR 97.11 billion in FY 2018/19.

2.12. Total services exports increased from NPR 185.74 billion of FY 2018/19 to NPR 214.66 billion in FY 2024/25 (up to mid-June 2025). Meanwhile, service imports also grew from NPR 200.10 billion to NPR 311.98 billion.⁴ Nepal became a net exporter of electricity in FY 2024/2025, which amounted to NPR 17 billion.

2.13. The manufacturing sector faced shocks, including COVID-19, resulting in a sluggish growth trend. However, the sector's value addition grew significantly from NPR 192.23 billion in fiscal year 2018/19 to NPR 267.80 billion in fiscal year 2024/25. This increase can be attributed to policy reforms for doing business.

2.14. Foreign Direct Investment (FDI) commitments in Nepal saw a significant increase, rising from NPR 25.4 billion in fiscal year 2018/19 to NPR 60.6 billion in fiscal year 2024/25. The growth was achieved following a series of investment summits and the legal as well as institutional reforms in trade and investment sectors.

3 REFORMS IN THE TRADE AND INVESTMENT REGIME

3.1 Trade

3.1. The Government formulated a new Trade Policy 2025, replacing the 2015 policy. The updated policy prioritises strengthening supply-side capacities, expanding export markets, and promoting the adoption of innovative production technologies. Key objectives include upgrading quality standards, supporting value chain development, and fostering investment in strategic infrastructure.

3.2. The Government formulated a new Trade Integrated Strategy in 2023 with the objective of improving Nepal's trade performance by enhancing the supply-side capacities, strengthening value chains, and developing modern trade-related infrastructure. The strategy sets a target of achieving an export-to-GDP ratio of 20% by FY 2028/29 and identifies 37 priority export areas, comprising 32 goods and 5 service sectors.

3.3. The National Trade Facilitation Committee (NTFC) was established in 2024 in accordance with the provisions of the WTO Trade Facilitation Agreement. The NTFC is chaired by the Minister of Industry, Commerce, and Supplies and includes representative members from both the key public and private sectors.

3.4. The Government enacted the Trade Logistics Policy, 2023 to bolster logistics infrastructure, logistics supply chains, and governance.

3.5. Recognising the importance of e-commerce and digital trade, Nepal enacted its first E-Commerce Act in 2025, establishing a comprehensive regulatory framework. In addition, the government has submitted the Export and Import (Regulation) Bill, 2025, to the parliament to

³Nepal Foreign Trade Statistics FY 2024/25, Trade and Export Promotion Centre, https://tepc.gov.np/news_events/full_story/nepali-post-52.

⁴ Current Macroeconomic and Financial Situation-Tables (Based on Eleven Months Data of 2024/25), Nepal Rastra Bank, <https://www.nrb.org.np/red/current-macroeconomic-and-financial-situation-tables-based-on-eleven-months-data-of-2024-25/>.

streamline trade procedures, clarify regulatory roles and responsibilities, and institutionalise the best practices in trade facilitation.

3.6. Nepal's Consumer Protection Act, 2018, provides a legal framework to safeguard consumer rights, thereby enhancing consumer confidence and supporting trade and foreign direct investment. The Act prohibits unfair trade and business practices and guarantees consumers' right to quality goods and services at competitive prices. A dedicated Consumer Court was established in March 2025 to adjudicate consumer rights cases.

3.7. The Safeguards, Anti-Dumping and Countervailing Act, 2019 aims to protect domestic industries from material injury or threat of serious material injury caused by unanticipated and unusual surge in import of foreign goods or import of goods at a price lower than normal value or import of subsidized goods into Nepal.

3.2 Trade Facilitation and Customs Administration

3.8. During the review period, Nepal achieved substantial progress in customs reforms aimed at facilitating trade and aligning procedures with international standards. Building upon the Customs Reform and Modernisation Strategies and Action Plans (CRMSAP), the government continued to implement the Sixth Customs Reform and Modernisation Plan (CRMP) covering FY 2021/22 to FY 2025/26. This plan aligns with Nepal's commitment under the Revised Kyoto Convention and the WTO Trade Facilitation Agreement.

3.9. Nepal has been gradually adopting a paperless trade system through the implementation of the Automated System for Customs Data (ASYCUDA) World and Nepal National Single Window (NNSW) system. ASYCUDA World is now operational in all customs offices, with multiple modules introduced, including e-payment, Laboratory services, deposit/seizure management, and Valuation. The NNSW, operational since 2021, streamlines import and export procedures, with 48 agencies participating in the implementation of the Licenses, Permits, Certificates, and Other Document module.

3.10. The Government has been enhancing customs practices through key initiatives such as the implementation of a risk-based selectivity module using green, yellow, and red channels. The Client Services Desk at the Department of Customs and customs offices at the border have further improved stakeholder engagement, promoting efficient, transparent, and reliable customs services.

3.11. During the review period, the Customs Tariff Act, 2024, and the Customs Tariff Regulation, 2024, were enacted to reform Nepal's customs and trade regulation framework to address gaps in trade, taxation, and cross-border transactions. An Advance Ruling Mechanism, adopted in 2020, provides the classification of goods (tariff headings) and helps in determining their origin.

3.12. The Customs Act, 2007, and the Customs Regulation, 2007, remain the primary legal frameworks governing customs administration in Nepal. The Government has submitted a new customs bill to the Parliament, which incorporates provisions aligned with the Revised Kyoto Convention and the WTO Trade Facilitation Agreement.

3.3 Trade Logistics and Infrastructures

3.13. Nepal has actively advanced soft, hard, and logistical trade facilitation measures during the review period. It has operationalised and expanded the Integrated Check Posts (ICPs) at major border crossings with India, including Biratnagar, Birgunj, and Nepalgunj, which became fully functional during this period, while construction of the ICP at Bhairawa is nearing completion. The Government has also expanded and modernised Inland Container Depots (ICDs) at strategic locations, including Chobar and Tatopani (bordering China). A new ICD is under construction in Timure, while the Birgunj and Biratnagar ICDs have established railway connectivity to Indian seaports. Additionally, an Electronic Cargo Tracking System (ECTS) has been introduced in rail cargo movement to streamline trade and transit between Nepal and India.

3.14. Several major road projects crucial for trade, including the construction of a fast-track highway linking Nijgadh with Kathmandu, have been achieving significant progress. Key routes such as Jogbani-Dharan, Kohalpur-Nepalgunj, Bhairahawa-Butwal, and Narayanghat-Mungling have also

been upgraded. Nepal has been connected to the Asian Highway network, which has a significant contribution in facilitating regional trade. Development of inland waterways has also been identified as a strategic national priority.

3.15. The Government has accorded high priority to the construction of road networks connecting the local body centres to improve rural and urban accessibility. Nepal continues to advance its road infrastructure by launching, upgrading, and expanding projects such as the Kathmandu-Terai/Madhesh Expressway, Pushpalal Mid-Hill Highway, Asian Highway, Madanbhandari Highway, and strategic north-south corridors, including Koshi, Kaligandaki, and Karnali corridors, which strengthens connectivity with neighbouring countries.

3.4 Sanitary and Phytosanitary (SPS) Measures

3.16. During the review period, significant achievements have been made in SPS measures, including improvements in legal frameworks, institutional capacities, and quality infrastructure aligned with international standards.

3.17. The new Food Safety and Quality Act, 2024 has a provision of scientific food standards to ensure quality controls, facilitate food import/export certification, develop Codex-aligned inspection protocols, and traceability systems in compliance with international and regional standards.

3.18. The Plant Quarantine and Protection Act, 2024 has a provision of issuing the import/export permits contingent on valid phytosanitary certificates and granting regulatory authority to conduct pest risk analysis.

3.19. The National Animal Health Policy, 2022 seeks to develop a modern and technology-based animal health system across all tiers of government that provides access to quality and credible animal health services and ensures support of hygienic and healthy animal products for domestic consumption as well as export to other countries.

3.20. The Seed Act, originally enacted in 1988 to maintain high-quality seed standards, was amended in 2022 with provisions to strengthen farmer rights, reinforce control over lab accreditation, and refine seed trade regulations to ensure consistent and reliable seed quality.

3.21. The National Food Safety Policy, 2019, aims to protect consumers through systematised hygiene protocols and quality controls; harmonise domestic regulations with international benchmarks; raise public awareness; strengthen surveillance of foodborne illnesses; bolster trade through dependable standards; and institutionalise research and education capacity.

3.22. The Pesticide Management Act, 2019, replacing the Pesticide Act 1991, emphasises safe pesticide trade to protect public health and the environment. It regulates the registration, trade, use, and disposal of pesticides, along with the licensing mechanism for pesticide operators, and bans harmful pesticides in line with the Rotterdam Convention and WHO guidelines.

3.23. The National Food and Feed Reference Laboratory of the Department of Food Technology and Quality Control has expanded its accreditation from 39 food parameter tests in 2018 to 814 parameters in 2025, certified by the National Board for Testing and Calibration Laboratories.

3.24. With the endorsement of Zoning and Compartmentalisation Directives, 2022, Nepal has declared specific municipalities of Illam, Makwanpur, and Sindhuli as Foot and Mouth Disease Free Zones, promoting meat and dairy exports to international markets.

3.25. During this period, a new quarantine office was established at Pokhara International Airport (Pokhara) and three new checkpoints were inaugurated at Gautam Buddha International Airport (Rupandehi), Trinagar (Kailai), and Suthauli (Kapilvastu).

3.26. The Government has prioritised investments to strengthen technical capacities, upgrading concerned laboratories with a goal toward achieving international accreditation.

3.5 Technical Regulations and Standards

3.27. During the review period, the Accreditation Act, 2022, was enacted to provide a legal framework for a national accreditation system, leading to the establishment of the Nepal Accreditation Center (NAC) in 2024. The NAC is mandated to accredit conformity assessment bodies.

3.28. Furthermore, 245 additional national standards were developed and adopted, aligned with international standards such as the International Organisation for Standardisation (ISO) and the International Electrotechnical Commission (IEC), to facilitate international trade.

3.29. The Standards Weights and Measures Act, 1969, was amended twice in 2019 and in 2022 to strengthen the country's metrological infrastructure.

3.6 Industry and Investment

3.30. Nepal has been creating a more conducive investment environment through the formulation of and amendments to the key laws and policies, alongside institutional reforms to enhance the ease of doing business. These reforms have simplified doing business procedures and significantly reduced the time and cost associated with business registration, investment approval, and repatriation of foreign direct investment.

3.31. During the review period, Nepal initiated several key legislative reforms to enhance the doing business environment. The Foreign Investment and Technology Transfer Act (FITTA) of 2019 replaced the earlier 1992 Act. Similarly, the Industrial Enterprises Act, 2020 superseded the Industrial Enterprises Act, 2016. In addition, the Public-Private Partnership and Investment Act, 2019 replaced both the Private Investment in Construction of Infrastructure Act, 2006, and the Investment Board Act, 2010.

3.32. The Act to Amend Some Nepal Acts Relating to Investment Facilitation, 2024, brought in amendments to several laws, including the Land Act, 1964; National Parks and Wildlife Conservation Act, 1973; Special Economic Zone Act, 2016; Public-Private Partnership and Investment Act, 2019; Foreign Investment and Technology Transfer Act, 2019; Forest Act, 2019 and Industrial Enterprises Act, 2020.

3.33. A notable policy change under this amendment is the reduction of the FDI threshold from NPR 50 million to NPR 20 million, including the removal of the minimum threshold required for Information Technology sector projects processed through an automatic route. An online automatic route is now available for the application and approval of FDI projects with less than NPR 500 million investment in seven specific sectors (Energy, Agriculture and forest products, Infrastructure, Tourism, Information Technology, Services, and Manufacturing).

3.34. In 2025, the Government of Nepal, in consultation with the private sector and stakeholders, made amendments to 11 key Acts primarily aimed at improving the doing business environment and promoting investment in the country. The amended Acts include the Foreign Exchange (Regulation) Act, 1962; Revenue Tribunal Act, 1974; Black Market and Some Other Social Offences and Punishment Act, 1975; Revenue Leakage (Investigation and Control) Act, 1995; Arbitration Act, 1999; Company Act, 2006; Special Economic Zones Act, 2016; Banks and Financial Institutions Act, 2017; Foreign Investment and Technology Transfer Act, 2019; Public-Private Partnership and Investment Act, 2019 and Industrial Enterprises Act, 2020.

3.35. Notably, the 2025 amendment to the Foreign Investment and Technology Transfer Act, 2019, has entrusted the Department of Industry with the responsibility of approving all foreign direct investments, regardless of capital or investment size. The One Stop Service Center has been established under the Department of Industry, providing investors with a unified platform for expedited, one-stop approvals.

3.36. Under the Public-Private Partnership and Investment Act, 2019, the Investment Board Nepal (IBN) serves as a one-stop service center for large-scale investments and public-private partnerships.

3.37. During the review period, Nepal hosted three Investment Summits (in 2019, 2022, and 2024), focusing on key sectors such as hydropower, tourism, agriculture, and ICT.

3.38. The Government has offered several incentives, including tax holidays, customs duty exemptions, and simplified land acquisition procedures, to attract foreign investors. The foreign investors are permitted to hold one hundred percent ownership in most of the economic sectors, with streamlined processes for profit repatriation and visa facilitation. To this end, the government entered into more Double Taxation Avoidance Agreements (DTAAs), Trade and Investment Facilitation Agreements (TIFAs), and Bilateral Investment Treaties (BITs).

3.39. Nepal received a sovereign credit rating for the first time during the review period. Fitch assigned a rating of 'BB-' with a stable outlook, reflecting the country's improving economic prospects and structural reforms.

3.7 Intellectual Property Rights

3.40. Nepal has made significant progress in modernising its Intellectual Property (IP) system. A new Industrial Property Bill is currently under parliamentary consideration. The Bill aligns with the WTO Agreement on Trade Related Aspects of Intellectual Property Rights and provides comprehensive coverage for patents, trademarks, industrial designs, utility models, Integrated Circuit (IC) design, Geographical Indications (GI), traditional knowledge, ICs, and trade secrets. The Bill includes a provision to establish an IP office aimed at strengthening enforcement mechanisms under Part III of the TRIPS Agreement.

3.41. The Bill also has a provision for a National Intellectual Property Council to oversee the formulation and implementation of IP policies. The council includes representatives from government, civil society, and expert groups.

4 REFORM INITIATIVES ACROSS KEY SECTORS

4.1 Key sectors

4.1. Nepal is advancing in key sectors such as energy, mineral resources, labor, tourism, ICT, financial services, and public finance management through targeted policies, strategic investments, and reforms to boost productivity, attract investment, foster innovation, and enhance competitiveness, while ensuring sustainability and broad-based economic growth.

4.2 Energy

4.2. The Government has recently commenced implementation of the Energy Development Roadmap 2024, aimed at creating a more investment-friendly environment by simplifying procedures and offering flexible investment models to the private sector. Hydroelectricity remains the key priority sector for private investment. Alongside the growing hydropower generation, building and upgrading power transmission lines and the expansion of distribution networks have been prioritized.

4.3. Nepal officially ended power cuts in 2017, laying the groundwork for the government's ambitious agenda to ensure clean, reliable, and affordable energy for all citizens and industries.

4.4. The Electricity Regulatory Commission (ERC) oversees the regulation of the electricity sector, including tariff setting and ensuring fair competition. The Water Resources Policy, 2020, provides a national framework for the sustainable management, development, and utilisation of Nepal's abundant water resources. Similarly, the Green Hydrogen Policy, 2024 promotes the production, storage, and utilization of green hydrogen as a clean energy source.

4.5. Cross-border electricity connectivity has been prioritized for both short-term domestic needs and the long-term export ambitions of Nepal. The Dhalkebar–Muzaffarpur high-voltage line to India is operational, while the 400 kV Butwal–Gorakhpur line is under construction. Nepal has entered into a major cross-border transmission agreement with India to build two 400 kV lines, Inaruwa–New Purnia and Dododhara–Bareilly. Likewise, to enhance connectivity with China, Nepal concluded a

cooperation agreement with the State Grid Corporation of China in June 2018 to carry out a feasibility study for a 400 kV Kerung-Rasuwadghi- Galchhi-Ratamate transmission line.

4.3 Mines and Mineral Resources

4.6. Nepal possesses significant potential in mineral resources that include metallic and non-metallic minerals, as well as construction materials and dimension stones, which have been increasingly attractive for private sector investment. Nepal has achieved self-reliance in cement production and has started exporting to the neighbouring countries.

4.7. The Government has recently completed a preliminary study on petroleum exploration in Jaljale, Dailekh district, identifying an estimated reserve of 112.1 billion cubic meters of high-quality natural gas (methane), with additional potential in adjacent areas. Similarly, studies have shown the possibility of petroleum resources in Dang, Palpa, and Sunsari districts of Nepal.

4.4 Labour

4.8. The government has introduced a series of labor-related legislative reforms aimed at creating a more dynamic, flexible, and investment-friendly labor market to foster industrial harmony. Labor Regulations, 2018, and Contributions-Based Social Security Regulations, 2018 were formulated to streamline employer-employee relations and establish more effective mechanisms for resolving labor disputes. Building on the provisions of the Labor Act, 2017, the Government revised and upgraded the minimum wage in the FY 2024/2025.

4.9. National Occupational Safety and Health Policy, 2019 has been formulated to ensure a safe and conducive work environment, adopting Occupational Safety and Health standards and other measures.

4.5 Tourism

4.10. The National Tourism Strategy (2016–2025) has been implemented for the promotion of sustainable tourism in the country. Nepal launched "Tourism Decade 2023-2032" to attract 3.5 million tourists (excluding Indian and overland visitors) and generate over one million jobs in the tourism sector.

4.11. The Government has introduced Tourism Policy, 2025, focusing on sustainability and diversification of the tourism industry, which would contribute to broad-based economic growth in growth. Similarly, a new Casino Regulation, 2025 has been formulated to inject new momentum into the sector by streamlining approval processes of the casino industry and enhancing operational standards.

4.6 Information and Communication Technology

4.12. The Government has intensified efforts to attract investment in the ICT sector, recognising its role in improving public service delivery, fostering digital inclusion, and boosting exports of IT-enabled services. Further liberalisation has been pursued through key legislative and policy measures, including the Telecommunication Services Radio Frequency (Allocation and Pricing) Policy, 2023, the National Cyber Security Policy, 2023, the Public Service Broadcasting Act, 2024, and the Security Printing Act, 2024.

4.13. Guided by the National Broadband Policy and the ICT Policy, major initiatives focused on expanding nationwide broadband connectivity have been taken, with the National Optical Fiber Network extending coverage to both rural and urban areas. The launch of the Digital Nepal Framework, 2019, has provided a comprehensive blueprint, integrating digital priorities across eight sectors. In 2023/24, the telecommunications sector (including information and communication) accounted for 1.9% of GDP. Mobile broadband coverage reached 90.86%, fixed broadband reached 48.6% of the population, and mobile penetration is expected to exceed 100% by 2025.

4.14. The Government is formulating the Digital Nepal Framework 2.0 with the primary objective of bringing in socio-economic transformation through digital technologies.

4.7 Financial Services, Banking, and Insurance

4.15. The Bank and Financial Institutions (BFIs) sector remains a key driver of Nepal's service-led economic growth. The financial ecosystem has continued to diversify, with 20 commercial banks, including several joint ventures with foreign stakeholders. The actively expanding insurance sector is increasing coverage and competition in the country's insurance business. Nepal Rastra Bank has maintained capital adequacy requirements in line with the international standards. Foreign banks are doing well, leveraging enabling policy provisions for branch and representative offices to enhance competitiveness and product innovation.

4.16. The credit-to-GDP ratio increased sharply to 91.2% in FY 2023/24, although credit growth moderated in recent years due to cautious lending, subdued private sector demand, and NRB's measures to control inflation and safeguard financial stability. Non-Performing Loan ratios increased modestly, prompting stricter provisioning requirements and intensified regulatory oversight.

4.17. Branch and digital outreach expanded significantly, with the number of BFI branches surpassing 11,519 by mid-June 2025. Mobile and internet banking users reached over 27.5 million and 2.7 million, respectively. NRB and government initiatives have ensured at least one bank branch at each local level, reducing the average population per branch to 2,532 by mid-June 2025, reflecting deepening access to banking services.

4.18. During the review period, digital payment transactions have significantly increased along with the growth in mobile banking, e-wallets, and QR code-based payments.

4.19. The Government has also advanced measures to introduce private equity, venture capital, and blended finance instruments into Nepal's capital markets, while undertaking sovereign credit rating assessments. Regulatory reforms have focused on strengthening corporate governance, channeling credit to productive sectors, and implementing risk-based supervision.

4.8 Public Finance Management

4.20. Nepal has a well-established Public Finance Management (PFM) system, supported by a robust legislative and institutional framework that promotes transparency, accountability, and efficiency.

4.21. The Government of Nepal has advanced digitalisation of PFM services through ICT-based systems. Revenue administration processes are fully digitalised, and most government treasury payments are executed electronically. Consequently, real-time data on government receipts and payments is publicly accessible.

4.22. The e-Government Procurement (e-GP) system has been fully institutionalised, simplifying procedures, reducing transaction costs, and strengthening efficiency, accountability, and transparency.

5 BILATERAL AND REGIONAL TRADING ARRANGEMENTS

5.1 Bilateral Trade

5.1. Nepal has been actively engaged with its major trade partners and transit-providing countries through bilateral and regional arrangements.

5.2. The Treaty of Trade with India was automatically renewed for an additional seven years in 2023. Both parties had agreed in 2018 to undertake a comprehensive review of the Treaty of Trade, and preparatory work has already been commenced.

5.3. The Treaty of Transit between Nepal and India was revised in 2023.

5.4. Bilateral mechanisms remain active in reviewing trade, transit, and economic relations, as well as in addressing emerging issues and challenges. Given Nepal's substantial trade deficit with India, a comprehensive review and revision of the existing trade treaty is considered essential to address this imbalance.

5.5. With China, Nepal signed the Agreement on Transit Transport in 2016, followed by the signing of its implementation protocol in 2019. The two countries have also agreed to review the existing 1982 Trade and Payment Agreement.

5.6. Nepal has been actively engaged with Bangladesh through regular meetings to address trade and transit-related matters. Both sides have initiated necessary groundworks for a Preferential Trade Agreement (PTA) to harness mutual benefits.

5.7. In 2024, Nepal, India, and Bangladesh signed a historic tripartite power agreement, enabling Nepal to export 40 megawatts (MW) of electricity to Bangladesh via Indian transmission lines.

5.8. Nepal and the United States have continued to engage through periodic Trade and Investment Framework Agreement (TIFA) Council meetings. As the Nepal Trade Preference Programme (NTPP) covers the period until December 2025, the program requires further extension and expansion of product coverage.

5.9. During the review period, Nepal also concluded two additional TIFAs with Cambodia and Australia and a Trade and Investment Promotion Framework (TIPF) agreement with the Republic of Korea.

5.10. As Nepal is scheduled to graduate from its LDC status in 2026, securing the continuation of facilities such as Duty-Free Quota-Free (DFQF) market access and other preferential arrangements from partner countries is extremely important for a few additional years after graduation, ensuring a smooth, sustainable, and irreversible graduation.

5.11. Progress was also made in operationalising additional trade transit points and diversifying transit facilities via the Chinese and Bangladeshi corridors. Cross-border transportation initiatives under the Bangladesh-Bhutan-India-Nepal (BBIN) framework and the Motor Vehicles Agreement have been pursued to facilitate the movement of goods and people, thereby enhancing regional economic integration. Engagement under the Belt and Road Initiative (BRI) is also expected to create new opportunities for trade and connectivity.

5.2 Regional Trade Arrangements

5.12. As a member of the South Asian Free Trade Area (SAFTA), Nepal provides preferential tariffs to member countries for their exports. Nepal has emphasised improving trade facilitation and connectivity among the members to harness the potential of regional economic integration.

5.13. Nepal has also deepened its engagement in the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), a bridge between South Asian and Southeast Asian economies. Nepal remains fully committed to the BIMSTEC Free Trade Area (FTA) and has been contributing to the finalisation of its constituent agreements.

5.14. Nepal is working closely with member states of the Bangladesh-Bhutan-India-Nepal Motor Vehicles Agreement (BBIN-MVA) to advance its implementation. Nepal participates proactively in the South Asia Subregional Economic Cooperation (SASEC) programme to improve cross-border connectivity, transport and trade facilitation, and energy links.

6 NEPAL AND THE WTO

6.1. Nepal joined the World Trade Organization in 2004 through accession, becoming the first acceding Least Developed Country member of the WTO. Nepal supports open, transparent, inclusive and rule based multilateral trading system and advocates for reforms in multilateral trading system in order to address the global trade challenges.

6.2. Accession to the WTO entails balancing rights and obligations that extend well beyond the point of entry. In this context, Nepal has taken several policy measures to fulfill its WTO commitments. It was among the first LDCs to ratify the WTO Trade Facilitation Agreement in 2017, committing to a broad range of trade facilitation reforms. More recently, Nepal ratified the WTO Agreement on Fisheries Subsidies on 4th August 2025, underscoring its strong commitment to the multilateral trading system and global initiatives supporting the Sustainable Development Goals.

6.3. Nepal has consistently notified policy measures affecting international trade and participated in the Trade Policy Review mechanism. Its first two reviews were conducted in 2012 and 2018, with the third scheduled for November 2025. All required notifications have been submitted to the WTO Secretariat in a timely manner, in line with the obligations of the WTO agreements.

6.4. Nepal's priorities in the multilateral trading system remain focused on the conclusion of the Doha Development Agenda and the effective implementation of WTO decisions in favour of LDCs, particularly the full and effective implementation of the decision on DFQF market access, services waiver, rules of origin, implementation of Article 66.2 of the TRIPS agreement, and the clarification of the provisions of Annex VII of the Agreement on Subsidies and Countervailing Measures (ASCM) particularly in favour of the graduated countries from the LDC status.

6.5. As an acceded member, Nepal has a higher level of obligations and commitments compared to the founding members, which has limited its policy space for adopting certain trade measures.

6.6. However, accession is yet to create a favorable trade outlook. Over the past two decades, the country's export-import ratio for goods declined sharply from 1:2.5 in 2004/05 to 1:15.3 in 2017/18, with modest improvement to 1:10 in 2023/24. The persistent and widening trade deficit remains a critical concern, highlighting the need for substantial delivery of international support measures.

7 LDC GRADUATION

7.1. Nepal's scheduled graduation from the LDC category in 2026 marks a significant milestone in its socio-economic development.

7.2. However, Nepal is the only LDC to graduate without meeting the GNI per capita criterion. In preparation, the government has formulated the Smooth Transition Strategy built on six strategic pillars: macroeconomic stability, trade and investment, economic transformation, productive capacity, climate change and disaster risk management, and social inclusion.

7.3. This comprehensive framework seeks to mitigate potential risks such as loss of concessional financing, reduced development assistance, and diminished preferential market access, while capitalising on opportunities to diversify exports, attract foreign investment, and enhance institutional capacity.

7.4. In 2025, the government has also adopted a Strategic Plan for the trade sector to support sustainable graduation. The plan focuses on expanding global market access for goods and services, improving productive capacity and export competitiveness, and upgrading trade infrastructure and logistics. It places particular emphasis on developing trade in services and digital trade, as well as pursuing pragmatic economic diplomacy to attract FDI, promote exports, and integrate into global value chains.

7.5. Nepal welcomes the decision of the General Council Decision of 23 October 2023 on duty-free and quota free (DFQF) preference programmes, which encourages to provide a smooth and sustainable transition period for withdrawal of such preferences after the entry into force of a decision of the UN General Assembly to graduate a country from the LDC category. Nepal also welcomes the decisions of the Thirteenth WTO Ministerial Conference (2024), which allow continued access to special dispute settlement procedures, LDC-specific technical assistance, and capacity building support for three years after graduation.

7.6. Nepal is of the view that a member that graduates from the LDC status shall continue to receive certain TRIPS Agreement benefits for a period of six years after their graduation date, or until the end of the final extension of the LDC transition period, whichever is earlier. This includes the benefits outlined in Article 66.1 of the TRIPS Agreement, Decision IP/C/88, and Articles 70.8 and 70.9, as defined in Decision WT/L/971.

7.7. Nepal calls upon the international community to extend critical LDC-specific support measures such as duty-free and quota-free market access, special and differential treatment, preferential rules of origin, trade waivers, Aid for Trade, and targeted technical assistance to ensure a smooth, sustainable, and irreversible graduation from the LDC category.

8 CHALLENGES, OPPORTUNITIES, AND THE WAY FORWARD

8.1 Challenges

8.1. Nepal continues to face multiple challenges while participating in international trade, especially at the front of exports. Major constraints include weak trade infrastructure, inadequate quality standards, insufficient connectivity, low productive capacity, limited trade diversification, slow adoption of new technology, heavy dependency on imported raw materials and fuels, and weak value chain integrations into regional and global value chains.

8.2. Furthermore, complex rules of origin, stringent standards, and non-tariff barriers to trade in destination markets further hinder export growth.

8.3. Despite recent policy and legal reforms, benefiting from e-commerce and the digital economy remains a challenge due to limited human and institutional capacity and inadequate digital infrastructure.

8.4. Nepal urges the WTO members, especially those with substantial food exports, to refrain from imposing restrictions on exports to the LDCs and the net food importing developing countries. Nepal also advocates for a balanced outcomes in international agricultural trade negotiations, prioritizing both food security and fair trade practices.

8.5. Nepal is highly vulnerable to climate-change-induced natural disasters, which pose a serious risk to progress toward achieving Sustainable Development Goals (SDGs), including the eradication of poverty and hunger.

8.6. The country faces significant financing gaps in meeting its SDG targets, requiring an average annual investment of USD 23 billion through 2030. The composition of Official Development Assistance (ODA) has shifted toward concessional loans, while grants are decreasing annually. In line with the Doha Programme of Action for Least Developed Countries and the 4th International Conference on Financing for Development, Nepal calls upon its international development partners to maintain and adapt their support to meet the country's post-graduation financing needs, ensuring that concessional and non-concessional resources are not reduced abruptly.

8.2 Opportunities and the Way Forward

8.7. Nepal has made substantial progress in implementing federalism and consolidating democracy following the conclusion of the peace process and the adoption of the 2015 constitution and subsequent general elections. This progress includes the institutionalization of peace and stability, along with the implementation of national policies promoting inclusive, broad-based economic development creating conducive environment for comprehensive economic reforms.

8.8. Nepal's recent advancements in trade and investment policies have strengthened its position as an attractive destination for foreign trade and investment. The Sixteenth Periodic Plan aligns with the SDGs and is embedded in government policy frameworks that emphasise innovation, enhanced trade, and increased investment.

8.9. Nepal's economic resilience has been marked by steady GDP growth, controlled inflation, and prudent fiscal management, all of which have fostered a positive investment climate. These stable macroeconomic fundamentals have created a foundation for expanding trade opportunities and attracting both domestic and foreign investment.

8.10. Economic transformation remains a priority to achieve sustainable and inclusive growth. Structural shifts from agriculture toward industry and services have been accelerated through policies promoting skill development, entrepreneurship, and financial inclusion.

8.11. Reforms in investment and industry-related laws have significantly simplified procedures for foreign investors, including easing business registration, land acquisition, and profits repatriation.

8.12. According to the World Bank's Business Ready Report (B-READY), 2024, Nepal achieved a relatively high score in operational efficiency among lower-middle-income countries, reflecting improvements in government services and regulatory processes.

8.13. Priority sectors such as agriculture, hydropower, infrastructure, tourism, and IT/digital services offer extensive investment potential, supported by favorable government policies and incentives. Concurrently, the government has reformed its trade policies to enhance the export competitiveness of these sectors.

8.14. Nepal has adopted its Nationally Determined Contribution (NDC) 3.0 under the Paris Agreement (through 2035), and the National Adaptation Plan (NAP) 2021-2050 focuses on reducing climate vulnerability and increasing resilience to climate change. Furthermore, a long-term strategy for net-zero emissions, 2021 aims to achieve full net-zero emissions by 2045. These policies aim to reduce climate vulnerabilities and enhance adaptation measures.

8.15. The Sagarmatha Sambah (Mount Everest Dialogue), a global dialogue forum initiated by Nepal, was recently held in 2025 in Kathmandu to address climate change with a special focus on the challenges facing mountainous regions. The event brought together stakeholders from various countries to discuss the urgent need for action and culminated in the adoption of the "Sagarmatha Call for Action" to guide future efforts.

8.16. Aid for Trade from development partners has played a crucial role in strengthening productive capacities and trade-related infrastructure. This support, aligned with the national priorities articulated in Nepal's periodic plans and National Trade Integration Strategy, has been instrumental in preparing Nepal for its LDC graduation and supporting the transition period.

8.17. Nepal has steadily fulfilled its international obligations and maintained active engagement with the WTO, reaffirming its commitment to leveraging international trade as a driver for sustainable development.

8.18. Building on the progress made so far, the country is well-positioned to advance toward inclusive, resilient, and high-growth development in line with its long-term vision of economic prosperity and sustainable development goals.

8.19. Nepal recognises that active participation in the WTO remains essential for its economic progress and successful graduation from LDC status. The country is committed to furthering regulatory and legal reforms, enhancing human capital, and strengthening institutional capacities. Nepal welcomes cooperation and support from its trading partners to ensure a smooth and irreversible transition and reaffirms its strong commitment to the principles and objectives of the WTO.



Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

NEPAL

This report, prepared for the third Trade Policy Review of Nepal, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Nepal on its trade policies and practices.

Any technical questions arising from this report may be addressed to Mr Masahiro Hayafuji (tel. 022 739 5873) and Mr Thakur Parajuli (tel. 022 739 5473).

Document [WT/TPR/G/478](#) contains the policy statement submitted by Nepal.

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SUMMARY

1. Nepal is a landlocked least developed country (LDC), open to trade and investment as well as highly dependent on remittances (around 25% of GDP in fiscal year (FY) 2023/2024). During the review period (2018-2025), Nepal's average annual real GDP growth rate was 2.7%; except in FY2019/2020 when the economy was hit by the COVID-19 pandemic, the growth was positive each year. Nepal's GDP per capita reached USD 1,434 in FY2023/2024 (compared with USD 1,204 in FY2018/2019). Nepal's overall trade-to-GDP ratio was around 41% of GDP in FY2023/2024 (compared with around 49% in FY2018/2019); the decline may reflect, *inter alia*, the impact of the pandemic, global supply-chain disruption, and a decline in the import of petroleum products. Nepal is also an important recipient of official development assistance. As a landlocked country, shipping costs are substantial and overall trade costs in Nepal were 44.0% higher compared with the member countries of the South Asian Free Trade Area.

2. Nepal aims to graduate from LDC status by November 2026, and the Government has been implementing policies to enable graduation with a long-term vision of transitioning to a middle-income country by 2030. Nepal has made progress in reducing poverty; in 2023, the poverty headcount ratio at the USD 6.85 per day level declined to less than 50%. Nonetheless, around 20% of the population lives below the national poverty line. Reducing poverty and improving people's living standards through socio-economic transformation continues to be among the top priorities for the Government. In this context, the issue of trade and gender equality has also emerged as an important part of development policy in Nepal. The share of women in the total labour force was around 37% in 2024 and recent government policy initiatives aim to promote women's participation in trade as well.

3. Nepal's merchandise exports increased from USD 0.86 billion (2.9% of GDP) in FY2018/2019 to USD 1.15 billion (3.2% of GDP) in FY2023/2024. Nepal's largest merchandise export item was textiles, which accounted for about one third of total exports, followed by base metals, prepared foods, and vegetable products. While Nepal continues to have a narrow merchandise export basket, its export concentration index during the review period was lower than other Asian LDCs. Merchandise exports remained geographically concentrated, with India alone accounting for 67.7% of total exports in FY2023/2024, up slightly from 64.6% in FY2018/2019. Other main export markets included the United States and the European Union. Regarding Nepal's participation in global value chains, the overall foreign value added (FVA) content in Nepal's exports rose from 30.8% (2017) to 33.0% in (2022). While FVA content in exports of some products, such as food and beverages, increased between 2017 and 2022, there was a decrease for some other products, such as textiles and clothing during the same period.

4. Merchandise imports decreased from USD 12.6 billion (36.3% of GDP) in FY2018/2019 to USD 12.0 billion (27.5%) in FY2023/2024. Nepal's top import items were mineral products (e.g. fuels), which accounted for 21.9% in FY2023/2024, up from 19.8% in FY2018/2019. Other main import items included machinery and electrical equipment, base metals (e.g. iron and steel), vegetable products, and transport equipment. Like exports, sources of merchandise imports also remain concentrated geographically; India continues to be Nepal's largest source of imports, accounting for 62.6% in FY2023/2024, followed by China, the European Union, and the United States

5. During the review period, Nepal continued to have deficit in merchandise and services trade. Services exports decreased from 4.8% of GDP in FY2018/2019 to 4.4% in FY2023/2024, while services imports increased from 5.2% to 5.4% of GDP during the same period. Nepal's current account turned to be in surplus in FY2023/2024, with strong remittances more than offsetting trade deficit in goods and services.

6. Inflows of foreign direct investment (FDI) into Nepal remained sluggish during the review period, with annual FDI inflows of USD 67.1 million in 2018 declining to USD 57.0 million in 2024. Services (e.g. financial services), public utilities, and manufacturing were among the main contributors to Nepal's FDI inward stock. No data on outward FDI were available.

7. Monetary policy has remained accommodative; credit to the private sector has been expanding by 8.7%. As the Nepali Rupee remains pegged to the Indian Rupee, price levels in Nepal are influenced by those in India. The inflation rate, as measured by the CPI, was 5.4% in FY2023/2024,

compared with 4.6% in FY2018/2019. Nepal's overall fiscal deficit, as percentage of GDP, decreased from 7.7% in FY2018/2019 to 5.8% in FY2023/2024. Since 2022, Nepal has been under the IMF's four-year Extended Credit Facility programme.

8. Since its previous Review, Nepal has continued to undertake several regulatory reform initiatives by amending trade and investment related legislation and policies. Main laws related to foreign investment were revised and the E-commerce Act, 2025 and the Customs Tariff Act, 2024 were promulgated. The first law concerning anti-dumping, countervailing, and safeguard measures was also enacted. Nepal's Trade (Commerce) Policy, 2015 and the Nepal Trade Integration Strategy (NTIS), 2016 were also revised. Compared with the previous version, the revised NTIS, 2023 significantly expanded the scope of priority sectors, signalling a shift towards higher value-added activities and exports; it also includes information technology and business process outsourcing, and hydropower as new items in its priority list of exportable items. The Government changed several times during the review period, with frequent political changes making it more challenging to pursue structural reforms.

9. Nepal has been a WTO Member since 2004 and actively participated in the WTO's work, including by serving as chairs of various bodies, and as a focal point on behalf of the LDC group on various issues. It grants at least MFN treatment to all its trading partners. Nepal ratified the Agreement on Fisheries Subsidies in August 2025 and expects to fully implement its commitments under the Agreement on Trade Facilitation by 2032. Nepal is neither a party to nor an observer of any of the WTO plurilateral agreements and does not participate in any of the joint statement initiatives. During the review period, Nepal was not involved in any cases under the WTO dispute settlement mechanism, and it did not participate in the Multi-Party Arbitration Arrangement.

10. During the review period, Nepal continued to receive Aid for Trade (AFT) from its development partners and implemented several projects, including through the EIF-led integrated mechanism. Emphasis has been placed on the role of AFT in infrastructure development, human capital enhancement, trade policy reforms, export diversification, and improving overall trade competitiveness. Nepal also continued to benefit from the WTO's Technical Assistance programmes. From 2018 to 2024, 169 Nepalis participated in these programmes; the WTO also hosted one young professional, placed two officers in the French-Irish Mission Programme and two in the Netherlands Talent Programme, and registered over 600 e-learning course enrolments from Nepal.

11. Since its previous review, Nepal has not concluded any new regional trade agreements (RTAs). It continues to be a party to the plurilateral agreements under the auspices of the South Asian Association for Regional Cooperation (SAARC): the South Asian Free Trade Area (SAFTA), which covers trade in goods, and the SAARC Agreement on Trade in Services (SATIS), as well as to a bilateral RTA with India covering goods. The implementation status of SATIS remains unchanged, as the Agreement has not been fully operationalized, pending the conclusion of negotiations on the Schedules of Specific Commitments. Nepal continues to experience a large merchandise trade deficit with India; against this background, Nepal considers reviewing the bilateral trade agreement with India to secure more policy space, specifically with regard to reciprocal duty-free trade in primary products under the agreement. Nepal continued to benefit from unilateral preferences granted to the LDCs, including the Generalized System of Preferences. The preference utilization rates of Nepal were higher in the European Union (82%) and the United Kingdom (83%), while they were relatively low in the United States (64%) and Switzerland (45%).

12. During the review period, Nepal undertook several initiatives to reform its investment regime with the aim of attracting both foreign and domestic investment. These initiatives generally aimed to promote FDI through greater investment facilitation measures. Key FDI-related laws and regulations were adopted, including the Foreign Investment and Technology Transfer Act (FITTA), 2019, and its Rules, 2021; the Industrial Enterprises Act (IEA), 2020, and its Rules, 2022, replacing their earlier versions. Additionally, the Public Private Partnership and Investment Act (PPPIA), 2019, was enacted to establish a framework for public-private partnership investment, particularly in large-scale and hydropower projects.

13. FDI in Nepal is open in almost all sectors without ceilings, except for a limited set of activities listed in the negative list of the FITTA, 2019. All foreign investments require approval and company registration, while meeting the classification criteria of an "industry" under the IEA, 2020. For FDI below NPR 500 million in designated sectors, an "automatic route" (online approval system) has been in operation since 2019 for project applications and approvals. The minimum threshold of

NPR 50 million previously required for foreign entities to invest in Nepal has been reduced to NPR 20 million, with no minimum threshold applied to IT-sector projects processed through the automatic route. To attract more foreign investment, the reformed regime has expanded the permitted forms of foreign investment from three to eleven categories, such as investment in venture capital funds, investment in listed securities via the secondary market, and investment through securities issued in foreign capital markets by Nepali companies. The regime also guarantees the repatriation of foreign investments and prohibits the nationalization of companies and industries in Nepal.

14. The Government particularly aims to attract foreign investment in large infrastructure projects including hydropower and technological sectors. Other priority areas for investment are the digital economy, agriculture, tourism, and industrial development, with a strong emphasis on public private partnership. Relevant laws and regulations include provisions on incentives, exemptions, facilities, and concessions for registered industries, including those with foreign investment. Incentives include income tax and customs duty exemptions, as well as additional facilities such as regulatory flexibilities for female entrepreneurs. The laws also cover dispute resolution mechanisms related to foreign investment.

15. During the review period, Nepal modernized its customs procedures to facilitate trade and reduce costs. The ASYCUDA World system was expanded with new modules in different custom offices, including selectivity, cargo control, valuation, duty and revenue collection, and bonded warehouse/cargo and manifest management modules. As a result, 99.8% of Nepal's cross-border trade now operates under the ASYCUDA World system across major customs offices. In addition, the Nepal National Single Window has been established for customs clearance, and an e-payment system for customs duties has been in operation since 2021. An Advance Ruling mechanism, adopted in 2020, covers the product classification of goods and the determination of origin of goods. In 2021, Nepal updated the Export/Import (EXIM) Code Procedure, making it mandatory for all importers and exporters to obtain an EXIM code from the Department of Customs.

16. Nepal's overall average applied MFN tariff increased from 12% in FY2018/2019 to 13.2% in FY2024/2025 – rising from 12.6% to 14.4% for agriculture products (WTO definition) and from 11.9% to 13.1% for non-agricultural products. The rise in overall average applied MFN tariffs is mainly due to both higher tariff rates applied and, to some extent, the splitting of tariff lines previously subject to those higher rates. Since its previous Review, notable changes to the tariff structure include the introduction of new tariff bands of 40%, 60%, and 70%. Specific duties now apply to 114 tariff lines, up from 51. Nearly 80% of applied tariffs (about 5 percentage points lower than in the previous review) continue to range from zero to 15%, while the most common rate remains 10%. Additionally, 3.8% of tariff lines are now duty-free, a slight increase from 3.6% in FY2018/2019. When comparing tariff averages by HS (Harmonised System) Sections, prepared food, beverages, and tobacco (34%), transport equipment (26%), and footwear and headgear (25%) continued to attract the highest tariff protection.

17. Nepal bound all but 57 tariff lines at the HS eight-digit level, based on its FY2024/2025 MFN tariff schedule; unbound rates concern products such as petroleum, worn clothing, arms and ammunition, cement, and certain automobile parts and components, including golf carts. The overall average bound tariff in FY2024/2025 was 27.6%; average bound tariffs were 47.5% for agricultural products (WTO definition) and 24.1% for non-agricultural products. The average bound rate is 14.3 percentage points higher than the average applied MFN rate, offering the Government significant policy space but also contributing to uncertainty. For 118 tariff lines, applied MFN rates exceeded corresponding bound rates in FY2024/2025, up from 38 lines in FY2018/2019.

18. Import duties collected accounted for between 16.5% and 19.3% of the total tax revenue from FY2018/19 to FY2023/24. In addition to the customs tariffs, the customs offices continue to collect VAT and excise duties, which constitute a significant portion of Nepal's total revenue collected at border. The contribution of duties and levies on exports remained negligible.

19. Nepal maintains import and export controls and prohibitions on certain goods based on, *inter alia*, national security, public order, health, environmental, and socio-economic considerations. Nepal's import licence or permit (non-automatic) requirements remain largely unchanged; they apply to items such as arms and ammunition and explosive substances; radio equipment; all types of tobacco imports; and poppy seeds.

20. Nepal adopted its first law concerning anti-dumping, countervailing, and safeguard measures, the Safeguards, Anti-dumping, and Countervailing Act (SACA), 2019. As notified to the WTO, the Department of Commerce, Supplies and Consumer Protection under the Ministry of Industry, Commerce and Supplies has been designated as the competent authority in Nepal to initiate and conduct anti-dumping and countervailing investigations. According to the authorities, no cases have been registered or investigations conducted since the SACA entered into force. They further note that although the competent authority has been designated, institutional and human capacity constraints hinder effective implementation of the Act.

21. The Industrial Enterprises Act (IEA), 2020 contains provisions on incentives, exemptions, facilities, and concessions for registered industries in Nepal, including duty drawbacks and concessions for industries that have export performance targets. Nepal continues to provide specific export facilities and incentives to industries established under the SEZs Act. The licensed industries established in SEZs must export 15% of their goods and services for the first four years, increasing to 30% thereafter. Foreign investors may repatriate dividends, share sales, and loan repayments as per the MoU with the SEZ Authority, and may operate foreign currency accounts in commercial banks with the SEZ Authority's recommendation. Industries established under SEZs include stainless-steel production, lighting and electronics manufacturing, plastics and polymers, energy, and IT services. According to the authorities, while several incentives are provided to SEZ industries with the aim of increasing exports, no specific data on exports by these industries are available.

22. Nepal's subsidies notification submitted in 2024 indicated industrial incentives under the IEA, 2020 and the Public Private Partnership and Investment Act, 2019 as well as budgetary incentives such as cash incentive scheme for exporting industries and transportation subsidy on rice and salt programme. The central bank has also provided preferential loans mainly to agriculture, energy and micro-, small- and medium-sized enterprises (MSMEs) to stimulate trade and production. The central bank has set mandatory lending targets for certain sectors including agriculture, energy, and MSMEs.

23. During the review period, 241 new national standards were adopted, covering, *inter alia*, food and agricultural products, textiles construction materials, electrical appliances and electronic goods, and test methods; six new technical regulations were adopted during the same period.

24. There are 45 SOEs in Nepal operating in, *inter alia*, dairy products, cement, petroleum, civil aviation, broadcasting, water, electricity, and telecommunications. SOEs in petroleum, civil aviation, electricity and telecommunications are among the major players, influencing competition in these sectors; in the petroleum sector, the Nepal Oil Corporation Ltd. is a state-owned and state trading company, established by the Government with sole rights to import petroleum products. In FY2022/23, 32,180 people were directly employed in public institutions; public utility sector institutions employed around 14,700 persons, social sector institutions 1,300 persons, and industrial sector institutions 1,900 persons in FY2023/2024. During the review period, the Government did not undertake any privatization of SOEs. The authorities have identified seven SOEs that are either defunct, in a state of closure, or consistently operating at a loss.

25. During the review period, there were no changes to laws and regulations concerning intellectual property (IP) or government procurement. Nepal continued develop an electronic government procurement system, which all government entities must use. Remaining issues in Nepal's IP regime include inadequate legal framework, lack of skilled/trained manpower, lack of resources, and lack of authorized patent attorneys.

26. In FY2023/2024, agriculture, forestry and fisheries accounted for around 24.1% of GDP. Farming in Nepal is largely carried out on small family holdings. About 62% of family in Nepal engaged in agriculture, of which 68.8% engaged in subsistence farming. Nepal is a net importer of agricultural products (WTO definition). The Government provides financial assistance in various forms, such as fertilizer subsidies, an insurance premium subsidy for agriculture crops and livestock production, and subsidies under the Cash Incentive Scheme for Exports, as well as subsidies on loans.

27. As hydropower is Nepal's largest available renewable energy resource, the country continues to prioritize hydroelectricity projects and to expand its cross-border trade of electricity. In 2024, it signed a tripartite agreement with India and Bangladesh that enables Nepal, for the first time, to export electricity to a third country beyond India. Nepal has implemented carbon pricing and

engagement in the voluntary carbon market. Nepal ratified the Kyoto Protocol in 2005 and the Paris Agreement in 2015, with a view to reaffirming its commitment to the global climate action.

28. The contribution of manufacturing to GDP was 4.9% in FY2023/2024 compared with 5.4% in FY2017/2018; the main subsectors included food and beverages, textiles and apparel, non-metallic minerals, tobacco and tobacco products, metal and machinery, and paper and printing. The Government aims to promote value-added industries and facilitate the supply and adoption of new technology in, *inter alia*, export-oriented, pharmaceutical, or local-resource-based manufacturing industries and seeks to increase foreign investment in these areas.

29. The banking regime has remained largely unchanged; changes in regulations concerning banking during the review period included mainly prudential regulatory changes. For easier access to finance, the Nepal Rastra Bank (central bank) has set mandatory lending targets by commercial banks to MSMEs (12% of total loans) as well as to agriculture and energy (12% and 7%, respectively). Regarding insurance, the Insurance Act, 2022 has been adopted; the Act established the Nepal Insurance Authority as the regulatory authority overseeing the insurance sector.

30. During the review period, the E-Commerce Act, 2025 was adopted in 2025 and entered into force on 16 April 2025, aiming to formally recognize social media platforms as legitimate e-commerce channels, introduce specific provisions to support MSMEs, and establish a clearer legal framework for contractual agreements between sellers and platform operators.

31. Tourism is an important sector of Nepal's economy, although travel receipts declined from 40.5% of the country's services exports in FY2018/2019 to 33% in FY2023/2024, affected, *inter alia*, by the pandemic. The tourism sector has faced various challenges, such as insufficient investment, poor infrastructure, and limited air connectivity. To tackle these challenges and promote sustainable growth in tourism, several programmes have been implemented, such as the National Tourism Strategic Plan 2016-2025, which advocates for, *inter alia*, infrastructure development and diversification of tourist attractions. In this context, 57 additional peaks were opened to climbers in 2024. In addition, two airports came into operation during the review period. The authorities focus on recovering the travel business from the impact of the pandemic and identifying and developing new tourist destinations and fostering collaboration with various organizations for tourism development.

32. In sum, as a trade-dependent, small economy, Nepal remains committed to the multilateral trading system. Although faced with external shocks such as the COVID-19 pandemic and its economic impacts, global supply-chain disruption, and natural disasters, the country achieved a positive annual average growth during the review period, and the economy is expected to grow further in FY2024/2025 (estimate growth rate is 4.6%). At the same time, against the background of high reliance on remittances (around one quarter of GDP), the authorities have advocated for diversifying and expanding markets for goods and services, while promoting exports through industrial development. To achieve these, key challenges remain such as inadequate infrastructure, low productive capacity, and limited integration into regional and global value chains. Nepal has undertaken various reforms in the areas of, *inter alia*, investment regime, customs procedures, incentive structures, electricity, e-commerce, and tourism to meet these challenges.

1 ECONOMIC ENVIRONMENT

1.1 Main features of the economy

1.1. During the review period (2018-2025), Nepal's economy continued to grow and its GDP per capita increased from USD 1,204 in FY2018/2019 to USD 1,434 in FY2023/2024.¹ While Nepal continued to remain a least developed country (LDC), the authorities state that the country is scheduled to graduate from the LDC status by November 2026, and the Government has been implementing policies aimed at sustainable graduation, with a long-term vision of transitioning to a middle-income country by 2030 (Box 1.1).

1.2. Nepal made a progress in reducing poverty during the review period; in 2023, 0.37% of the population remained below an extreme poverty threshold of USD 2.15 per day, and the poverty headcount ratio at the USD 6.85 per day level also declined to less than 50%.² Nonetheless, according to Nepal Living Standard Survey IV (2022-2023)³, around 20.3% of the population lives below the national poverty line, which is equivalent to 6 million individuals.⁴ Nearly 40% of the population is in the vulnerable group, living on the boundary of the national poverty line; the authorities consider that Nepal is prone to re-entry into the state of poverty in the occurrence of any economic shocks.⁵

1.3. Nepal's economy continues to be highly trade-oriented and dependent on remittances (around 25% of GDP in fiscal year⁶ (FY) 2023/2024), and exports of goods and services (Table 1.1). Nepal is also an important recipient of official development assistance (ODA).⁷ Between FY2017/2018 and FY2023/2024, the annual average ODA (sum of foreign grant and foreign loan) flows amounted to around USD 1.24 billion.⁸ Nepal continues to have a narrow merchandise export basket concentrated in a few countries, and, as a landlocked country, the transit of goods to international markets may add substantial shipping costs (Section 2).

Box 1.1 Nepal's LDC graduation

The authorities state that the graduation will be based on improvement in the Human Assets Index and progress in the Economic Vulnerability Index. They consider that attaining these remains uncertain due to sluggish export performance, structural constraints in productive sectors, and high exposure to climate-induced disasters, and these challenges underscore a need for continued international support measures, including an extension of LDC-specific preferences and special and differential treatment, and that, in order to ensure an irreversible and resilient graduation, Nepal will require enhanced market access, technical assistance, and transition support that targets long-term competitiveness. To meet the challenges, Nepal's National Planning Commission has developed a Smooth Transition Strategy that identifies investment, infrastructure, and institutional capacity-building as critical enablers across economic sectors. Complementing this, the Ministry of Industry, Commerce, and Supplies has issued a graduation strategy, focusing on enhancing competitiveness in goods, services, and intellectual property. The authorities consider that there is a case for the country to access flexibilities granted to net food-importing developing countries, and it is essential that it receives transitional arrangements, Aid for Trade, and preferential treatment in services and e-commerce, and additional policy measures should focus on trade diversification, regional integration, digital economy enablement, and targeted support to micro, small, and medium enterprises to ensure that graduation contributes to inclusive and sustainable economic growth.

Source: Information provided by the authorities.

¹ The population of Nepal was 29.7 million in FY2023/24, with about 60% of the population aged between 15 to 59 years. Central Bureau of Statistics, Nepal (2022). *National Population and Housing Census 2021: National Report (English)*. Viewed at: https://censusnepal.cbs.gov.np/results/files/result-folder/National%20Report_English.pdf (03/07/2025).

² World Bank. 2025, *Nepal Country Economic Memorandum: Unlocking Nepal's Growth Potential*. Viewed at: <http://hdl.handle.net/10986/42978> (03/07/2025).

³ National Statistics Office. Viewed at: <https://data.nsonepal.gov.np/dataset/b6c3c19b-4b15-44bf-8653-1571e76dad14/resource/e2d52301-1c25-498b-8732-4326c62a2372/download/nlss-iv.pdf> (16/08/2025).

⁴ Nepal's national poverty line is estimated through the method of the "cost of basic needs". The authorities state that the National Statistics Office re-examined the methodology of estimating poverty to harmonize it with the most recent international best practices and norms.

⁵ Central Bureau of Statistics, Nepal. *Nepal Living Standards Survey IV (2022/23): Survey Report*. Viewed at: <https://data.nsonepal.gov.np/dataset/b6c3c19b-4b15-44bf-8653-1571e76dad14/resource/e2d52301-1c25-498b-8732-4326c62a2372/download/nlss-iv.pdf> (30/06/2025).

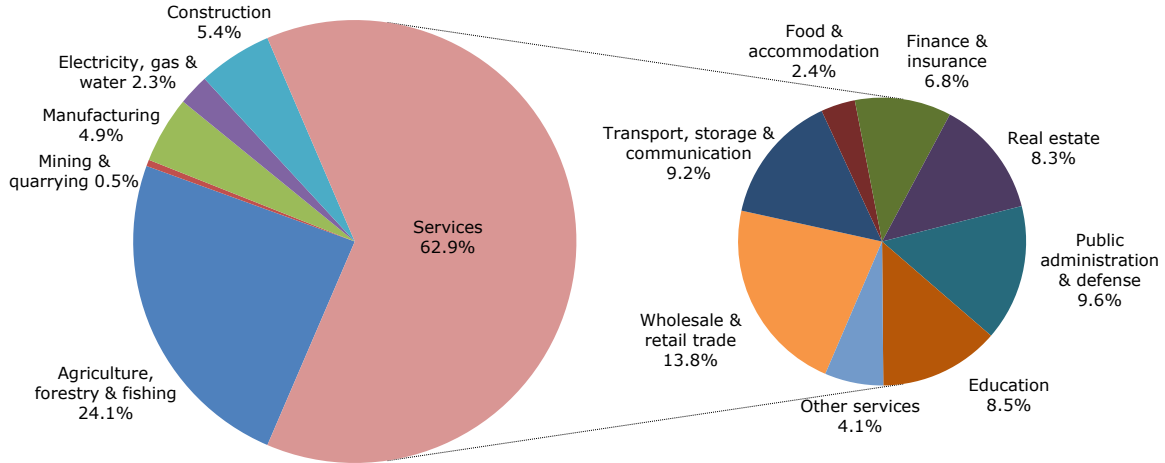
⁶ The fiscal year in Nepal is from 16 July to 15 July of the following calendar year.

⁷ The main bilateral donors remain EU institutions/member countries.

⁸ Calculated from NPR 147.92 billion (original data) and the period-average NPR-USD exchange rate of 119.44.

1.4. Service sectors accounted for 62.9% of the GDP in FY2023/2024, followed by agriculture and related activities, which accounted for 24.1% of GDP, and construction and manufacturing with 5.4% and 4.9%, respectively (Chart 1.1 and Table A1.1).

Chart 1.1 Value added by economic activity (at current basic prices), FY2023/2024



Source: National Statistics Office, Nepal. Viewed at: <https://nsonepal.gov.np/category/1065/> (30/06/2025).

1.2 Recent economic developments

1.5. Annual real GDP growth during the review period was generally positive (except in FY2019/2020 when the economy was hit by the COVID-19 pandemic) despite negative effects of climate including severe floods in 2024; in FY2023/2024, the economy grew by 3.9%. The authorities consider that actual growth rates have not met potential growth rates; they intend to fill the gap through the fiscal policy, monetary policy, and structural and legal reforms. No comprehensive data on employment, including unemployment, during the review period were available.

1.6. For FY2024/2025, the authorities estimate real GDP growth to be 4.6%. The Government aims to achieve a growth rate of 6% in FY2025/2026, as expressed in its Budget Speech for the year. Regarding inflation, the Nepal Rastra Bank (NRB – the central bank) estimates that the inflation rate (in terms of the consumer price index (CPI)) in FY2025/2026 would be 5.0%. During the first 11 months (until June 2025) of FY2024/2025, exports of goods and services increased by 77.8%, whereas imports increased by 13.1% *vis-à-vis* the same period in the previous fiscal year.

Table 1.1 Selected economic indicators, FY2018/2019-FY2023/2024

	FY2018/ 2019	FY2019/ 2020	FY2020/ 2021	FY2021/ 2022	FY2022/ 2023	FY2023/ 2024
Current GDP at market price (NPR billion)	3,858.9	3,888.7	4,352.6	4,976.6	5,348.5	5,704.8
Current GDP at market price (USD million)	34,186.2	33,433.7	36,926.7	41,182.9	40,908.1	42,882.3
GDP per capita at current market price (USD)	1,203.8	1,166.6	1,276.8	1,411.0	1,388.7	1,433.9
Population (million)	28.4	28.7	28.9	29.2	29.5	29.7
Unemployment rate
National accounts (% change, unless otherwise indicated)						
Real GDP	6.7	-2.4	4.8	5.6	2.0	3.9
Final consumption expenditure	8.3	3.6	7.1	7.1	-1.2	0.7
Household final consumption	8.0	3.6	7.9	6.8	0.7	1.0
NPISHs final consumption	17.1	5.5	9.6	9.3	2.9	3.4
Government final consumption	9.8	3.8	-1.7	9.6	-21.2	-4.2
Gross fixed capital formation	11.3	-8.9	9.8	3.4	-10.0	17.0
Exports of goods and services	5.5	-15.9	-21.3	34.1	3.3	18.1
Imports of goods and services	5.8	-20.8	18.8	16.4	-18.7	-2.3
Gross domestic savings (% of current GDP)	15.3	5.7	6.4	6.6	7.4	7.6
Gross national savings (% of current GDP)	42.1	32.2	31.5	29.6	33.8	36.2
Money and interest rates						
CPI (% change)	4.6	6.2	3.6	6.3	7.7	5.4

	FY2018/ 2019	FY2019/ 2020	FY2020/ 2021	FY2021/ 2022	FY2022/ 2023	FY2023/ 2024
Weighted average deposit rate ^a , end-period (%)	6.60	6.01	4.65	7.41	7.86	5.77
Weighted average lending rate ^a , end-period (%)	12.13	10.11	8.43	11.62	12.30	9.93
Base rate ^a , end-period (%)	9.57	8.50	6.86	9.54	10.03	8.00
Broad money, end-period (% change)	15.8	18.1	22.7	6.8	11.4	12.9
Domestic credit, end-period (% change)	21.9	14.0	27.2	14.5	8.9	6.1
Private sector credit, end-period (% change)	19.1	12.6	26.3	13.3	4.6	6.1
Fiscal sector (% of GDP)						
Total revenue	21.0	21.8	21.6	22.4	22.4	18.9
Tax revenue	19.1	18.0	20.0	19.8	16.2	16.6
Total expenditure	28.8	28.1	27.5	26.3	26.6	24.7
Fiscal balance	-7.7	-6.3	-5.9	-3.9	-4.2	-5.8
Public debt	27.1	36.7	39.8	40.4	41.5	42.7
Foreign debt	15.4	20.9	21.5	20.6	20.4	22.0
External sector						
NPR/USD (period average)	112.88	116.31	117.87	120.84	130.75	133.03
Current account balance (% of GDP)	-6.9	-0.9	-7.7	-12.5	-0.9	3.9
Trade in goods balance (% of GDP)	-33.3	-27.3	-31.1	-33.4	-26.2	-24.3
Exports	2.9	2.8	3.3	4.2	3.4	3.2
Imports	36.3	30.1	34.4	37.6	29.6	27.5
Trade in services balance (% of GDP)	-0.4	0.0	-1.7	-2.2	-1.5	-1.0
Credit	4.8	4.0	1.8	2.5	3.6	4.4
Debit	5.2	4.0	3.5	4.6	5.1	5.4
Workers' remittances (% of GDP)	22.8	22.5	22.1	20.2	23.2	25.3
Gross foreign exchange reserves (USD million – end period)	9,500.0	11,646.1	11,752.6	9,512.6	11,708.8	15,270.9
In months of imports (merchandise + services)	7.8	12.7	10.2	6.9	10.0	12.7

.. Not available.

Source: National Statistics Office, Nepal. Viewed at: <https://data.nsonenepal.gov.np/> (04/07/2025); Nepal Rastra Bank, *Quarterly Economic Bulletin*. Viewed at: <https://www.nrb.org.np/category/economic-bulletin/?department=red> (04/07/2025); Ministry of Finance, *Economic Survey 2023/2024*, and Macroeconomics Dashboard. Viewed at: <https://data.mof.gov.np/> (04/07/2025).

1.7. The NRB continues to be responsible for setting monetary and exchange rate policy, and for the regulation of the banking and financial institutions. Monetary policy has remained accommodative; the highest Deposit Collection Rate by the NRB remained at 3% during the review period. Credit to the private sector has been expanding by 8.7% and deposits have witnessed growth of 12.6% in June 2025 *vis-à-vis* corresponding period of previous fiscal year.

1.8. The national currency of the country is the Nepali Rupee (NPR). Since the currency is pegged to the Indian Rupee, price levels in Nepal are influenced by those in India. The inflation rate, as measured by the CPI, was 5.4% in FY2023/2024, compared with 4.6% in FY2018/2019. Average inflation for the first 11 months of the FY2024/2025 (up to June 2025) was 4.2%, with year-on-year inflation for June 2025 being 2.7%.⁹ Though current account transactions have been fully liberalized since 12 February 1993, Nepal has taken initiatives for opening the capital account.¹⁰ Foreigners are allowed, with approval, to make capital investments in Nepali companies since 1981 in accordance with the Foreign Investment and Technology Related Act, 1981 (the currently prevailing law is the Foreign Investment and Technology Transfer Act, 2019). Similarly, Nepali companies, specifically Information Technology related, have been allowed, with approval, to make investments abroad. The provision was introduced by an ordinance dated 13 January 2025 and now incorporated in the Foreign Exchange Regulation Act, 1962 with an amendment on 1 April 2025. Similarly, the NRB also issued a notification on 18 June 2025 to allow foreign exchange facility for investments abroad. However, at present, only information technology companies that had exported their services and had earned foreign currencies during the last three fiscal years are eligible to make investments abroad, with ceiling of 50% of average foreign currency earnings during the last three fiscal years or USD 1 million, whichever is lower.

⁹ The authorities project inflation of 6.5% for FY2024/2025.

¹⁰ Currently, foreign exchange for merchandise imports is made accessible through the banking mechanism at the market exchange rate. There are no quantitative limits on foreign exchange for leisure travel. The Industrial Enterprises Act has a 70% limit on the conversion and transfer to foreign currency of salaries of residents.

1.9. Nepal's overall fiscal deficit, as percentage of GDP, decreased from 7.7% in FY2018/2019 to 5.8% in FY2023/2024. Since 2022, Nepal has been under the IMF's four-year Extended Credit Facility programme. Value added tax (VAT) is the main contributor to government revenue followed by income tax (Table 1.2).

Table 1.2 Structure of government revenue, FY2018/2019-FY2023/2024

(NPR billion)

	FY2018/ 2019	FY2019/ 2020	FY2020/ 2021	FY2021/ 2022	FY2022/ 2023	FY2023/ 2024
Value added tax (share in the total tax revenue - %)	33.1	32.0	32.4	31.9	33.1	32.9
Customs (share in the total tax revenue - %)	21.3	19.7	25.7	24.6	21.0	21.3
Import duties (share in the total tax revenue - %)	18.8	16.8	19.3	19.0	16.5	16.9
Income tax (share in the total tax revenue - %)	26.6	31.4	26.4	26.4	29.1	30.0
Excise duties (share in the total tax revenue - %)	16.7	14.4	15.4	16.9	16.5	15.5
Educational service tax (share in the total tax revenue - %)	0.1	0.1	0.0	0.1	0.2	0.3
Other tax (share in the total tax revenue - %)	2.0	2.4	0.0	0.0	0.0	0.0
Total tax revenue	729,030.5	700,055.5	870,106.6	984,330.0	865,628.4	944,554.6
Non-tax revenue	100,590.2	93,691.2	68,214.4	81,010.0	91,720.3	114,341.7
Revenue, excluding other receipts	829,620.7	793,746.6	938,321.1	1,065,340.0	957,348.7	1,058,896.3
Other receipts	10,041.2	47,565.8	40,433.0	48,500.0	53,302.5	23,853.1
Total revenue	839,661.8	841,312.4	978,754.1	1,113,840.0	1,010,651.2	1,082,749.4

Note: "Other tax" includes road maintenance and improvement duty, road construction and maintenance duty, firm and agency registration fee and ownership certificate charges.

Source: Nepal Rastra Bank, *Current Macroeconomic and Financial Situation*. Viewed at: <https://www.nrb.org.np/category/current-macroeconomic-situation/?department=red> (04/07/2025).

1.10. During the period, Nepal implemented various measures to alleviate the negative economic effect of the pandemic. For example, it exempted import duties on essential medical supplies and provided tax incentives for imports related to pandemic prevention and control. Nepal also provided concessional loans to small- and medium-sized enterprises (SMEs) and sectors severely impacted by the pandemic (such as tourism), implemented loan repayment moratoriums, and made available working capital loans for businesses in sectors heavily affected by the pandemic.¹¹ The authorities consider that, overall, the pandemic highlighted opportunities for Nepal to reform policies, improve infrastructure, and building resilience against future economic shocks.

1.11. Nepal's current account turned to be in surplus in FY2023/2024, with strong remittances more than offsetting the deficit of exports of goods and services (Table 1.3). During the review period, Nepal continued to have merchandise trade deficit; in FY2023/2024, it amounted to around 24.3% of GDP. Offset by income balance (mainly remittances), Nepal's current account had a surplus at 3.9% of GDP in FY2023/2024.

Table 1.3 Balance of payments, FY2018/2019-FY2023/2024

(USD million)

	FY2018/ 2019	FY2019/ 2020	FY2020/ 2021	FY2021/ 2022	FY2022/ 2023	FY2023/ 2024
Current account	-2,365.1	-290.3	-2,830.8	-5,158.7	-356.2	1,663.8
Goods balance	-11,385.5	-9,121.9	-11,499.6	-13,753.5	-10,701.5	-10,431.4
Exports	1,007.1	931.0	1,219.5	1,750.0	1,404.5	1,370.8
Imports	12,392.6	10,052.9	12,719.1	15,503.4	12,106.0	11,802.3
Services balance	-127.2	-8.3	-618.1	-894.7	-611.0	-419.9
Credit	1,645.5	1,344.2	670.8	1,010.3	1,471.4	1,900.1
Debit	1,772.6	1,352.5	1,288.9	1,905.0	2,082.4	2,319.9

¹¹ The Government also relaxed regulatory requirements for banks to ensure adequate liquidity. Customs duties on face masks, sanitizers, and surgical gloves, for example, were exempted. To alleviate financial burdens, the Government extended deadlines for submitting VAT bills, tax payments, and advance tax deductions. Additionally, debt repayment periods for those affected by the pandemic were extended. The NRB provided refinancing facilities at a 2.0% interest rate for SMEs with collateral securities up to NPR 1.5 million. To enhance liquidity, the NRB reduced the mandatory cash deposit requirement for financial institutions to 3.0% and set the bank interest rate at 5.0%.

	FY2018/ 2019	FY2019/ 2020	FY2020/ 2021	FY2021/ 2022	FY2022/ 2023	FY2023/ 2024
Primary income	317.3	395.1	197.6	238.7	480.8	704.3
Credit	670.7	585.1	516.5	475.8	739.3	988.2
Debit	353.3	190.0	318.9	237.1	258.5	283.9
Secondary income	8,830.2	8,444.8	9,089.3	9,250.9	10,475.5	11,810.8
Current transfers, credit	8,909.4	8,491.7	9,140.7	9,314.7	10,535.1	11,861.1
Workers' remittances	7,790.3	7,523.2	8,153.5	8,335.9	9,489.4	10,864.2
Current transfers, debit	79.2	46.9	51.4	63.9	59.5	50.3
Capital account	136.9	122.2	129.5	82.7	57.7	43.7
Financial account (excluding reserve assets and related items)	860.1	2,396.6	2,010.0	2,715.5	1,995.1	1,209.3
Direct investment in Nepal	115.7	167.5	165.5	153.6	47.2	63.1
Other investment, assets	-243.4	-54.2	-134.4	-116.4	-50.6	-91.5
Other investment, liabilities	987.8	2,283.3	1,978.9	2,678.3	1,998.5	1,237.6
Miscellaneous items, net	865.2	489.4	668.6	860.9	668.6	746.1
Reserve assets and related items	502.9	-2,717.9	22.7	1,499.6	-2,365.2	-3,662.8
Reserve assets	510.7	-2,710.4	22.7	1,499.6	-2,365.2	-3,662.8
Use of Fund credit and loans	-7.8	-7.5	0.0	0.0	0.0	0.0
Changes in reserve, net (- increase)	597.1	-2,428.1	-10.4	2,088.4	-2,186.1	-3,777.1
<i>Memorandum item</i>						
NPR/USD (period average)	112.9	116.3	117.9	120.8	130.7	133.0

Source: Nepal Rastra Bank, *Quarterly Economic Bulletin*, mid-January 2025. Viewed at: <https://www.nrb.org.np/category/economic-bulletin/?department=red> (04/07/2025), and Current Macroeconomic and Financial Situation. Viewed at: <https://www.nrb.org.np/departments/red/> (04/07/2025).

1.3 Developments in trade and investment

1.3.1 Trends and patterns in merchandise and services trade

1.12. Nepal's overall trade-to-GDP ratio (total exports and imports of goods and services) declined to around 41% of GDP in FY2023/2024 from nearly 49% in FY2018/2019; the authorities state that this may reflect the impact of the pandemic, global supply-chain disruption, a decline in the import of petroleum products, and an increase in the import of electric vehicles (EVs). Merchandise exports increased from 2.9% to 3.2% of GDP, while imports decreased from 36.3% to 27.5% of GDP. Services exports fell from 4.8% to 4.4%, and services imports rose from 5.2% to 5.4% of GDP during the same period. While Nepal continued to have trade deficits in both goods and services, the decreased merchandise imports contributed to narrowing the total trade deficit to around 25% of GDP from 34% in FY2018/2019. Nepal ranks as the 124th largest global merchandise exporter and the 75th largest importer. Regarding trade in commercial services, it is the 99th largest global exporter and the 96th largest importer (considering EU member States as one and excluding intra-EU trade).¹²

1.3.1.1 Merchandise trade

1.13. Nepal's merchandise exports increased from USD 860.3 million in FY2018/2019 to USD 1,145.4 million in FY2023/2024, although exports declined after FY2020/2021 (Table A1.2). The product composition of exports remained largely unchanged between FY2018/2019 and FY2023/2024; the largest export item was textiles (33.5%, slightly decreased from 39.7%) followed by base metals¹³ (14.8%, increased from 9.2%), prepared foods (12.9%, increased from 10.2%) and vegetable products (13.7%, similar to the previous share of 13.6%)¹⁴ (Chart 1.2). Additionally, in a more disaggregated level, flat rolled products of iron or non-alloy steel, yarn, carpets and other floor coverings, juices, cardamom, woven fabrics, palm oils and its fractions, felt, and tea are identified as main export items of Nepal in FY2023/2024. An export concentration index for Nepal declined from 0.216 in 2018 to 0.174 in 2024; this was lower than an export concentration index for Asian LDCs (0.264 in 2018 and 0.237 in 2024).¹⁵

1.14. Merchandise exports remained geographically concentrated, with India, Nepal's main trading partner, alone accounting for 67.7% of total exports in FY2023/2024, up slightly from 64.6% in

¹² WTO Statistics database, "Trade Profiles: Nepal". Viewed at: https://www.wto.org/english/res_e/statis_e/daily_update_e/trade_profiles/NP_e.pdf (30/06/2025).

¹³ Particularly iron and steel.

¹⁴ Coffee alone constituted 8.8% of Nepal's total exports in FY2023/2024.

¹⁵ UNCTAD Data Hub. Viewed at: <https://unctadstat.unctad.org/datacentre/dataviewer/US.ConcentDiversIndices> (03/09/2025).

FY2018/2019. The United States ranked as the second-largest export market for Nepal, with a share of 11.4%, largely unchanged from 11.2% in the previous Review. The European Union (previously ranked second) ranked third with a 7.9% share, slightly down from 8.1% in FY2018/2019 (Chart 1.3 and Table A1.4).

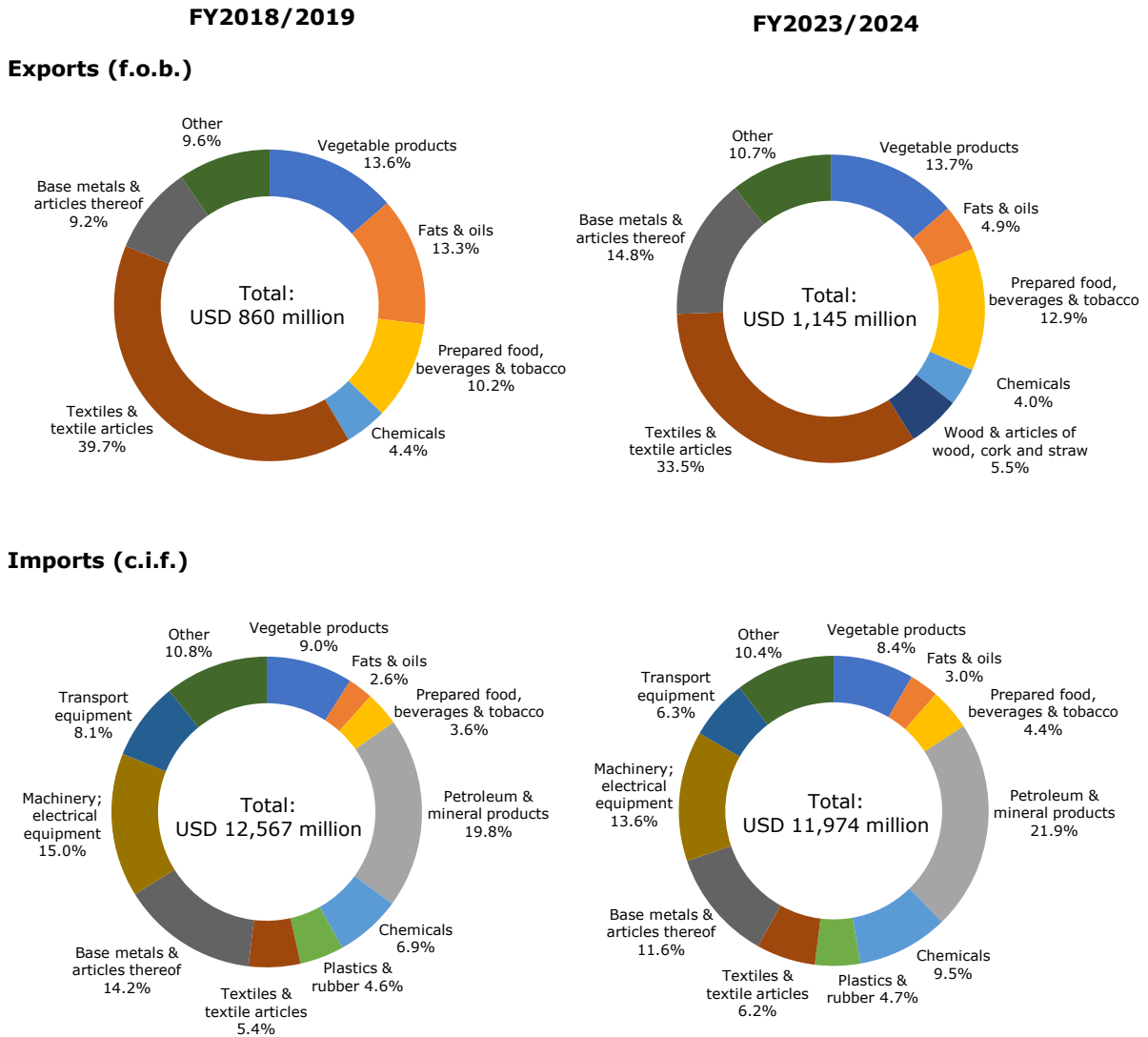
1.15. Merchandise imports declined from USD 12,566.8 million in FY2018/2019 to USD 11,974.2 million in FY2023/2024. However, like exports, imports surged in the aftermath of the pandemic, exceeding FY2018/2019 levels in FY2020/21 and reaching a record high of USD 15,892.5 million in FY2021/2022 before falling in subsequent years (Table A1.3). Nepal's top import items are mineral products (e.g. fuels), which accounted for 21.9% in FY2023/2024, up from 19.8% in FY2018/2019. Machinery and electrical equipment made up 13.6%, slightly down from 15%, while base metals (e.g. iron and steel) contributed 11.6%, down from 14.2%. Vegetable products also held a notable share, comprising 8.4% of total imports, compared to 9% previously. Share of imports of transport equipment declined from 8.1% to 6.3% during these two periods.

1.16. Like exports, sources of merchandise imports also remain concentrated geographically (Table A1.5). India continues to be Nepal's largest source of imports, accounting for 62.6% in FY2023/2024, a slight decrease from 64.7% in FY2018/2019. China follows as the second-largest source, with its share rising to 18.9% from 14.6%. Imports from the European Union accounted for 2.5% (down from 2.9%), while the United States contributed 1.2%, up from 0.9%.

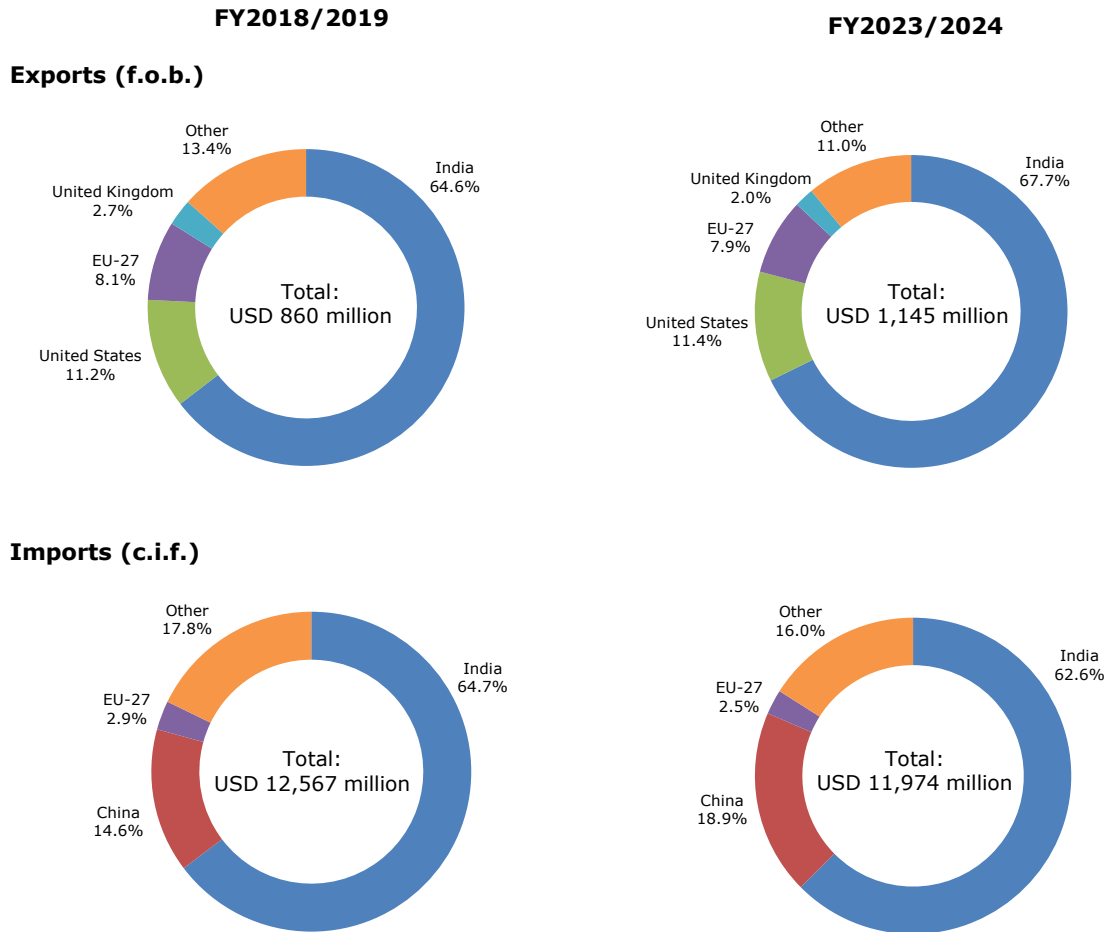
1.17. Regarding Nepal's participation in global value chains, the country shows an overall increase in the foreign value added (FVA) content in its exports, from 30.8% (2017) to 33.0% in (2022). While FVA content in exports of some products, such as food and beverages, increased between 2017 and 2022, there was a decrease for some other products, such as textiles and clothing during the same period.¹⁶

¹⁶ Annual percentage changes of foreign value-added content in Nepal's exports between 2017 and 2022 (the latest year for which data were available) were 52.8% for food and beverages and – 21.7% for textiles and clothing. WTO Secretariat calculations based on data by the WTO Global Value Chains (GVC) Dashboard. Viewed at: https://stats.wto.org/dashboard/gvc_en.html (25/08/2025).

Chart 1.2 Merchandise trade by main HS sections, FY2018/2019 and FY2023/2024



Source: WTO Secretariat calculations, based on data taken from the Ministry of Finance, Department of Customs. Viewed at: <https://www.customs.gov.np/#> (25/08/2025).

Chart 1.3 Direction of merchandise trade, FY2018/2019 and FY2023/2024

Source: WTO Secretariat calculations, based on data taken from the Ministry of Finance, Department of Customs. Viewed at: <https://www.customs.gov.np/#> (25/08/2025).

1.3.1.2 Trade in services

1.18. Between FY2018/2019 and FY2023/2024, both services exports and imports increased. Exports increased from USD 1,645.5 million to USD 1,900.1 million, while imports grew from USD 1,772.6 million to USD 2,319.9 million. With the impact of the pandemic, both exports and imports declined before rebounding in FY2021/2022. Exports were particularly affected, experiencing a sharp decline of around 60% from the FY2018/2019 level in FY2020/2021. (Table 1.4). Services trade deficits increased with some fluctuations during the period, from USD 127.1 million in FY2018/2019 to USD 419.8 million in FY2023/2024.

1.19. In FY2023/2024, other business services were the main export category, accounting for 34.3% (up from 19.8% in FY2018/2019), followed by travel at 32.6% (down from 40.5%) and transport services at 13.3% (up from 9.2%). Similarly, services imports were dominated by travel services at 61.4% (up from 44.5%) and transport services at 23.8% (down from 32.9%).

Table 1.4 Trade in services, FY2018/2019-FY2023/2024

	FY2018/ 2019	FY2019/ 2020	FY2020/ 2021	FY2021/ 2022	FY2022/ 2023	FY2023/ 2024 ^a
Services credits (USD million)	1,645.5	1,344.2	670.8	1,010.3	1,471.4	1,900.1
	(% of total credits)					
Maintenance and repair services n.i.e.	1.9	0.7	0.0	0.2	1.0	0.0
Transport	9.2	12.0	9.5	10.6	11.0	13.3
Travel	40.5	38.9	9.2	26.6	32.4	32.6
Education travel	1.2	1.4	1.3	1.2	2.3	2.4

	FY2018/ 2019	FY2019/ 2020	FY2020/ 2021	FY2021/ 2022	FY2022/ 2023	FY2023/ 2024 ^a
Construction	5.0	2.5	9.2	6.4	4.6	3.4
Insurance and pension services	1.2	0.5	1.7	1.0	0.7	0.4
Charges for the use of intellectual property n.i.e.	0.0	0.0	0.1	0.1	0.1	0.5
Telecommunications, computer, and information services	10.7	11.6	20.4	11.9	8.1	6.1
Other business services	19.8	25.9	41.9	35.4	36.2	34.3
Government goods and services n.i.e.	11.8	7.9	8.0	7.8	6.0	9.4
Services debits (USD million)	1,772.6	1,352.5	1,288.9	1,905.0	2,082.4	2,319.9
	(% of total debits)					
Maintenance and repair services n.i.e.	0.1	0.1	0.0	0.1	0.2	0.1
Transport	32.9	43.4	53.3	40.1	30.1	23.8
Travel	44.5	33.8	21.6	42.3	53.1	61.4
Education travel	23.1	16.4	16.4	29.4	36.9	40.5
Construction	1.1	0.1	0.2	1.0	0.5	0.5
Insurance and pension services	3.9	4.9	7.9	5.9	4.5	3.9
Charges for the use of intellectual property n.i.e.	0.3	0.9	1.1	0.6	0.2	0.3
Telecommunications, computer, and information services	2.5	1.1	1.2	0.7	0.8	0.6
Other business services	12.4	14.2	12.3	8.6	10.0	9.0
Government goods and services n.i.e.	2.4	1.5	2.4	0.8	0.7	0.5
<i>Memorandum item:</i>						
NPR/USD (period average)	112.9	116.3	117.9	120.8	130.7	133.0

a Provisional.

Source: Nepal Rastra Bank, *Quarterly Economic Bulletin*, mid-October 2024. Viewed at: <https://www.nrb.org.np/category/economic-bulletin/?department=red> (04/07/2025), and Current Macroeconomic and Financial Situation. Viewed at: <https://www.nrb.org.np/departments/red/> (04/07/2025).

1.3.1.3 Trade costs

1.20. Data available from the ESCAP-World Bank's Trade Cost Database, based on a 2017-2022 average (2022 is the latest year for which data are available), indicate that factors other than tariffs increased trade costs in Nepal significantly; trade costs in Nepal were 70.8% higher compared with the four large traders in the world (China, the European Union, Japan, and the United States), 38.2% higher compared with the member countries of the Association of Southeast Asian Nations (ASEAN), and 44.0% higher compared with the member countries of the South Asian Free Trade Area (SAFTA).¹⁷ One factor that may explain Nepal's relatively high trade cost is its geographical situation as it is landlocked and situated next to high mountains, limiting cross-border transactions of goods.

1.3.1.4 Trade and gender

1.21. The issue of trade and gender equality has emerged as an important part of development policy in Nepal. The Government's recent policy initiatives, including the Trade (Commerce) Policy, 2025¹⁸, aim to promote women's participation in trade activities. The Policy, for example, prioritizes establishing an environment in which women have equal access to resources, equal opportunities for skills development, and equal chance to influence trade policy and market spaces. According to a World Bank estimates, the share of women in the total labour force was accounted for 37.2% in 2024.¹⁹

¹⁷ Only fully available for India, Maldives, Pakistan, Sri Lanka. For Afghanistan, data were available for 2017, 2018 and 2019, and for Bhutan and Bangladesh, no data were available.

¹⁸ According to the authorities, the official English name is "Commerce Policy"; however, it is also referred to as "Trade Policy" in this report.

¹⁹ World Bank. Viewed at: <https://data.worldbank.org/indicator/SL.TLF.TOTL.FE.ZS?locations=NP> (15/08/2025).

1.22. The authorities state that women's participation has been ensured in key bodies and committees, such as the Board of Trade and the Productivity Task Force, through the representation of the Federation of Woman Entrepreneurs' Associations of Nepal, a private sector umbrella association of Nepal.

1.23. Additionally, gender and social inclusion (GESI) is a core value of the Nepal Trade Integration Strategies (NTIS), 2023. The NTIS outlines a series of tangible steps to encourage women's participation and share in trade benefits, such as aligning trade and gender policies, and conducting studies about impediments to women's participation in trade. The approach also involves focusing on data generation, regular review of women's empowerment in trade, and establishing a special GESI cell in the NTIS implementation unit. Through these efforts, Nepal aims to institutionalize gender equality in trade and making the trading environment fairer and more inclusive.

1.3.1.5 E-commerce and digital trade

1.24. During the review period, the E-Commerce Act, 2025 was adopted on 16 March 2025; the Act entered into force on 16 April 2025. The Act is harmonized with existing legislation, including the Consumer Protection Act, Electronic Transactions Act, Companies Act, and VAT Act, to ensure coherence within the broad digital and commercial regulatory framework. It aims to formally recognize social media platforms as legitimate e-commerce channels, introduce specific provisions to support SMEs, and establish a clearer legal framework for contractual agreements between sellers and platform operators.

1.25. Nepal also implemented the Digital Nepal Framework (DNF), 2019 as a roadmap to make digital efforts to contribute to economic growth; it classifies activities in agriculture, digital foundation, education, energy, finance, health, tourism, and urban infrastructure. Following the DNF, Nepal adopted the National Strategy on Development and Use of E-Commerce, 2019, which was also integrated into the Financial Sector Development Strategy, 2023, the NTIS, 2023, and Trade Policy, 2025.

1.3.1.6 Trade and environment

1.26. Nepal ratified the Kyoto Protocol in 2005 and the Paris Agreement in 2015, with a view to reaffirming its commitment to the global climate action. Nepal has implemented carbon pricing primarily through its participation in the REDD+²⁰ programme and engagement in the voluntary carbon market. Under the Emission Reductions Payment Agreement²¹ of the Forest Carbon Partnership Facility²² (FCPF) programme, Nepal aims to reduce nine million tonnes of carbon dioxide emissions in the Terai Arc Landscape, which accounts for about 20% of Nepal's forest cover. The authorities state that Nepal has been advocating for fair and just pricing mechanism for the CO₂ trading.

1.27. Through the National Adaptation Programme of Action, 2008, the country identified and implemented various adaptation projects with a view to reducing risks faced by vulnerable households and communities. For this purpose, Nepal also adopted the Climate Change Policy, 2010, followed by a revised policy in 2019. Similarly, community forestry programmes have sought to reduce greenhouse gas emissions.

1.28. Nepal also aims to build a climate-resilient society. The National Climate Change Policy, 2019 outlines eight thematic and four cross-cutting areas with various priority adaptation programmes identified for implementation. The National Adaptation Plan 2021 – 2050 provides a long-term roadmap with a view to enhancing the adaptive capacity of communities at risk. In addition, the

²⁰ It stands for reducing emissions from deforestation and forest degradation in developing countries, and additional forest-related activities that protect the climate. United Nations Climate Change. Viewed at: <https://unfccc.int/topics/land-use/workstreams/redd/what-is-redd>. (20/08/2025)

²¹ World Bank. Viewed at: <https://www.worldbank.org/en/news/feature/2021/05/19/what-you-need-to-know-about-emission-reductions-payment-agreements>. (20/08/2025)

²² Forest Carbon Partnership Facility. Viewed at: <https://www.forestcarbonpartnership.org/>. (20/08/2025)

Nationally Determined Contribution Implementation Plan focuses on key sectors such as energy, agriculture, forestry, waste management, industrial processes, urban settlements, and tourism.²³

1.3.2 Trends and patterns in FDI

1.29. FDI inflows in Nepal remained sluggish during the review period, with annual FDI inflows of USD 67.1 million in 2018 declining to USD 57.0 million in 2024, although peaking at USD 197 million in 2021 (Table 1.5, Chart 1.4, and Chart 1.5). According to external sources, private investment in Nepal (both domestic and foreign) has been adversely affected by, *inter alia*, frequent political changes, which continue to be one of the principal factors to business confidence and investment.²⁴

Table 1.5 FDI inflows and inward stock, 2018-2024

(USD million)

	2018	2019	2020	2021	2022	2023	2024
FDI inflows	67.1	185.0	126.5	196.0	65.1	73.9	57.0
FDI inward stock	1,921.4	1,620.5	1,706.8	1,933.9	2,187.4	2,260.0	2,284.3
FDI inward stock (% of GDP)	5.8	4.7	5.1	5.2	5.3	5.5	5.3

Source: UN Trade and Development (UNCTAD), *World Investment Report 2025*, and IMF – International Financial Statistics.

Chart 1.4 Foreign investment and actual inflows, FY2018/2019-FY2023/2024

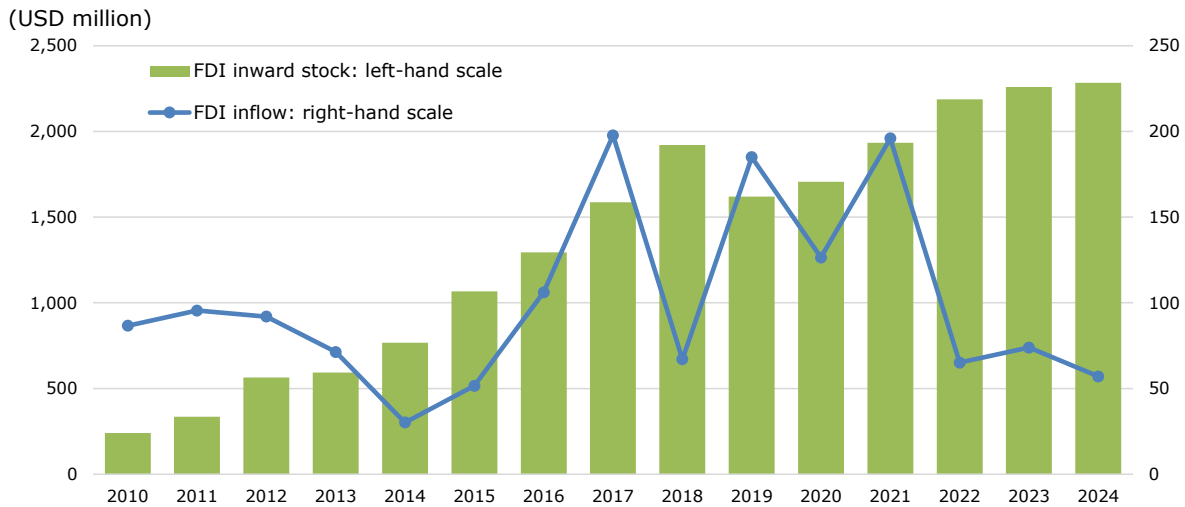


Note: FY2023/2024 data are only up to 14 June 2024.

Source: Ministry of Industry, Commerce and Supplies, Department of Industry, Foreign Investment in Nepal 2024. Viewed at: <https://doind.gov.np/downloads>. (20/08/2025)

²³ Ministry of Health and Population. Viewed at: [http://climate.mohp.gov.np/attachments/article/167/Second%20Nationally%20Determined%20Contribution%20\(NDC\)%20-%202020.pdf](http://climate.mohp.gov.np/attachments/article/167/Second%20Nationally%20Determined%20Contribution%20(NDC)%20-%202020.pdf) (21/08/2025).

²⁴ World Bank (2024), *Nepal Development Update: Restoring Export Competitiveness for a Sustainable Growth Path*. Viewed at: <https://documents1.worldbank.org/curated/en/099040124010511219/pdf/P500910-408e8a6c-9fda-439d-aa2d-d52cd32db742.pdf> (30/06/2025).

Chart 1.5 Foreign direct investment, 2010-2024

Source: UNCTAD, *World Investment Report 2024*.

1.30. According to the latest FDI survey by the NRB, as of mid-July 2023, the services sector, led by financial and insurance services, remained the largest contributor to Nepal's FDI inward stock, accounting for 40.2%. This is a sharp decline from 70.2% of contribution in FDI inward stock by overall services sector in mid-July 2016. Other major sectors attracting FDI included electricity, gas, steam, and air conditioning, which rose to 30% (from 13.9% in 2016), and manufacturing at 29.4% (also up from 13.9%). India is the leading source of FDI inward stock, contributing 35%, followed by China at 12%, Ireland at 7.7%, and both Australia and Singapore at 6.4% (Table 1.6).

Table 1.6 FDI stock by origin and sector, mid-July 2023

(NR million)

	Paid-up capital	Reserves	Foreign loans	Total FDI stock	Share in total FDI stock (%)
Total (USD million)	155,909.6	99,662.4	39,924.6	295,496.6	
	1,166.5	745.6	298.7	2,210.8	
By origins:					
India	52,608.1	43,706.5	7,137.6	103,452.3	35.0
China	28,465.3	-10,314.2	17,310.4	35,461.5	12.0
Ireland	10,681.6	11,770.0	172.7	22,624.2	7.7
Australia	10,140.9	8,904.3	11.6	19,056.7	6.4
Singapore	7,089.6	11,200.9	518.0	18,808.4	6.4
West indies	80.0	14,314.6	1.1	14,395.7	4.9
Korea, Republic of	13,907.0	-1,067.7	1,038.5	13,877.8	4.7
United Arab Emirates	891.6	11,037.3	355.1	12,284.1	4.2
United States	3,227.0	4,004.8	4,996.0	12,227.8	4.1
Hong Kong, China	6,590.3	-459.9	1,104.9	7,235.3	2.4
United kingdom	3,131.9	3,643.7	82.4	6,858.1	2.3
Netherlands	3,156.8	2,683.7	92.8	5,933.2	2.0
Others	15,939.6	238.4	7,103.5	23,281.5	7.9
By sectors:					
Agriculture, forestry, and fisheries	289.1	-26.0	39.4	302.6	0.1
Construction	785.6	38.9	31.2	855.7	0.3
Electricity, gas, steam, and air conditioning	66,603.1	663.1	21,345.6	88,611.8	30.0
Manufacturing	25,061.0	58,643.6	3,070.0	86,774.6	29.4
Mining and quarrying	153.8	-70.3	0.0	83.5	0.0
Services	63,017.1	40,413.2	15,438.5	118,868.7	40.2
Accommodation and food services	12,435.1	5,243.0	868.1	18,546.2	6.3
Education	1,045.9	63.0	588.3	1,697.2	0.6
Financial and insurance services	35,649.8	35,588.6	5,513.7	76,752.2	26.0
Human health and social work	1,023.8	-182.1	236.0	1,077.7	0.4

	Paid-up capital	Reserves	Foreign loans	Total FDI stock	Share in total FDI stock (%)
Information and communication	2,804.5	9,270.9	7,666.1	19,741.4	6.7
Transport and storage	1,118.5	-9,199.9	241.4	-7,840.0	-2.7
Other	8,939.5	-370.3	324.9	8,894.0	3.0

Source: Nepal Rastra Bank, Survey Report on Foreign Direct Investment in Nepal (2022-2023).

2 TRADE AND INVESTMENT REGIMES

2.1. Since its previous Review, Nepal has continued to undertake several regulatory reform initiatives. Its Trade Policy, 2015 and the Nepal Trade Integration Strategy (NTIS), 2016 were revised in 2025 and 2023, respectively. Main laws related to foreign investment were also revised and the E-commerce Act, 2025, and the Customs Tariff Act, 2024 were promulgated. Nepal also adopted its first law concerning anti-dumping, countervailing, and safeguard measures, the Safeguards, Anti-dumping, and Countervailing Act, 2019 (SACA), which entered into force on 12 January 2020. Several other laws, regulations, and policies were amended, *inter alia*, to align with the economic directive principles included in the Constitution, 2015. Furthermore, efforts have been made to attract and encourage foreign direct investment (FDI) and to increase exports of goods and services. According to the authorities, a revised Customs Act is currently being prepared.

2.2. The authorities state that Nepal remains committed to the multilateral trading system. During the review period, Nepal made a number of notifications to the WTO; it was not involved in any disputes. FDI in Nepal is generally open, with a few exceptions for certain activities. Two additional trade and investment framework agreements with Cambodia and Australia, and a memorandum of understanding (MoU) for trade and investment promotion framework with the Republic of Korea were concluded, and a new double taxation avoidance agreement (DTAA) was signed with Bangladesh during the review period.

2.1 General framework

2.3. According to its Constitution, 2015, Nepal upholds a democratic republic system with its state power divided into federal, provincial, and local governments (7 provinces and 753 local levels).¹ In July 2024, a new coalition assumed power in Nepal; the Government changed several times during the review period.²

2.4. As per the Constitution, the President is the head of State, and the Prime Minister is the head of the executive branch. While the role of the President is primarily ceremonial, he/she appoints the leader of a parliamentary party holding a majority in the House of Representatives (HoRs) as the Prime Minister, who exercises executive power and forms the Council of Ministers.

2.5. The Constitution grants rights to federal, provincial, and local governments to formulate legislation within their respective jurisdictions, and the federal government the power to make laws regarding concurrent powers between them. Accordingly, the Federal, Province and Local Level (Coordination and Inter-relation) Act, 2020 governs the rights and obligations of federal, provincial and local governments. Provincial and local governments are required to comply with federal laws concerning concurrent powers. Laws and regulations relating to international trade are in the federal government's jurisdiction.

2.6. The federal legislative power resides in the HoRs and the National Assembly (NA), collectively called the Federal Parliament. The HoRs comprise 275 members, with 165 members elected from each election constituency and the remaining 110 elected through proportional election system. The NA consists of 59 members, with 56 members being elected from the seven provinces, eight from each province which must include three females, one Dalit³, and one from minorities or persons with disabilities. The remaining three members (at least one woman) are nominated by the President, recommended by the Government.⁴ The term of the HoRs is five years and that of the NA is six years.

2.7. As per the Constitution and the Rules of the HoRs, 2020 and Rules of the NA, 2018, a Bill can be introduced in either House (except certain government Bills, such as Money Bill, which can only

¹ Since its promulgation in 2015, the Constitution has been amended twice.

² As the IMF suggests, frequent political changes could adversely impact progress in addressing structural constraints. IMF Country Report No. 25/66. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2025/03/18/Nepal-Fifth-Review-Under-the-Extended-Credit-Facility-Arrangement-and-Request-for-565326> (22/08/2025).

³ "Dalit" refers to historically marginalized communities in Nepal. The Constitution bans caste-based discrimination and guarantees Dalit rights to proportional inclusion in state bodies. It also mandates legal provisions for their empowerment, representation, and participation in public services and other employment sectors (Section 40 of the Constitution).

⁴ Constitution, 2015, Part-8.

be registered in the HoRs) by any member of the Parliament for debate, amendment, and approval. Various parliamentary committees may be involved in this process and seek for public opinion concerning the Bill. Once the originating house passes the Bill, it is forwarded to the other house for approval. After both houses approve the Bill, the Speaker of the originating house submits it to the President for authentication. Once authenticated, the Bill is published in the Nepal Gazette and enters into force as a law.⁵

2.8. The Constitution continues to be the supreme law followed by, *inter alia*, laws, regulations, rules, and governmental or administrative notifications, circulars, and directives. Legal provisions concerning Nepal's participation in international treaties remain unchanged, which is the Nepal Treaties Act, 1990. In case of divergence between the provisions of law and provisions of an international treaty ratified by the Parliament, the provisions of the treaty shall apply to the extent of the divergence.

2.9. The Constitution ensures the independence of the judiciary from the executive and legislative branches. There are three levels of courts: Supreme Court, High Court and District Court. The President appoints the Chief Justice based on the recommendation of the Constitutional Council, while other Supreme Court judges are appointed on the recommendation of the Judicial Council. The Supreme Court serves as the court of record and holds appellate jurisdiction over decisions made by the district and high courts. Under the Constitution, judicial bodies may be formed at the local level to try cases under law, or other bodies may be formed, as required, to pursue alternative dispute settlement methods.⁶

2.2 Trade policy formulation and objectives

2.10. The Constitution outlines guidelines (under its directive principle, policies and obligations of the State) for achieving economic growth, such as the goal of equitable and sustainable economic development of public, private and cooperative sectors. It also advocates for diversifying and expanding markets for goods and services, while promoting exports through industrial development.⁷ To achieve these goals, efforts have been made to legislate and amend laws and regulations reflecting the Constitution's economic directive principles.

2.11. The Ministry of Industry, Commerce, and Supplies (MoICS) is the primary administrative body formulating, implementing, and monitoring policies, strategies, plans, and programmes related to international trade, foreign investment, industrial development as well as micro-, small-, and medium-sized enterprises (MSMEs) and consumer protection. It also serves as an enquiry point for trade in services⁸ and a contact point for coordinating and prioritizing trade facilitation-related assistance and capacity-building programmes.⁹ MoICS also leads the drafting of foreign trade and investment related legislation in coordination with other relevant ministries and stakeholders. Additionally, it coordinates overall aid for trade (Aft) initiatives, including the Enhanced Integrated Framework (EIF), for which it serves as the national implementation unit. The Ministry of Finance (MOF) continues the role of setting customs duties for every fiscal year (FY) through the annual Budget and Finance Act, and more recently in compliance with Customs Tariff Act, 2024.

2.12. The interagency coordination mechanism dealing with international trade and investment issues remains largely unchanged since the previous Review; while MoICS continues to be the leading agency, the scope of other ministries also remains the same.¹⁰ The Board of Trade (BOT) and various committees are in place for streamlining coordination among different stakeholders, including the private sector. The BOT is chaired by the Minister of Industry, Commerce, and Supplies and its members include the State-Minister of MoICS, a member of the Nepal Planning Commission (NPC), the Governor of the Central Bank (Nepal Rastra Bank (NRB)), Secretaries from several

⁵In accordance with Article 114 of the Constitution, if neither House of the Federal Parliament is in session, the President may, on the recommendation of the Council of Ministers, promulgate an ordinance if circumstances exist that require immediate action.

⁶ WTO document [WT/TPR/S/381/Rev.1](#), 27 February 2019.

⁷ Constitution, 2015, Part-4.

⁸ WTO document [S/ENQ/78/Rev.21](#), 12 February 2021.

⁹ WTO document [G/TFA/N/NPL/3/Rev.1](#), 25 May 2023.

¹⁰ As the Constitution limits the number of federal ministries to a maximum of 25, there have been no changes in their composition or number since 2018. The current list of ministries was viewed at: <https://www.opmcm.gov.np/en/cabinet/> (07/05/2025).

ministries, representatives from private sector umbrella associations¹¹, and three independent experts, with at least one woman.

2.13. For the provision of Article 23.2 of the WTO Agreement on Trade Facilitation, the National Trade Facilitation Committee (NTFC) was formed in 2024 and is in operation. The NTFC is chaired by the Minister of Industry, Commerce, and Supplies, comprising members from various public and private stakeholders, ensuring at least one female's participation (Section 3.1). Other committees and thematic groups established to coordinate issues related to international trade include the Trade Policy Advisory Committee, NTIS National Steering Committee, and National Programme Implementation Unit. WTO focal points are designated from other ministries and related departments/agencies including the NRB to deal with issues related to WTO Agreements. Trade and Export Promotion Centre under MoICS continues its role in promoting international trade, particularly exports, by, *inter alia*, facilitating private sector participation in international and national trade expos, exhibitions, and fairs.

2.3 Trade laws and regulations

2.14. A number of laws and regulations affect trade and investment regime (Box 2.1). While some laws remained unchanged since the previous Review, several new laws/regulations were adopted such as the E-commerce Act, 2025; Customs Tariffs Act, 2024; Safeguards, Anti-dumping and Countervailing Act, 2019; Food Hygiene and Quality Act, 2024; Foreign Investment and Technology Transfer Act, 2019; Industrial Enterprises Act, 2020; and Public Private Partnership and Investment Act, 2019.

Box 2.1 Laws and regulation related to international trade and investment

<p>Customs: Customs Act, 2007 (latest amendment in 2024), and its Regulation 2007 (latest amendment in 2024) Customs Tariff Act, 2024</p>	<p>Competition policies: Competition Promotion and Market Protection Act, 2007 (latest amendment in 2007), and its Regulation 2007 (latest amendment in 2010) Consumer Protection Act, 1998 (latest amendment in 2019), and its Regulation, 2000 (latest amendment in 2019)</p>
<p>Export and import licensing: Export Import (Control) Act, 1957 (latest amendment in 2025), and its Rules 1978 (latest amendment in 2013)</p>	<p>Privatization: Public Enterprise (Government Investment) Management Act, 1993 (latest amendment in 2025)</p>
<p>Technical barriers to trade: Nepal Standards (Certification Mark) Act, 1980 (latest amendment in 2022), and its Regulation, 1982 (latest amendment in 2013) Drug Act, 1978 (latest amendment in 2022) Drug Registration Rules, 1981 Standard Measurement and Weight (Sealed Package) Regulations, 2020 Accreditation Act, 2022</p>	<p>Investment regime: Foreign Investment and Technology Transfer Act, 2019 (latest amendment in 2025), and its Rules 2021 Industrial Enterprises Act, 2020 (latest amendment in 2025), and its Rules 2022 Public Private Partnership and Investment Act, 2019 (latest amendment in 2025) Companies Act, 2006 (latest amendment in 2025) Specialized Investment Fund Rules, 2019 Mines and Minerals Act, 1985 and its rules Nepal Petroleum Act, 1983 and its rules Securities Act, 2007</p>
<p>Sanitary and Phyto-sanitary measures: Plant Quarantine and Protection Act, 2007 (latest amendment in 2023), and its Rules, 2010 (latest amendment in 2024) Feed Act (Animal Concentrates), 1976 (latest amendment in 2019) Animal Slaughterhouse and Meat Inspection Act, 1999 (latest amendment in 2019), and its Regulation, 2001 (latest amendment in 2024) Animal Health and Livestock Services Act, 1998 (latest amendment in 2019), and its Regulation, 2000. Food Safety and Quality Act, 2024 Pesticides Management Act, 2019, and its Regulation, 2024</p>	<p>Trade-related intellectual property rights: Patent, Design and Trademark Act, 1965 (latest amendment in 2015) Copyright Act, 2002 (latest amendment in 2019), and its Rules. 2004 2004 (latest amendment in 2013)</p>

¹¹ These include the Federation of Nepalese Chambers of Commerce and Industry (FNCCI), the Confederation of Nepalese Industries (CNI), Nepal Chamber of Commerce (NCC), and the Federation of Nepal Cottage and Small Industries (FNCSI).

Seeds Act, 1988 (latest amendment in 2023), and its Rules 2024)

Anti-dumping, countervailing, and safeguard measures:
Safeguards, Anti-dumping and countervailing Act, 2019, and its Regulation 2021

Government procurement:
Public Procurement Act, 2007 (latest amendment in 2019), and its Regulation, 2007

E-Commerce:
E-Commerce Act, 2025

Source: Information provided by the authorities.

2.4 Policy objective

2.15. Nepal has been pursuing development policy objectives through its periodic development plans. During the review period, it adopted the 14th Periodic Plan (FY2016/2017 – FY2018/2019), the 15th Periodic Plan (FY2019/2020 – FY2023/2024), and the 16th Periodic Plan (FY2024/2025 – FY2028/2029). Reducing poverty and improving people's living standards through socio-economic transformation continues to be among the top priorities for the policy objectives of these Plans. The 16th Plan emphasized structural transformation and inclusive and equitable economic growth. Trade remained a key pillar for economic growth as stated in these Plans.¹²

2.16. Nepal's policy objective, as stated in its Trade Policies, includes being export-driven and reducing trade deficit and lowering trade barriers.¹³ The latest Trade Policy, 2025 addresses, *inter alia*, Nepal's transition to a federal structure and its anticipated graduation from the LDC status. The Policy also highlights priorities such as increasing intergovernmental coordination (federal, provincial, and local levels), developing a competitive business environment, emphasizing trade resilience in the face of global shocks (e.g. pandemics, climate change), strengthening the supply chain, and broadening the scope of trade to include digital trade and services exports.¹⁴ The Trade Policy, 2025 also calls for modernized trade governance, embracing digital transformation, and fostering decentralized and inclusive economic growth.

2.17. In addition, Nepal Trade Integration Strategies (NTIS) have been adopted since 2010 to complement the Trade Policy. During the review period, NTIS, 2023 was introduced with a view to addressing the persistent challenges.¹⁵ The authorities note that the Trade Policy, 2025, further set out a broader policy framework to implement NTIS, 2023, which expanded the focus and provides detailed strategic designs with the strengths, weaknesses, opportunities, and threats analysis on, *inter alia*, overall coherence of various policy areas.¹⁶ A detailed strategic framework is suggested with three strategic pillars, 13 strategies and 183 activities (Table 2.1).

¹² National Planning Commission (2024), "The Sixteenth Plan (FY2024/2025 – FY2028/2029)", NPC. Viewed at: <https://npc.gov.np/images/category/25012805521116TH%20PLAN%20English%20transaltion%202081%20final%20for%20web1.pdf> (05/05/2025). The 14th Periodic Plan focused on reconstruction and social recovery after the devastating earthquake in 2015 and the 15th Periodic Plan highlighted high and sustainable economic growth and human capital development; it introduced a long-term vision aiming at lifting Nepal to the level of the middle-income economies by 2030 and to the advanced economies by 2043.

¹³ Since the Trade Policy's first inception in 1992, aiming to align with the overall economic liberalization initiatives of the Government, the second Trade Policy was formulated in 2009 in the context of Nepal's membership to the WTO, and the third Trade Policy in 2015. After its eight years of implementation, persistent trade deficits, limited export diversification, and changing global trade dynamics, including impending graduation from LDC status in 2026, have been considered for the need for a renewed and adaptive trade policy framework.

¹⁴ MoICS, *Trade Policy 2024*. Viewed at: <https://www.moics.gov.np/> (05/05/2025).

¹⁵ These include (i) an increasing balance of payment deficit and depletion of foreign exchange reserves, leading to a current account deficit, (ii) weak export growth for the priority products identified in the previous NTIS despite an overall improvement in export growth, (iii) the imminent loss of international trade benefits for LDCs after transitioning to a developing country status in 2026, (iv) new opportunities for building domestic supply and value chains in the context of federal system, and (v) the need to update trade strategies with a focus on gender empowerment and social inclusion to promote poverty reduction and inclusive development. MoICS (2023), "Nepal Trade Integration Strategy, 2023 (2023-2028)". Viewed at: <https://www.moics.gov.np/> (05/05/2025).

¹⁶ These include macroeconomic and development policies for trade integration; federalism, LDC graduation and measures for enhancing trade capacity in economic diplomacy; labour, women empowerment, and social inclusion; trade infrastructure development and trade facilitation; food quality standards and plant health, and quality infrastructure for industrial products, standards and implementation situation; supportive

Table 2.1 NTIS 2023 strategic framework

Strategic pillars	Strategies	No. of activities
1. Building a supportive environment for trade	1. Supportive macroeconomic and development policies with consistency and predictability 2. Engaging subnational governments in trade ecosystem development 3. Maximizing opportunities and minimizing threats after LDC graduation 4. Strengthening economic diplomacy and expanding trade-enabling bilateral/multilateral treaties and agreements 5. Enhancing labour motivation and productivity 6. Ensuring meaningful gender empowerment and social inclusion in sharing the benefits of trade	50
2. Improving trade-enabling infrastructures, logistics, processes, and regulatory environment	7. Developing integrated trade logistics and improving trade facilitation 8. Strengthening food quality enforcement and plant health standards 9. Improving quality infrastructures and enforcement of industrial standards 10. Improving investment environment 11. Integrating advance concepts of Industry 4.0 and 5.0 in production process	80
3. Developing competitive products and services and expanding export market	12. Building strength in goods export 13. Strengthening services sector export	53

Source: WTO Secretariat's compilation based on NTIS 2023.

2.18. Compared with the 12-priority product-specific subsectors identified in NTIS, 2016, which included some agro-based, crafts and manufacturing products, and some service sectors, NTIS, 2023 significantly expanded the scope to include a broader and more diverse list of priority products/sectors. While several products such as large cardamom, ginger, tea, medicinal and aromatic plants, pashmina, and carpets continue to be identified as having a comparative advantage, NTIS, 2023 introduces new products such as lentils, silver jewellery, leather goods, processed food items, and coffee, signalling a shift towards value-added and higher-potential exports. Under trade in services, it expands beyond the original focus on tourism, IT/BPO (information technology business process outsourcing), and labour migration to include newly prioritized services such as constructions and water resource-based services. Most notably, NTIS, 2023 formally includes hydropower in its priority list of exportable items, recognizing Nepal's comparative advantage in renewable energy and its potential energy trade in the region, particularly with India and Bangladesh.

2.19. The major targets of NTIS, 2023 include increasing the trade-to-GDP ratio to 55% by FY2027/2028 (from 48.1% in FY2021/2022), and to raise the export of goods and services-to-GDP ratio to 20% by FY2027/2028 (from 6.3% in FY2021/2022).

2.5 Trade agreements and arrangements

2.5.1 WTO

2.20. Nepal has been a WTO Member since 2004.¹⁷ It has been actively participating in the WTO's work, including through serving as chairs of various bodies¹⁸ and as a focal point on behalf of the LDC group concerning various issues. The authorities state that Nepal remains committed to a fair and inclusive multilateral trading system while highlighting its key priorities such as ensuring food

regulatory environment for investment; use of fourth and fifth generation industry concept; development of priority products for export; and institutional mechanism for implementation, monitoring and evaluation of NTIS.

¹⁷ Nepal is the first LDC to become a WTO Member through Article XII of the Marrakesh Agreement establishing the WTO.

¹⁸ Nepal has served as chairs of the Committee on Trade and Development (in 2024), the Council for Trade in Services (in 2025), the Committee on Customs Valuation (in 2021), and the EIF Governing Board (between 2019 and 2021).

security, agricultural reform, development aspects of e-commerce, enabling environment for MSMEs, and calls for meaningful WTO reforms including in dispute settlement.¹⁹

2.21. Nepal continues to accord at least MFN treatment to all its trading partners, including for non-WTO Members. Nepal is neither a party to nor an observer of any of the WTO plurilateral agreements and do not participate in any of the joint statement initiatives. As of April 2025, it had not been involved in any cases under the WTO dispute settlement mechanism and it did not participate in the Multi-Party Arbitration Arrangement. During the review period, Thailand raised a trade concern related to sanitary and phytosanitary measures with Nepal regarding its import ban on energy drinks in 2020.²⁰ The authorities state that Nepal had officially responded to the concern.

2.22. The authorities emphasize the need for continued international support measures during its process of graduating from an LDC status; such measures would include duty-free quota-free market access, special and differential treatment, preferential rules of origin, services waiver, and AfT (Box 1.1). Nepal continued to benefit from the WTO's Technical Assistance programs. From 2018 to 2024, 169 Nepalis participated in these programs; the WTO also hosted one young professional, placed two officers in the French-Irish Mission Programme (FIMIIP) and two in the Netherlands Talent Programme (NTP), and registered over 600 e-learning course enrolments from Nepal.

2.23. On 18 August 2025, Nepal deposited with the WTO Secretariat its instrument of acceptance of the Agreement on Fisheries Subsidies.

2.24. Nepal made various notifications to the WTO during the review period (Table 2.2). Some notifications are pending, such as those on export subsidies (ES:2) and notifications related to State Trading Enterprises, the Agreement on the Implementation of Article VI and VII of the GATT 1994, the Agreement on Import Licensing Procedures, and the TRIMS.

Table 2.2 Main notifications under WTO Agreements, 1 January 2018 – 25 August 2025

WTO agreement	Description	Periodicity	Latest document symbol and date ^a
Agreement on Agriculture			
Articles 10 & 18.2 – ES:1	Export subsidies	Annual	G/AG/N/NPL/18-20 , 02/12/2024 G/AG/N/NPL/16-17 , 02/07/2024
Articles 10 & 18.2 – ES:2	Export subsidies – total exports	Annual	No notification
Article 18.2 – DS:1	Domestic support	Annual	G/AG/N/NPL/21-22 , 04/12/2024
Agreement on Rules of Origin			
Article 5.1	Non-preferential rules of origin	One time	G/RO/N/165 , 03/04/2018
Annex II para. 4	Preferential rules of origin	<i>Ad hoc</i>	G/RO/N/165 , 03/04/2018
Agreement on Safeguards			
Article 12.6	Laws and regulations	<i>Ad hoc</i>	G/SG/N/1/NPL/2 , 28/07/2025
Agreement on Subsidies and Countervailing Measures			
Article 25.1 & GATT 1994 Article XVI:1	Specific subsidies	Periodic	G/SCM/N/401/NPL , 17/04/2024
Article 25.12	Investigating authority	One time	G/SCM/N/202/NPL/Rev.1 , 05/06/2025
Article 32.6	Laws and regulations	<i>Ad hoc</i>	G/SG/N/1/NPL/2 , 28/07/2025
Agreement on Technical Barriers to Trade			
Annex 3, Para. C	Code of good practices	One time	G/TBT/CS/N/206 , 17/07/2023 G/TBT/N/NPL/10 , 05/08/2024
Article 2.9	Technical regulations	<i>Ad hoc</i>	G/TBT/N/NPL/9 , 11/07/2019 G/TBT/N/NPL/8 , 11/07/2019 G/TBT/N/NPL/7 , 11/07/2019 G/TBT/N/NPL/6 , 26/09/2018 G/TBT/N/NPL/5 , 30/05/2018
Article 5.6	Conformity assessment	<i>Ad hoc</i>	G/TBT/N/NPL/6 , 26/09/2018
Agreement on Trade-Related Aspects of Intellectual Property Rights			
Article 69	Contact points	One time	IP/N/3/NPL/1 , 22/01/2025

¹⁹ WTO document [WT/MIN\(24\)/ST/25](#), 26 February 2024.

²⁰ WTO document [G/SPS/R/99](#), 11 August 2020.

WTO agreement	Description	Periodicity	Latest document symbol and date ^a
Agreement on the Application of Sanitary and Phytosanitary Measures			
Article 7 and Annex B	SPS regulations	<i>Ad hoc</i>	G/SPS/N/NPL/47 , 10/03/2025 G/SPS/N/NPL/46 , 03/02/2025 G/SPS/N/NPL/45 , 08/08/2024 G/SPS/N/NPL/44 , 28/05/2024 G/SPS/N/NPL/43 , 29/01/2024 G/SPS/N/NPL/42 , 06/07/2023 G/SPS/N/NPL/41 , 19/06/2023 G/SPS/N/NPL/40 , 19/06/2023 G/SPS/N/NPL/39 , 25/01/2023 G/SPS/N/NPL/38 , 16/11/2022 G/SPS/N/NPL/37 , 06/09/2022 G/SPS/N/NPL/36 , 02/09/2022 G/SPS/N/NPL/35 , 19/07/2022 G/SPS/N/NPL/34 , 19/07/2022 G/SPS/N/NPL/33 , 09/02/2022 G/SPS/N/NPL/32 , 16/07/2020 G/SPS/N/NPL/31 , 16/07/2020 G/SPS/N/NPL/30 , 06/01/2020 G/SPS/N/NPL/29 , 20/12/2019 G/SPS/N/NPL/28 , 15/03/2019
Decision on Notification Procedures for Quantitative Restrictions			
G/L/59/Rev.1	Quantitative restrictions in place	Biennial	No notification for 2024 G/MA/OR/N/NPL/1 , 11/10/2022
GATT 1994			
Article XVII:4(a) & para. 1 of the Interpretation of Article XVII	State trading enterprises	Biennial	No notification
Agreement on Implementation of Article VI of the GATT 1994			
Article 16.4	Anti-dumping actions	Semi-annual	No notification
Article 18.5	Legislation	One time	G/SG/N/1/NPL/2 , 28/07/2025
Article 16.5	Investigating authority	One time	G/ADP/N/193/NPL/Rev.1 , 05/06/2025
Agreement on Implementation of Article VII of the GATT 1994 (Agreement on Customs Valuation)			
Decision A.3	Interest charges	<i>Ad-hoc</i>	No notification
Decision A.4	Carrier media	<i>Ad-hoc</i>	G/VAL/N/3/NPL/1 , 10/02/2025
B.3	Checklist of issues	<i>One time</i>	G/VAL/N/2/NPL/1 , 24/01/2025
Agreement on Preshipment Inspection			
Article 5	Laws and regulation	<i>One time</i>	G/PSI/N/1/Rev.7/Add.2 , 02/02/2025
GATS			
Article III:4	Establishment of enquiry points	One time	S/ENQ/78/Rev.21 , 12/02/2021
Article IV:2	Establishment of contact points	One time	
Agreement on Import Licensing Procedures			
Article 7.3	Replies to questionnaires	Annual	No notification
TRIMs			
Article 6.2	Publications in which TRIMs may be found	One time	No notification
Agreement on Trade Facilitation			
Article 1.4	Importation, exportation, and transit procedures	One time	G/TFA/N/NPL/4 , 26/06/2024 G/TFA/N/NPL/2 , 14/10/2019
Article 10.4.3	Single window	One time	
Article 10.6.2	Customs brokers	One time	
Article 12.2.2	Contact points	One time	G/TFA/N/NPL/1 , 16/02/2018 G/TFA/N/NPL/1/add.1 , 26/02/2020 G/TFA/N/NPL/1/add.3 , 20/07/2022 G/TFA/N/NPL/1/add.4 , 16/08/2023 G/TFA/N/NPL/1/add.4/Corr.1 , 22/08/2023
Articles 15 & 16	Category designation	One time	
Article 16, Category B	Definitive dates	One time	G/TFA/N/NPL/1/add.2 , 24/02/2021 G/TFA/N/NPL/1/add.4 , 16/08/2023 G/TFA/N/NPL/1/add.4/Corr.1 , 22/08/2023
Article 16, Category C	Definitive dates	One time	
Article 19	Shifting of categories	One time	G/TFA/N/NPL/1/add.4 , 16/08/2023 G/TFA/N/NPL/1/add.4/Corr.1 , 22/08/2023

WTO agreement	Description	Periodicity	Latest document symbol and date ^a
Article 22.3	Contact points of TACB	One time	G/TFA/N/NPL/3/Rev.2 , 17/03/2025 G/TFA/N/NPL/3 , 19/02/2020

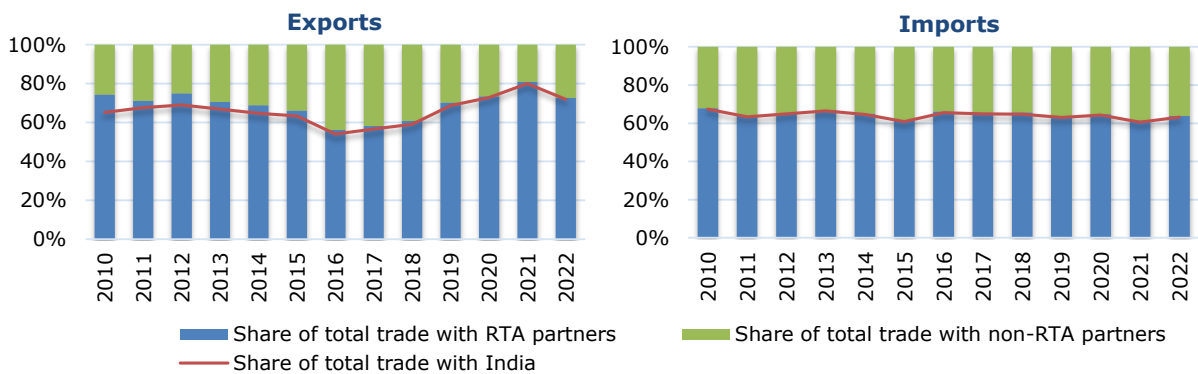
a To see all notifications by the Member under review, refer to the "Status by Member" section of the Notifications Portal (Nepal Member profile – Notification Portal).

Source: WTO Secretariat, based on WTO notifications.

2.5.2 Regional and preferential agreements

2.25. Since its previous Review, Nepal has not concluded any new regional trade agreements (RTAs). It continues to be a party to the South Asian Free Trade Area (SAFTA), covering goods; the South Asian Association for Regional Cooperation (SAARC) Agreement on Trade in Services (SATIS); and to a bilateral RTA with India, covering goods. Nepal's merchandise trade remained heavily concentrated with its RTA partners (Chart 2.1), mainly led by India. Between 2010 and 2022, India alone accounted for an average of over 95% of Nepal's imports and about 99% of its exports among RTA partners. India also accounted for an average of over 65% of Nepal's total global imports and exports.

Chart 2.1 Nepal's share of merchandise imports and exports amongst RTA partners, 2010-2022



Source: WTO Secretariat's calculations based on WTO Analytical Database.

2.5.2.1 SAFTA and SATIS

2.26. Nepal is one of the founding members of the SAARC, which was established in 1985 and has hosted its Secretariat in Kathmandu since 1987.²¹ The broader objectives of the SAARC are beyond trade, such as promoting the quality and welfare of South Asian people through accelerated economic, social, and cultural development, collective self-reliance, cooperation, and collaboration with international forums on shared interests. Under SAARC, Nepal is a party to two trade agreements: SAFTA (in force since 2006, covering goods) and SATIS (in force since 2012, covering services).²²

2.27. Since its previous review, there have been no major changes to Nepal's participation to SAFTA. All parties to SAFTA, including Nepal, had already completed their agreed Trade Liberalization Programme (TLP) under Phases I and II, committing to lower their respective tariffs to a level between 0–5% on all products except those on their respective Sensitive Lists.²³ The Secretariat's report for the second Trade Policy Review of Nepal, 2018 already mentions that it has already

²¹ SAARC comprises eight Member States: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka as original signatories, with Afghanistan joining on 3 April 2007.

²² SAARC Secretariat. Economic, Trade and Finance – Areas of Cooperation. Viewed at: <https://www.saarc-sec.org/index.php/areas-of-cooperation/economic-trade-and-finance> (09/05/2025). SATIS has not been fully operationalized, pending the conclusion of negotiations on the Schedules of Specific Commitments

²³ Embassy of Sri Lanka in France. "South Asian Free Trade Area (SAFTA)". Viewed at: <https://www.srilankaembassy.fr/en/page/140-south-asian-free-trade-area-safta> (05/05/2025).

implemented its tariff reduction programme under Phases II and has reduced the Sensitive List to 1,036 tariff lines for non-LDCs and 998 tariff lines for LDCs.²⁴ Customs Tariff Act, 2024, Annex 7 contains Nepal's current list of sensitive products. Discussions on further reduction of the Sensitive Lists under Phase III have been on the agenda²⁵; however, the authorities noted that progress has been delayed due to the absence of SAFTA ministerial meetings and meetings of the Committee of Experts in a timely manner.

2.28. According to Nepal's applied tariffs (FY2024/2025), it grants reduced duties or preferential margins to 3,160 tariff lines for SAFTA non-LDCs and an additional 37 lines for LDCs, resulting in an average relative preference margin of 21.6% for non-LDCs and 22.1% for LDCs compared to MFN tariffs (Section 3.1.4). Although Nepal also benefits from reduced tariffs and more favourable treatment as an LDC under SAFTA, there has been no evidence of increase in its exports to other SAFTA parties, except India, with which it has a bilateral trade agreement. Nepal's limited potential export growth under SAFTA is attributed to factors such as the inclusion of key Nepalese products in other parties' sensitive lists, poor transport connectivity, limited port access, challenges in complying with SAFTA rules of origin, inadequate trade facilitation measures, and inconsistent TBT and SPS regulations across parties.²⁶ SAFTA have been notified to the WTO under Enabling Clause on 21 April 2008, including the accession of Afghanistan on 29 July 2016.²⁷

2.29. All SAFTA parties, including Nepal, are also parties to SATIS. Since its entry into force on 29 November 2012, the Agreement has not been fully operationalized, pending the conclusion of negotiations on the Schedules of Specific Commitments. While all parties, including Nepal, have submitted their Final Offer Lists, Pakistan's submission in 2019 has remained under review.²⁸ SATIS is primarily built on the GATS principles, following a positive list approach for the Schedules of Specific Commitments. Additionally, it requires that any initial offer by a party that is a WTO Member must go beyond its GATS commitments, demonstrating substantial sectoral and modal improvement.²⁹ SATIS has not yet been notified to the WTO.

2.5.2.2 Nepal-India treaty of trade

2.30. The revised Treaty of Trade with India, signed in October 2009, which replaced its 1991 version, was further renewed in 2016 under the provision of automatic renewal every seven years as per the Article XII of the Treaty. The recent renewal was made in 2023 for an additional seven years. The Treaty covers trade in goods and was notified to the WTO on 2 August 2010 under Enabling Clause³⁰ and it was considered by the Committee on Trade and Development (CTD) following WTO's Transparency Mechanism for RTAs 2006 on 29 March 2021.³¹

2.31. Under the Treaty, both parties grant each other MFN treatment.³² They mutually eliminate basic customs duties and quantitative restrictions on agreed primary products listed in the Protocol to the Treaty. For industrial products, India removes all duties and quantitative restrictions on imports from Nepal, except specific products such as vegetable fats (Vanaspati), acrylic yarn, copper products, and zinc oxide, for which preferential tariff quotas apply. These products have duty-free in-quota rates, while imports exceeding the quotas are subject to MFN tariffs. Based on the 2009 tariff schedules (year of entry into force of the revised Treaty), 94.7% of India's tariff lines were

²⁴ WTO document [WT/TPR/S/381/Rev.1](#), 27 February 2018.

²⁵ Basic Chemicals, Cosmetics & Dyes Export Promotion Council (CHEMEXCIL). "SAFTA TLP-III – Requests Lists". Viewed at: https://chemexcil.in/uploads/files/safta_request_list.pdf (05/05/2025).

²⁶ Suman Kumar Regmi. "Moribund Trade in SAARC Region". The Annapurna Express, 5 December 2024. Viewed at: <https://theannapurnaexpress.com/story/51487> (05/05/2025).

²⁷ WTO documents [WT/COMTD/N/50](#), 2 August 2016; and [WT/COMTD/N/26](#), 24 April 2008.

²⁸ WTO document [WT/TPR/S/424/Rev.1](#), 23 February 2022.

²⁹ South Asian Association for Regional Cooperation (SAARC). "SAARC Agreement on Trade in Services (SATIS)". SAARC Secretariat. Viewed at: <https://www.saarc-sec.org/index.php/resources/agreements-conventions/45-saarc-agreement-on-trade-in-services/file> (05/05/2025).

³⁰ WTO documents [WT/COMTD/RTA18/N/1](#), 14 December 2020 and [WT/COMTD/N/34](#), 3 August 2010.

³¹ WTO document [WT/COMTD/RTA18/M/1](#), 19 May 2021.

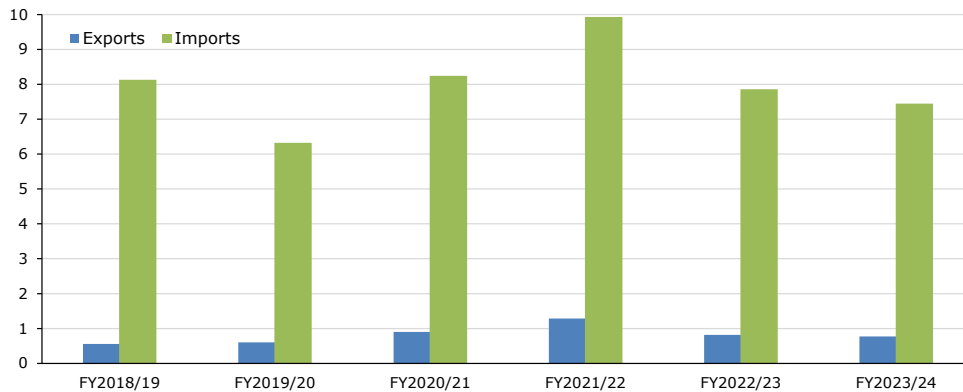
³² According to Article III of the Treaty, each Party agrees to accord to the other treatment no less favourable than that granted to any third country with respect to (a) customs duties and related charges on imports and exports, and (b) import regulations, including quantitative restrictions.

fully liberalized for imports from Nepal, whereas 11.5% of Nepal's tariff lines were liberalized for imports from India under the Agreement.³³

2.32. Nepal has consistently experienced a large trade deficit with India (Chart 2.2). Amongst other issues, Nepal considers amending the Treaty to secure more policy space, specifically in reciprocal duty-free trade in primary products.³⁴ During the recent IGC meeting held in Kathmandu from 10-11 January 2025, both Parties conducted a review of their bilateral trade and economic relations, including discussions on the review of the Treaty for possible amendments.³⁵

Chart 2.2 Nepal's merchandise trade with India

(USD billion)



Source: Ministry of Finance, Department of Customs. Viewed at: <https://www.customs.gov.np/#>.

2.5.3 Other agreements and arrangements

2.5.3.1 Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC) FTA framework agreement

2.33. Nepal also has been a member of BIMSTEC since 2004. Under the BIMSTEC, it continues to be a Party to the Framework Agreement on BIMSTEC Free Trade Area. The aim of the Framework Agreement is to expand trade and investment among the parties and attract external economic engagement. A Trade Negotiating Committee (TNC) has been mandated to negotiate the constituent agreements under the BIMSTEC FTA Framework.³⁶

2.34. Seven agreements are currently under negotiation, including agreements on trade in goods; trade in services, cooperation, and mutual assistance in customs matters; trade facilitation; dispute settlement procedures; investment; and the second protocol amending the Framework Agreement on the BIMSTEC FTA. The authorities indicate that the draft text of the Agreement on Dispute Settlement Procedures and second protocol amending the Framework Agreement on the BIMSTEC FTA are almost finalized from the working group level. While the draft text of the agreements related to trade in services and investment remains in its initial stage, significant progress has been made in other areas, such as trade facilitation and customs matters. Although the text of the agreement on trade in goods has been finalized, several annexes, such as those relating to rules of origin and certification procedures, are still under negotiation. It was reported that significant progress has

³³ WTO document [WT/COMTD/RTA18/1](#), 15 December 2020.

³⁴ South Asia Watch on Trade, Economics and Environment (SAWTEE). "Roundtable Discussion on Nepal-India Treaty of Trade". SAWTEE, 6 April 2023. Viewed at: <https://www.sawtee.org/category/featured-events/roundtable-discussion-nepal-india-treaty-of-trade> (05/05/2025).

³⁵ Press Information Bureau (PIB), Government of India. "India-Nepal IGC Meeting on Trade Transit and Cooperation to Combat Unauthorized Trade Concludes in Kathmandu", 12 January 2025. Viewed at: <https://pib.gov.in/PressReleasePage.aspx?PRID=2092280> (05/05/2025).

³⁶ BIMSTEC was established on 6 June 1997 through the Bangkok Declaration, initially as BISTEC (Bangladesh, India, Sri Lanka, and Thailand Economic Cooperation). With Myanmar joining on 22 December 1997, the group adopted the name BIMSTEC, which was officially endorsed at the first BIMSTEC Summit in 2004. With Nepal and Bhutan joining in February 2004, the forum expanded to seven members. Ministry of Foreign Affairs. "Nepal and BIMSTEC". Viewed at: <https://mofa.gov.np/pages/nepal-and-bimstech-6/>

been made in these negotiations.³⁷ An early announcement under the WTO's Transparency Mechanism for RTAs was made for BIMSTEC.³⁸

2.5.3.2 Transit agreements

2.35. Nepal has bilateral transit treaties/agreements with India, China, and Bangladesh. The authorities state that, as a landlocked country, transit facilitation is a crucial component of Nepal's international trade to reduce trade costs.

2.36. The Nepal-India Transit Treaty, renewed on 1 June 2023, allows transit through mutually agreed routes for seven years, with automatic renewal. It designates Kolkata/Haldia and Vishakhapatnam ports for entry and exit and also supports other waterway traffic. The Rail Service Agreement (2004) between Nepal and India further ensures rail services from the designated Indian seaports to Nepal's border points.

2.37. Under its 1976 Transit Agreement with Bangladesh, Nepal has access to the Chittagong and Mongla seaports and five land ports. However, the authorities note that Nepal has not been able to fully utilize these transit facilities due to insufficient border infrastructure.

2.38. Nepal also signed a Transit Transport Agreement with China in 2016, with a Protocol finalized in 2023 containing the operational procedures for the agreement.³⁹ It grants access to four seaports and three dry ports in China, though the authorities state that these transit facilities have yet to become operational, mainly due to infrastructure gaps, particularly in rail, road connectivity, and other related trade logistics.

2.39. The authorities emphasize that Nepal, like other landlocked developing countries, faces complex trade challenges and requires targeted support to strengthen connectivity and improve trade logistics.

2.5.3.3 Other agreements

2.40. Nepal has several bilateral agreements which essentially covers trade in goods and provides for MFN treatment which include: Bangladesh (signed in 1976); Bulgaria (1980); China (1981); Czechoslovakia (1992); Democratic People's Republic of Korea (1970); Egypt (1975); India (1991, 2009); Mongolia (1992); Pakistan (1982); Poland (1992); Republic of Korea (1971); Romania (1984); Sri Lanka (1979); United Kingdom (1965); United States (1947); USSR (1970); and Yugoslavia (1965). According to the authorities, some of the agreements have lost their relevance in the present context and these agreements were concluded before Nepal joined the WTO to secure MFN treatment, and their provisions are no longer relevant after WTO Membership.

2.41. Nepal continued to benefit from unilateral preferences granted to the LDCs, including the Generalized System of Preferences (GSP) schemes of Australia, Canada, the European Union, the Eurasian Economic Union, Iceland, Japan, New Zealand, Norway, Switzerland, Türkiye, the United Kingdom, and the United States. It has also been a beneficiary of LDC-specific unilateral schemes of India, Chile, China, Montenegro, Chinese Taipei, Tajikistan, Thailand, and the Republic of Korea.⁴⁰

2.42. The unilateral preferences granted by the United States for nine years, which came into force on 30 December 2016, are set to end on 31 December 2025. The United States provided duty-free market access for 77 products originating in Nepal, aiming to promote trade expansion and economic development following the social and economic consequences of the April 2015 earthquakes.⁴¹ The

³⁷ BIMSTEC. "Trade, Investment and Development". Viewed at: <https://bimstec.org/trade-investment-and-development> (05/05/2025).

³⁸ WTO database on RTAs. Viewed at: <https://rtais.wto.org/UI/PublicShowMemberRTAIDCard.aspx?rtaid=373> (08/05/2025).

³⁹ MoICS, "A book of Nepal China Agreements". Viewed at: https://giwmscdnone.gov.np/media/app/public/6/posts/1717144719_11.pdf (08/05/2025).

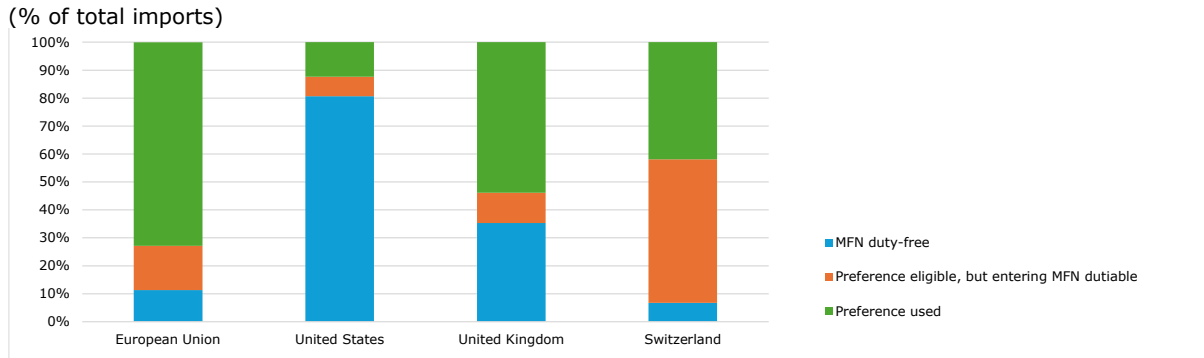
⁴⁰ WTO database on PTAs. Viewed at: <http://ptadb.wto.org/Country.aspx?code=524> (20/08/2025).

⁴¹ WTO document [WT/TPR/S/381/Rev.1](https://www.wto.org/Trade-Development/Trade-Development/WT/TPR/S/381/Rev.1), 27 February 2019.

authorities mentioned that the extension and expansion of these preferences is currently being discussed with the United States.

2.43. Chart 2.3 shows imports by tariff regime from some unilateral preference providers for Nepal in 2023. Nepal's preference utilization rates were higher in the European Union (82%) and the United Kingdom (83%), while they were relatively low in the United States (64%) and Switzerland (45%).

Chart 2.3 Imports by tariff regime in selected markets



Source: WTO Secretariat. Viewed at <https://ptadb.wto.org>.

2.44. The "Framework for Belt and Road Cooperation" with China was signed on 4 December 2024, outlining a structured partnership to implement the 2017 MoU under the Belt and Road Initiative (BRI) between Nepal and China. It aims to strengthen Nepal-China economic ties, *inter alia*, through cooperation in trade, infrastructure, transport, energy, finance, customs, education, health, and technology. The framework emphasizes mutual respect, sustainability, and pragmatic cooperation, and proposes a number of key projects – including roads, tunnels, a cross-border railway, power transmission lines, and educational institutions – to be prioritized through future negotiations.⁴²

2.45. On 3 October 2024, Nepal, India, and Bangladesh signed a tripartite agreement which enables Nepal to export electricity to a third country for the first time. The Agreement allows Nepal to export 40 megawatts of electricity (during the rainy season from Mid-June to Mid-Novembre each year) to Bangladesh using transmission lines that pass-through India.⁴³ It initially valid for five years, with a provision for extension. Prior to this agreement, Nepal's cross-border electricity trade was limited to India of which it has an Agreement on Electric Power Trade, Cross-Border Transmission Interconnection and Grid Connectivity signed on 21 October 2014.⁴⁴

2.6 Investment regime

2.46. During the review period, there were several amendments to FDI-related legislation, such as the Foreign Investment and Technology Transfer Act (FITTA), 2019, and its rules, 2021, the Industrial Enterprises Act (IEA), 2020, and its rules, 2022.⁴⁵ In addition, the Public Private Partnership and Investment Act (PPPPIA), 2019 was adopted in 2019.

2.47. The Department of Industry (DOI) under MoICS remains the key government agency responsible for promoting and administrating foreign investments in Nepal. The Investment Board

⁴² Government of Nepal, Ministry of Foreign Affairs, "Framework for Belt and Road Cooperation Between Nepal and the People's Republic of China", 2024. Viewed at: <https://mofa.gov.np/content/641/framework-for-belt-and-road-cooperation-between/> (08/05/2025).

⁴³ Dhaka Tribune (2024), "Envoy: Nepal, Bangladesh Have Entered New Phase of Bilateral Ties", Dhaka Tribune, 24 April 2025. Viewed at: <https://www.dhakatribune.com/bangladesh/foreign-affairs/363813/envoy-nepal-bangladesh-have-entered-new-phase-of> (07/05/2025).

⁴⁴ Government of Nepal, Ministry of Energy, Water Resources and Irrigation (2014), "Power Trade Agreement Between Nepal and India". Viewed at: <https://moewri.gov.np/storage/listies/May2020/pta-english-21-oct-2014.pdf> (29/04/2025).

⁴⁵ FITTA, 2019, and IEA, 2020 repealed their 1992 versions along with their associated amendments.

Nepal (IBN) under the Prime Minister is also in place to deal with the country's priority projects mainly in public private partnership (PPP) model.⁴⁶

2.48. Almost all sectors are open to foreign investment with no ceiling except for restricted activities listed in a "negative list" of FITTA, 2019, as amended. All foreign investments require approval and company registration, while meeting the classification criteria of an "industry" under the IEA, 2020 (as amended) (Approving agencies and the procedure for foreign investment). National treatment is accorded to all FDIs. The provision for one-stop service centre exists in several laws; it has been in operation by the DOI since 2019.⁴⁷ For an FDI below NPR 500 million in designated specific sectors, an online "automatic route" (online approvals system) has been in operation since 2019 for the application and approval of a project (Section 2.6.1).⁴⁸

2.49. Under the regulatory framework operational since 2020, the minimum threshold of NPR 50 million previously applied to allow for foreign entities to investment in Nepal was reduced to NPR 20 million, with no minimum threshold required for IT sector projects processed through an automatic route (Section 2.6.2). The framework guarantees protection against expropriation and has expanded the scope of FDI, *inter alia*, to allow foreign investment through specialized investment funds; this was previously limited to domestic investors only (see below).

2.50. The Government aims to enable an investment-friendly environment, particularly for foreign investment in large infrastructure projects and technological sectors with a view to achieving and maintaining, *inter alia*, a sustainable graduation from LDC and achieving the United Nations' Sustainable Development Goals.⁴⁹ The 16th Periodic Plan prioritizes investment in infrastructure, digital economy, agriculture, tourism, and industrial development, with a strong push for PPPs and FDI.⁵⁰

2.51. According to the World Bank's Ease of Doing Business Report, 2020, Nepal ranked 94th among 190 economies and 3rd in South Asia.⁵¹ In the World Bank Business READY 2024 assessment, Nepal scored 59.34 in the regulatory framework, 72.21 in operational efficiency (both in the second quintile), and 49.29 in public services (first quintile).⁵² The authorities note that Nepal obtained a sovereign credit rating of "BB-" with a Stable Outlook from Fitch Ratings in November 2024.⁵³

2.6.1 Regulatory framework

2.52. FITTA outlines a broad scope for foreign investment and technology transfer, the IEA sets out industry classifications and provisions for incentives, and the PPIA establishes the framework for PPP investments. The Companies Act, 2006 (amended) also provides a legal basis for company registration, share transfers, and certain procedural aspects of FDI. Several other laws also affect

⁴⁶ The IBN was initially established under the Investment Board Act, 2011, which was further reconstituted by the PPIA, 2019. IBN. Viewed at: <https://ibn.gov.np/> (22/08/2025).

⁴⁷ It aims to offer streamlined services to the investors from one place related to the FDI approval, recommendation of visa, initial environmental examinations, environmental impact assessments, foreign currency exchange facilities, and other related services.

⁴⁸ FDI below NPR 500 million in designated sectors may benefit from the automatic route and the several services related to other FDI approval are provided through an OSS Centre in the DOI.

⁴⁹ DOI, "Foreign Investment in Nepal 2024 (Policies, Procedures, Promotions & Investment Trends)". Viewed at: <https://doind.gov.np/uploads/notices/Notices-20240828191948234.pdf> (29/04/2025).

⁵⁰ In 2019 and 2024, two-day Investment Summits at the international level were conducted in Kathmandu to showcase Nepal's priority projects and attract foreign and domestic investors. The authorities state that the second Investment Summit, held on 29 – 30 March 2019 led to 16 MoUs and joint venture agreements. Similarly, the third Investment Summit was held on 28 – 29 April 2024; the authorities state that the Summit resulted in approved investments worth over NPR 9 billion, and around a dozen MoUs were signed, including the first between the Nepalese Association of PPP (NAPPP) and the World Association of PPP Units and PPP Professionals (WAPPP).

⁵¹ World Bank. Viewed at: <https://www.worldbank.org/en/businessready> (29 April 2025).

⁵² Nepal obtained the highest scores in financial services, international trade, and business entry at the country level. However, the lowest scores attributed to market competition, taxation, and insolvency highlight gaps such as the lack of an innovation support system, electronic case management for insolvency, and automated taxpayer registration.

⁵³ Fitch Ratings (2024). Fitch assigns Nepal 'BB-' issuer default rating. Viewed at: <https://www.fitchratings.com/research/sovereigns/fitch-assigns-nepal-bb-idr-outlook-stable-21-11-2024> (17/07/2025).

FDI.⁵⁴ In 2025, the Government issued the "Ordinance to Amend Certain Nepal Acts Related to Improving the Economic and Business Environment and Promoting Investment" to further encourage investment. There are also policies that affect FDI, such as the Trade Policy, 2025.⁵⁵

2.53. FITTA, 2019, which repealed FITTA, 1992, broadened the definition of foreign investment by including investment conducted by Non-Resident Nepalis (NRNs), in addition to investment by foreign individuals, firms, companies, governments, as well as international agencies or other corporate bodies of a similar nature.⁵⁶

2.54. While FITTA, 1992 permitted foreign investment only in the forms of (i) shares (equity), (ii) reinvestment of earnings from shares, and (iii) loans or loan facilities, FITTA, 2019, expanded to the additional forms of investments. Permitted forms of foreign investment include (i) share investment in foreign currency; (ii) reinvestment of dividends from foreign currency or shares; (iii) lease financing of aircraft, ships, and machinery; (iv) investment in a venture capital fund; (v) investment in listed securities via the secondary market with approval; (vi) purchase of shares or assets of a company incorporated in Nepal; (vii) investment via securities issued in the foreign capital market by a company incorporated in Nepal; (viii) investment through technology transfer; and (ix) investment by establishing or expanding an industry in Nepal. Additionally, amendment made to FITTA, 2019 in 2024 and 2025 further extended the FDI to (i) share investment in the form of machinery, instrument, and equipment, and (ii) investment in specialized investment funds.

2.55. FITTA, 2019 continues to grant national treatment to foreign investors and permits 100% foreign investment in all industries defined by the IEA, 2020, except those on the negative list (Box 2.2).⁵⁷ While the list remains largely unchanged since the previous Review, several revisions were made, such as provisions for an automatic route for FDI approval, permission for both inward and outward technology transfer, guaranteed repatriation of investment in foreign currency, establishment of a one-stop service centre, permission to open bank accounts in convertible foreign currency, and dispute resolution.

Box 2.2 Industries or businesses restricted for foreign investment under FITTA, 2019 (as amended)

1. Industries related to livestock farming, fisheries, beekeeping, fruits, vegetables, oilseeds, pulses, dairy businesses, and primary agricultural production are restricted, except in cases where they involve large-scale industries, agricultural technologies, or mechanization, and export at least 75% of their production;
2. Cottage and small industries;
3. Personal service business (hair cutting, tailoring, driving etc.);
4. Industries manufacturing arms, ammunition, bullets and shell, gunpowder or explosives, and nuclear, biological and chemical (NBC) weapons; industries producing atomic energy and radio-active materials;
5. Real estate business (excluding construction industries), retail business, internal courier service, local catering service, moneychanger, remittance service;
6. Travel agency, guide involved in tourism, trekking and mountaineering guide, rural tourism including homestay;
7. Business of mass communication media (newspaper, radio, television and online news) and motion picture of national language;
8. Management, account, engineering, legal consultancy service and language training, music training, computer training;
9. Consultancy services having foreign investment of more than 51%;

⁵⁴ These include the Income Tax Act, 2022, the Environment Protection Act, 2019 and its Rules, 2020, the Banks and Financial Institutions Act, 2017, the Labour Act, 2017, the Special Economic Zone (SEZ) Act, 2016 and its Regulation, 2017, the Land Acquisition Act, 1977, the Copyright Act, 2002, and the Patent, Design, and Trademark Act, 2022. IBN. "Nepal Investment Guide 2024", December 2024. Viewed at: <https://ibn.gov.np/uploads/documents/investment-guide-book-2024-finalpdf-7667-443-1738647709.pdf> (29/04/2025).

⁵⁵ Other policies that may affect FDI in Nepal include the Micro, Cottage and Small Industry Promotion Policy 2024, the National Start-up Policy, 2024, the Trade Logistic Policy, 2022, the Digital Nepal Framework, 2019, the Intellectual Property Policy, 2017, the National Mineral Policy, 2017, the Public Private Partnership Policy, 2015, the Foreign Investment Policy, 2014, and the Industrial Policy, 2011.

⁵⁶ Government of Nepal. "The Foreign Investment and Technology Transfer Act, 2019". Viewed at: <https://ibn.gov.np/uploads/documents/the-foreign-investment-and-technology-transfer-act-fitta-2019-2075pdf-1483-300-1657605883.pdf>. (20/08/2025)

⁵⁷ Industries are defined in the IEA, 2020; accordingly, both the positive list of industries defined under the IEA and those industries and business not listed in the negative list of FITTA 2019 (amended) apply to FDI.

10. Ride sharing having more than 70% foreign investment; and
11. In the case of aircraft operation, training, maintenance, and passenger service facility provider industries, foreign investment is restricted beyond the following limits:
 - i. International air services: 80%;
 - ii. Domestic air services: 49%;
 - iii. Training institutions (aviation-related): 95%;
 - iv. Maintenance institutions: 95%.

Source: FITTA 2019, Schedule (as amended in 2025).

2.56. The PPPIA, 2019, provides a legal framework for PPP projects involving both domestic and foreign investment; it reconstitutes the IBN under the Prime Minister, and defines its roles, and establishes Office of the Board. The PPPIA, 2019 authorizes the Office of the Board to deal with large-scale and national priority project exceeding NPR 6 billion (non-energy sector) and with a capacity higher than 200 megawatts (MW) in energy sector.⁵⁸

2.57. The IEA, 2020, which repealed the IEA, 2016, provides a regulatory framework for the entry, operation, and exit of industrial enterprises.⁵⁹ It also provides the definition of industries and classifies them based on fixed capital and the nature of the business into five categories: micro, cottage, small, medium, and large enterprises.⁶⁰ The IEA aligns with FITTA, 2019, and the PPPIA, 2019, to govern foreign investment. While there is no ceiling for foreign investment, a minimum investment threshold of NPR 20 million (previously NPR 50 million) is required for foreign investors, with possible exceptions for the information technology sector.⁶¹

2.58. FITTA, 2019 and IEA, 2020 prohibit the nationalization of any company/industry in Nepal.

2.59. During the review period, the Company Act, 2006 was amended twice (in 2019 and 2025). Key features of the amendments include statutory recognition of online company registration; provisions allowing a public company to hold 100% shares of a private company and vice versa without requiring conversion; and a provision enabling companies to buy back their own shares to protect against hostile takeovers.

2.60. The provisions of the Banking and Financial Act, Foreign Exchange (Regulation) Act, and the Labour Act, which may also affect FDI, remain largely unchanged.

2.61. The Special Economic Zone (SEZ) Act, 2016, as amended in 2025, continues to provide various incentives for investments in industries established in a SEZ through a licence, which may be valid for a maximum of 30 years with a possible extension of 10 years (Section 3.2).

2.62. There were also FDI-related changes in the Ordinance to Amend Some Nepal Acts Relating to Improving Economic and Business Environment and Investment Promotion, 2025, concerning, *inter alia*, permission for foreign borrowing with an NRB approval, and expanding the scope of FDI

⁵⁸ Other key features of the act include OSS centre to be established in the Office of the Board; ensuring transparency and competition in the bidding processes for the selection of a private partner; permitting for unsolicited proposals under the Swiss Challenge method and providing legal clarity by recognizing PPP agreements as legally binding; and provisions for dispute resolution through arbitration by prevailing laws. Provisions on incentives, such as financial and non-financial incentives for early project completion or the use of new technology are also included in the Act. Government of Nepal. "The Public Private Partnership and Investment Act, 2019". IBN, 27 March 2019. Viewed at: <https://ibn.gov.np/uploads/documents/public-private-partnership-and-investment-act-ppp-and-investment-act-2019pdf-1483-330-1657605913.pdf> (29/04/2025).

⁵⁹ FAO. Viewed at: <https://www.fao.org/faolex/results/details/en/c/LEX-FAOC205612/#:~:text=This%20Act%20is%20enacted%20to,substitutions%20and%20export%20promotions%2C%20through.> (20/08/2025)

⁶⁰ Schedule-1 of the IEA 2020 lists industries requiring permission.

⁶¹ Other key features of the IEA include the "no work, no pay" provision to discourage illegal strikes; establishment of an OSS Centre to streamline administrative procedures, including FDI approvals; permission to import goods from foreign parent companies for market development of new products; the ability to hire foreign nationals in high-level managerial positions; mandatory compliance with environmental standards; possible for contract manufacturing for the supply of goods and services; and the provision of various fiscal incentives (income tax exemption and customs duty drawback, etc.) for eligible industries. The authorities state that the recent amendment to the IEA made in 2025 includes provisions for simplified de-registration of the companies.

allowing investment through specialized investment funds.⁶² The changes also included adding digital processing, data routing, outsourcing, engineering, and other professional services to the scope of technology transfer for which repatriation of earnings from technology transfer is permitted.⁶³

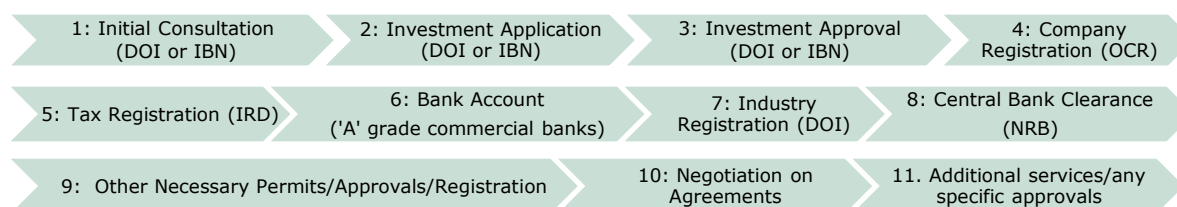
2.6.2 Approving agencies and the procedure for foreign investment

2.63. The FDI approval process is mainly administered by the DOI and the IBN. According to FITTA, 2019 and the PPPIA, 2019, the IBN was responsible for the approval of large-scale projects exceeding an initial investment of NPR 6 billion or energy projects with a capacity exceeding 200 MW, while the DOI was mandated to approve all other FDI. With an amendment made to FITTA, 2019 in 2024 (second amendment), the DOI may approve all kinds of private investment with no ceiling.

2.64. The FDI approval process begins with an initial consultation, followed by a submission of an application to the DOI or the IBN (based on the jurisdiction of the DOI and the IBN), accompanied by prescribed supporting documents, such as a detailed project proposal, financial credibility certificates, joint venture agreements or technology transfer agreement (if applicable), and other corporate profiles of investor (Chart 2.4). Once the FDI application is approved, the investor may register the company with the Office of the Company Registrar (OCR), obtain a Permanent Account Number (PAN) from the Inland Revenue Department (IRD), and complete enterprise/industry registration with the DOI. Other steps include applying for necessary permits, approvals, and registration for visas, trademarks, environmental clearance, and land acquisition. For FDI to be approved by the DOI, a refundable deposit of NPR 20,000 is required.⁶⁴

2.65. The decision on an application for an FDI approval to the DOI is made within 7 days, while it is 15 days in the case of FDIs dealt by the IBN.⁶⁵ FDIs involving private projects under the IBN require an additional seven days to obtain the investment licence from the date of FDI approval, while the process from this stage to the final Project Investment Agreement may take up to one year. These timeframes may vary for other PPP projects, depending on the size and nature of the project. The enterprise/industry registration requires seven days while tax/PAN registration takes three days, and dividend repatriation requires seven days⁶⁶ of processing times from the date of application.

Chart 2.4 Major steps in FDI process in Nepal



Source: Nepal Investment Guide, 2024 and information provided by the authorities.

⁶² Specialized Investment Fund (SIF) Rules, 2019 defines and govern funds including private equity (PE) and venture capital (VC) investments, promoting alternative investment mechanisms. Foreign investors, previously not allowed, can now invest in specialized or venture capital funds registered with the Securities Board of Nepal, with repatriation rights.

⁶³ Other changes include allowance to mortgage up to 50% of excess land for capacity expansion; reduced decision timelines for repatriation applications from 15 to 7 days; and the ability to mortgage fixed assets (excluding land) for loans.

⁶⁴ For private projects approved by the IBN, investors must pay a non-refundable application fee of NPR 150,000, a signing fee of 0.2% of the estimated project cost, and 0.1% performance guarantee before signing a project investment agreement. In the case of PPP projects, these fees vary depending on whether the investment proposal is solicited or unsolicited or directly negotiated. Additional fees such as request for proposals fees, and survey licence and time extension fees may apply to some PPP projects including hydroelectricity. Once the investment application is approved, registration of company in OCR involve non-refundable registration fees, which range from NPR 15,000 to NPR 160,000 for the public limited company, and from NPR 1,000 to 16,000 for the private limited company, depending on the amount of authorized capital.

⁶⁵ If the application is rejected, the reasons shall be communicated to the investor (applicant) by the DOI within 7 days and by the IBN 15 days. If unsatisfied with the reasons, the Investor may request a review by MoICS, which provides decision on review within 30 days.

⁶⁶ Previously it was 15 days, which was reduced to 7 days through "Ordinance to Amend Some Nepal Acts Relating to Improving Economic and Business Environment and Investment Promotion 2025".

2.6.3 Investment facilitation and promotion

2.66. In 2023, pursuant to Section 42(1) of FITTA, 2019, the Government published a notice in the Nepal Gazette prescribing the upper limit and eligible sectors for an automatic route for FDI approval. The Foreign Investment and Technology Transfer Rules, 2021 was also amended in 2023 to operationalize the provision. Under the scheme, foreign investments up to NPR 500 million are permitted in sectors such as energy, agriculture and forest-based industries, infrastructure, tourism, information technology (IT), services, and manufacturing.⁶⁷ Under the system, investors may submit applications via the electronic platform (<https://imis.doind.gov.np>) established by the DOI, including the required digital copies of documents, and complete applications will be approved without delay. The investment made through the automatic route system in IT is exempted from the minimum threshold of NPR 20 million for foreign investors.⁶⁸

2.67. The authorities state that the amended laws and regulations affecting both domestic and foreign investment are specifically aimed at facilitating and promoting investment, such as permitting technology transfer between foreign investors and Nepali industries and between industries established in Nepal and foreign companies established abroad, as well as allowing the opening of branch offices or units abroad for technology transfer.

2.6.4 Investment incentives

2.68. Chapter 5 of the IEA, 2020 stipulates provisions on incentives, exemptions, facilities, and concessions for registered industries, including those with foreign investment. These include income tax and customs duty exemptions, as well as other facilities such as some regulatory flexibilities for female entrepreneurs.⁶⁹ There are also tax breaks for industries that hire large numbers of Nepali workers, especially from underrepresented groups. Tourism, hydropower, mining, IT, and biotech industries also receive specific tax benefits. The IEA, 2020 also allows taxable income deductions for spending on research, energy-saving technologies, environmental measures, worker welfare, and intellectual property. If profits are reinvested into specific sectors, they can be exempt from dividend tax.

2.69. If an enterprise/industry is registered under the sole ownership of a female investor, a 35% exemption on the registration fee or charge is provided. Other operational incentives under the Act include allowing industries with foreign investment to import goods produced by their parent company abroad for a limited period to develop and promote new products. The incentives and facilities granted under IEA, 2020 generally do not apply to tobacco, alcohol, or casino businesses.

2.70. The PPPIA, 2019 (Chapter 6) also includes provisions for extending facilities and incentives available under other laws to projects developed under PPP models. The Act authorizes the Government to provide financial and non-financial support to such projects. The forms of support envisioned in the Act include viability gap funding, capital grants, operational grants, and concessional loans. The Act also includes provisions for incentives related to early project completion and the use of new technologies.

2.71. Additionally, industries established under the SEZ Act receive several incentives (Section 3.2.4). Activity- and sector-specific incentives are shown in various sections in this Report.

⁶⁷ Pradhan & Associates. "Notice Prescribing Limitations for Foreign Investment through Automatic Route", 2023. Viewed at: <https://pradhanlaw.com/publications/notice-prescribing-limitations-for-foreign-investment-through-automatic-route> (06/05/2025).

⁶⁸ DOI, "Foreign Investment in Nepal 2024 (Policies, Procedures, Promotions & Investment Trends)". Viewed at: <https://doind.gov.np/uploads/notices/Notices-20240828191948234.pdf> (06/05/2025).

⁶⁹ Income tax exemptions vary by criteria: manufacturing industries receive a 20% exemption, plus 5% for earning from exports; specific infrastructure industries receive 40%; and those in the least developed, underdeveloped, and less developed regions, as specified in Schedule-10 of the IEA 2020, receive 90%, 80%, and 70% respectively, for up to 10 years. Industries with investments above NPR 1 billion and providing direct employment for more than 500 people annually are eligible for full income tax exemption for the first five years and 50% for the following three.

2.6.5 Dispute resolution

2.72. Both FITTA, 2019 and the PPIA, 2019 include provisions for dispute resolution related to foreign investment. If a dispute arises between a foreign investor, a national investor, and/or the concerned enterprise/industry, the parties have a possibility resolve it through consultations in the presence of the DOI. If unresolved within 45 days, and where a prior dispute settlement agreement exists, the dispute shall be settled as per that agreement. In the absence of such an agreement, international arbitration under the prevailing rules of the United Nations Commission on International Trade Law is permitted, provided the arbitration is conducted in Kathmandu applying Nepal's substantive laws related to arbitration.⁷⁰

2.73. Nepal continues to be a member of the Multilateral Investment Guarantee Agency of the World Bank. It ratified the International Convention on the Settlement of Investment Disputes in 1969.⁷¹

2.6.6 International agreements

2.74. Since 2018, Nepal has signed two additional trade and investment framework agreements, with Australia in 2024 and Cambodia in 2019, while it has had one with the United States since 2011. Additionally, an MoU was signed in 2018 between MoICS and the Ministry of Commerce of Myanmar on cooperation in trade and investment. Nepal also signed an MoU with the Government of the Republic of Korea in 2024 on establishing a framework on trade and investment promotion.

2.75. Nepal signed a new DTAA with Bangladesh in 2020. There are also existing DTAs with Austria, China, India, the Republic of Korea, Mauritius, Norway, Pakistan, Qatar, Sri Lanka, and Thailand.⁷² The existing bilateral investment promotion and protection agreements with Finland, France, Germany, India, Mauritius, and the United Kingdom remained unchanged during the review period.

2.7 Aid for trade initiatives

2.76. During the review period, Nepal continued to receive Aft from its development partners and implemented several projects; Nepal Strategic Road Connectivity and Trade Improvement Project, which was an initiative led by MoICS with financial support from the World Bank's International Development Association (IDA). The project aimed at enhancing Nepal's trade efficiency and safety by improving key transport infrastructure, facilitating cross-border trade, and strengthening strategic road network management.

2.77. The Trade and Investment Programme supported by the European Union (EU-TIP) was implemented by the Government of Nepal, the European Union, and International Trade Centre between 2020 and 2025. It mainly supported trade capacity-building, implementation of some Category C commitments of the WTO Agreement on Trade Facilitation and strengthening the value chains of pashmina and coffee. The authorities consider that the project significantly boosted Nepal's trade capacity.

2.78. Nepal continued to engage in the EIF-led integrated mechanism to utilize and leverage Aft by implementing several projects in collaboration with development partners. These supports focus on building trade-related institutional capacity as well as on product-based projects identified by the NTIS as priorities.⁷³ Nepal also received technical assistance from regional projects such as a project by the

⁷⁰ Additionally, it is also permitted for the concerned parties to enter into a dispute settlement agreement even after a dispute has arisen, by notifying the concerned industry registration agency. The PPIA also has a similar provision of dispute settlement mechanisms involving FDI, where instead of the DOI, the IBN may facilitate the consultation process between the parties.

⁷¹ International Centre for Settlement of Investment Disputes (2020), "ICSID – List of Contracting States and Other Signatories of the Convention". Viewed at: <https://icsid.worldbank.org/sites/default/files/ICSID-3.pdf> (06/05/2025).

⁷² According to Nepal Investment Guide, 2024, Nepal is planning to sign DTAs with Malaysia, Singapore, and the United Kingdom.

⁷³ The major EIF-supported or leveraged national projects Nepal engaged in during the review period included Nepal Enhanced Capacities for Trade and Development between 2010 and 2021; Medicinal and Aromatic Plants between 2014 and 2019; and Nepal's Increased Sustainable Tea Exports Project (NISTEP) between 2020 and 2024. The authorities note that the implementation of NISTEP helped several actors along the value chain, including providing organic certification to tea processors, developing cattle sheds to increase organic

Economic and Social Commission for Asia and the Pacific (UNESCAP), 2022 – 2023 to facilitate cross-border paperless trade and E-commerce Capacity-Building for Women-led SMEs in South Asia Project, and a project on "exploring the benefits of e-commerce for women and promoting gender-responsive trade policy in LDCs" by UNCTAD. While Nepal has received total support of USD 8.94 million from the EIF, the country secured USD 1.8 million in co-funding from the Government, the private sector, donors, and development partners for trade-related projects in Nepal.⁷⁴

2.79. The authorities state that Nepal continues to face significant trade challenges, ranging from inadequate infrastructure and low productive capacity to limited participation in regional and global value chains. In this context, AfT is seen as critical for tackling these structural issues and supporting the country's broader development efforts. They particularly highlight the importance of AfT in areas such as infrastructure development, human capital strengthening, policy reforms to improve trade facilitation, export diversification, and enhancing trade competitiveness; AfT also helps Nepal make better use of both reciprocal and unilateral preferential market access. More broadly, the authorities note that official development assistance is considered key factor in achieving national development priorities outlined in the 16th Periodic Plan, such as reducing poverty, promoting sustainable growth, and building economic resilience.

2.80. The Government also introduced a Foreign Aid Mobilization Policy, 2025⁷⁵; the authorities state that the Policy's main objectives included the prioritization and alignment of aid with national development goals, enhancing coordination and transparency, and emphasizing results-oriented approach to maximize the impact of foreign aid, including AfT.

agri-inputs, and strengthening B2B ties, particularly with Australia, China, Japan, and the United States. They further highlighted that exports of tea increased by 40.5% from *Mechi* Customs Office (near to project implementation site), in the first 11 months of FY2024/2025 after the completion of the project.

⁷⁴ Based on information provided by the EIF Secretariat and the authorities.

⁷⁵ Ministry of Finance. Viewed at:

https://giwmscdnone.gov.np/media/pdf_upload/Foreign%20Aid%20Mobilization%20Policy_English%20Translation_v2_42zy0lh.pdf (17/08/2025).

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures directly affecting imports

3.1.1 Customs procedures, valuation, and requirements

3.1. The Customs Act, 2007 and the Customs Regulation, 2007 remain the principal legal instruments governing customs administration in Nepal. During the review period, both the Act and the Regulation were amended several times; the Customs Tariff Act, 2024, which entered into force on 29 May 2024 aims, *inter alia*, to enhancing clarity in customs tariff settings.¹ The authorities state that a new Customs Bill is in the final phase of enactment.²

3.2. The Department of Customs (DOC) under the Ministry of Finance continued to be the main agency dealing with customs-related matters.

3.3. Nepal ratified the WTO Agreement on Trade Facilitation (TFA) in 2017; according to the WTO TFA database, the overall status of implementation of its commitments stood at 25.2% as of July 2025 with a timeframe for the implementation spanning from February 2018 to December 2032.³ In 2024, the National Trade Facilitation Committee (NTFC) was formed (Section 2.2). It is tasked to formulate and implement action plans as well as to coordinate, monitor and evaluate the implementation of the TFA.⁴ The UNCTAD sustainability score for NTFC in 2024 was 71/100. The authorities state that Nepal is committed to implementing TFA measures and working towards a paperless trade facilitation. Nonetheless, the authorities note that an action plan for implementing the measures is not fully realized against the background of inadequate support measures from development partners pertaining to trade facilitation.⁵

3.4. During the review period, Nepal continued its efforts to improve and simplify customs procedures and harmonizing them with international standards as well as the provisions of the TFA. These efforts have been pursued through Customs Reform and Modernization Strategies and Action Plans (CRMSAPs) since they were first adopted in 2003. During the review period, Nepal adopted the 5th CRMSAP (FY2017/2018 – FY2020/2021) and the 6th Customs Reform and Modernization Plan (CRMP) (FY2021/2022 – FY2025/2026).⁶ An Advance Ruling mechanism was adopted in 2020 following the provision of Article 89 of the Customs Act, 2007, which entered into force on 3 February 2020. The mechanism covers the product classification of goods and the determination of origin of goods. Nepal also adopted the Trade Logistics Policy, 2022, aiming to create a modern, efficient, and integrated trade logistics system. An Authorized Economic Operator (AEO) programme is yet to be implemented.⁷

3.5. The Nepal Customs Automation System (NECAS), which employs ASYCUDA World, has adopted various modules in several customs offices; these include implementation of a selectivity module in additional 13 customs offices, cargo entry and exit control systems in eight customs offices, a valuation module in 24 offices, and duty calculation and revenue collection modules in 25 offices. Additionally, some customs offices have implemented bonded warehouse/cargo management modules and manifest modules. As a result, 99.8% of Nepal's trade now operates under the ASYCUDA World system across major customs offices.⁸

¹ The Customs Tariff Regulation, 2024 has also been formulated and in operation since 2024.

² The proposed Customs Bill aims to incorporate provisions from the WTO Agreement on Trade Facilitation (TFA) and the Revised Kyoto Convention of the World Customs Organization. Nepal has been a Contracting Party to the Convention since 2017.

³ WTO TFA Database: <https://tfadatabase.org/en/members/nepal> (20/05/2025).

⁴ The Multilateral Trade and Trade Cooperation Division of MoICS serves as the secretariat of the NTFC.

⁵ According to the authorities, a Trade Facilitation Clinic was also established in 2025 within the Department of Commerce, Supplies and Consumer Protection to support traders with inquiries, grievance handling, and efficient service delivery.

⁶ The authorities consider that the implementation of 5th CRMSAP (FY2017/2018 – FY2020/21) was a notable success in Nepal's efforts on automatizing and modernizing its customs procedures.

⁷ The authorities state that the proposed Customs Bill includes provision on authorized businesspersons, aiming to implement the AEO programme.

⁸ DOC. (2021). "Sixth CRMP 2021/22 – 2025/26 (Nepali version)". Viewed at: www.doc.gov.np (20/05/2025).

3.6. Integrated Check Posts (ICP) in Birgung, Biratnagar and Nepalgunj customs offices also became fully operational. ICPs in other two customs offices (Bhairahawa and Rasuwa) are in the final stage of implementation. ICPs are aimed at providing border facility that brings together multiple trade and regulatory services such as customs, quarantine, warehousing, quality control, security, and banking, into one location.

3.7. In 2021, the Nepal National Single Window was established and has been in operation since then; 48 agencies have been involved in implementing its LPCO (Licences, Permits, Certificates, and Other documents) module. Among these, the DOC has formally signed memoranda of understanding (MOUs) with 23 related agencies to support operation of the LPCO Module.⁹

3.8. The e-payment system, which enables customs duties payment electronically, has also been in operation since 2021. Under the 5th CRMSAP, efforts were also made to improve mutual cooperation and information exchange with the customs administrations of Nepal's trading partners. For example, a bilateral agreement on customs-related cooperation has been signed with China, and similar initiatives have been started to conclude such agreements with Bangladesh and India.

3.9. The 6th CRMP aims to fulfil remaining commitments of Nepal under the TFA and the Revised Kyoto Convention, and to meet the evolving needs of stakeholders, by, *inter alia*, transitioning from paper-based to fully automated, electronic customs procedures, while addressing the emerging global challenges such as the impact of the COVID-19 pandemic. The 6th CRMP's objectives also included the use of advanced information technology, ensuring accurate revenue collection, supporting continuous supply chain operations, and reinforcing customs' role in social protection and national security. In addition to the CRMPs, Nepal's other plans and strategies also prioritize the customs reforms and modernization initiative, such as the Nepal Trade Integration Strategies (NTIS), 2023, which emphasizes enhancing trade infrastructure to enable digital trade with the development of IT and transportation infrastructure to further facilitate cross-border trade.¹⁰

3.10. Nepal updated an Export/Import (EXIM) Code Procedure in 2021 and obtaining an EXIM code (an identification number for exporters/importers), issued by the DOC, has been made mandatory to engage in import (or export) business in Nepal. To obtain an EXIM Code, an applicant must apply online with (i) a certificate of business registration with the Department of Commerce, Supplies and Consumer Protection (DOCSCP) under MoICS, (ii) company registration with the Office of Company Registration, (iii) a permanent account number with VAT registration, (iv) a tax clearance certificate, (v) proof of a minimum capital of NPR 1 million, and (vi) bank recommendations. Since 30 May 2025, as part of ongoing trade facilitation efforts, the previous requirement for having bank guarantee of NPR 300,000 to obtain an EXIM Code has been fully eliminated. For a complete application, the DOC issues the EXIM Code within seven working days for the initial period of one year, which can be renewed annually.¹¹ Once the EXIM code is obtained, the importers shall prepare several key documents for the customs clearance of goods, such as a commercial invoice, packing list, a bill of lading, a certificate of origin, payment certificates (Letter of Credit (L/C), or certificate of advance payment), and other additional documents such as SPS certifications. As per the Custom Regulation, 2007, the necessary documents for imports (or exports) differ to India and to other countries.¹²

3.11. For customs declaration, an agent/importer¹³ can submit a single administrative document (SAD) with an EXIM Code and the required documents directly to the NECAS and apply the LPCO module as necessary (Chart 3.1). Once the SAD is verified, the standard system of selectivity applies to assign the consignment to a specific processing lane: blue, green, yellow, or red, corresponding

⁹ Asian Development Bank (2022). Report on Implementing a Coordinated Border Management in Nepal (Draft Final Report). Prepared by William E. LeDrew & Lal Bahadur Khatri under TA-9578 REG: Implementing Trade Facilitation Initiatives under the South Asia Subregional Economic Cooperation Programme, page 14.

¹⁰ Other measures aimed at improving customs procedures adopted during the review period included the implementation of digital signature at Biratnagar customs office (one of the major in-land customs offices of Nepal) and the implementation of Advance Rulings, and expansion of client service desk also at DOC with continuing them at other six customs offices previously established.

¹¹ Traders can renew for up to five years by paying a lump-sum fee and submitting a bank guarantee.

¹² Table 3.1 of WTO document [WT/TPR/S/381/Rev.1](#), 27 February 2019.

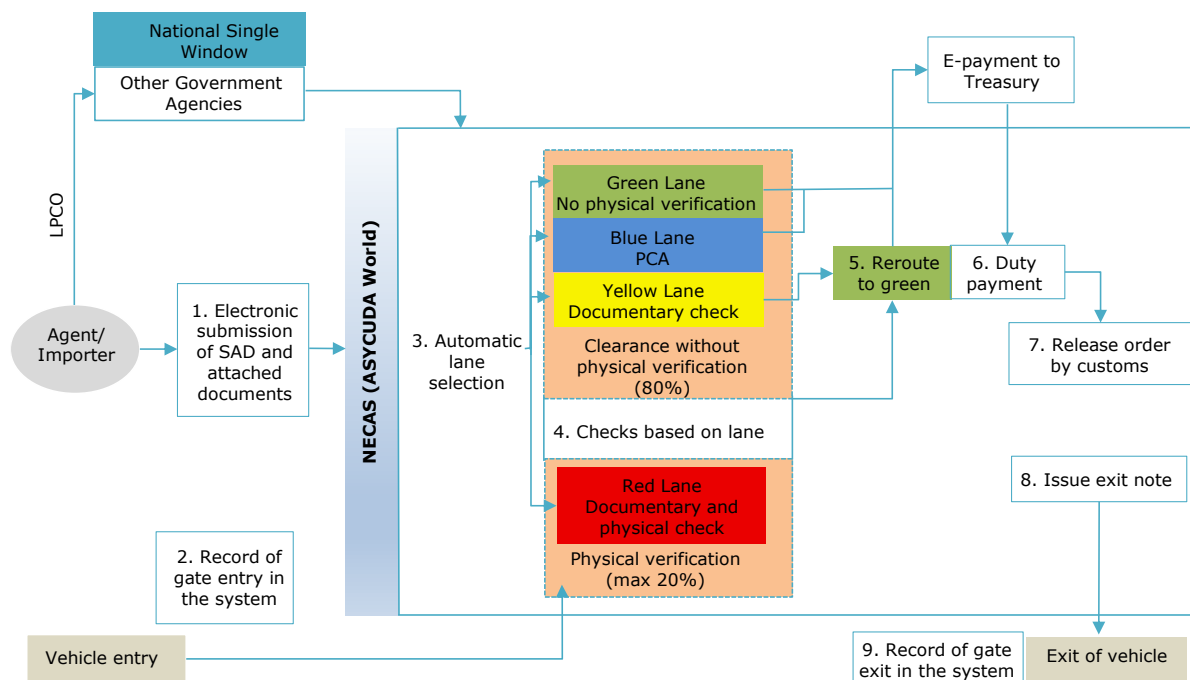
¹³ A qualified customs agent, as per the Customs Regulation, 2007 may be appointed by an importer or exporter to submit the customs declaration on their behalf. The Customs Regulation, 2007, specifies the qualifications required for a customs agent, who must be a Nepali citizen and at least 21 years old. The agent must obtain a licence from the Department of Customs, which is valid for one year and is renewable.

to the associated risk lows to high. According to the authorities, although the blue lane has been specified in the Law for post-clearance audit, it has not been used in practice.

3.12. For consignments in the green lane, a SAD is automatically assessed, and a clearance document is issued after an online payment of customs duties. A SAD passing through the yellow lane is subject to document verification before being sent to the green lane. A SAD assigned to the red lane requires document verification as well as physical inspection of the consignment before it is redirected to the green lane. According to the DOC's Annual Progress Report (FY2023/2024), 13% of customs declarations were processed through the green lane, 45% through the yellow lane, and the remaining 42% through the red lane, based on their declared value.

3.13. According to the 2019 Time Release Study (TRS), customs clearance for imports took an average of 21.34 hours per consignment from the time of arrival. The authorities state that the TRS has not been conducted since 2019, although it is planned for 2025. The 6th CRMP set a goal to reduce the average import clearance time to 3 hours per consignment.

Chart 3.1 Customs clearance process in Nepal



Source: Based on information provided by the authorities.

3.14. According to the World Bank's B-READY, 2024 report, under the international trade pillar, Nepal scored 83 for the efficiency of importing and exporting goods and engaging in digital trade. However, the scores for the quality of public services facilitating international trade and the quality of regulations governing it were 67 and 50, respectively, reflecting a need for more targeted improvements in these areas.¹⁴

3.15. Nepal has been party to the South Asia Subregional Economic Cooperation, under which it has participated in a programme for customs reform and modernization for trade facilitation programmes (2017-2021).¹⁵

3.1.2 Customs valuation

3.16. The rules on customs valuation in Nepal remained unchanged during the review period. Article 13 (Chapter 5) of the Customs Act, 2007 states that Nepal follows the WTO Agreement on

¹⁴ World Bank. Viewed at: <https://www.worldbank.org/en/businessready> (28/05/2025).

¹⁵ WTO document [WT/TPR/S/381/Rev.1](#), 27 February 2019.

Customs Valuation, including its annexes and interpretative notes, to determine the customs value of imported goods. The authorities note that while detailed statistics are not available, the transaction value method remains predominant for customs valuations in Nepal. In the event where transaction value method is not feasible, the other five valuation methods apply as per the WTO Agreement in the same sequential order. Importers have the right to appeal customs decisions.

3.17. If Customs does not accept the transaction value declared by the importer, it may request the importer to provide additional supporting documents, such as the free on board invoice, bill of lading, proof of negotiation, or other relevant commercial documents demonstrating the declared value's accuracy. If the importer fails to provide adequately justified evidence for the declared value, Customs may proceed with alternative valuation methods by the WTO Customs Valuation Agreement.¹⁶

3.18. Additionally, as per Article 13 (para. 15) of the Customs Act, 2007, if the importer's declared value of goods is found to be lower than the value assessed by Customs, it may either impose an additional 50% duty on the difference or, purchase the goods by paying the importer the declared value plus a 5% premium.¹⁷

3.19. If an importer disagrees with a customs valuation, they may appeal to the Valuation Review Committee within 30 days as per the Customs Act, 2007 (Article 61). The Committee must decide within 90 days and notify the applicant within 7 days. In FY2023/2024, 388 appeals were carried over from the previous year, and 157 new appeals were filed. Of these, 235 were resolved, leaving 310 appeals pending at the end of the fiscal year.

3.20. Nepal does not apply preshipment inspection.¹⁸

3.1.3 Rules of origin

3.21. Nepal does not apply non-preferential rules of origin; it continues to apply preferential rules of origin under the South Asian Free Trade Area (SAFTA) and the Nepal-India bilateral trade treaty.¹⁹ During the review period, Nepal expanded the provision of advance rulings to cover the determination of rules of origin, which has been in place since 2020. Under the provision, traders can apply to customs to determine the origin of goods before import or export of goods.

3.22. Since Nepal's previous Review, there have been no changes to the rules of origin criteria under SAFTA and India-Nepal trade treaty.²⁰ The rules of origin criteria under the Framework Agreement on the Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC) FTA are still under negotiation (Section 2.5.3.1).

3.23. The Federation of Nepalese Chambers of Commerce and Industry (FNCCI) and the Confederation of Nepalese Industry (CNI) continue to serve as the certificate of origin issuing agencies in Nepal, as designated by the Government. For preferential exports to India, the FNCCI provides the certificate, while both the CNI and the FNCCI may issue certificates for other destinations. For exports eligible for GSP treatment in the destination country, Form A (required as proof of origin) is provided by the Trade and Export Promotion Centre (TEPC).

3.1.4 Tariffs

3.1.4.1 Applied MFN tariff

3.24. Nepal's applied MFN tariffs in FY2024/2025 contained 6,326 tariff lines at the 8-digit level based on the HS2022 nomenclature, compared with 5,572 tariff lines in FY2018/2019 (based on the

¹⁶ If an importer applies to Customs with valid reasons for not providing required documents immediately, or if further testing or inquiry is needed for valuation, Customs may provisionally determine the value. The goods can be released upon depositing the estimated duty, and any difference after the final valuation will be adjusted accordingly (Article 13, Customs Act, 2007).

¹⁷ As noted in the previous report (WTO document [WT/TPR/S/381/Rev.1](#)), since May 2018, prior approval from the Director-General of the DOC for this option is no more required.

¹⁸ WTO document [G/PSI/N/1/Rev.7/Add.2](#), 10 February 2025.

¹⁹ WTO document [G/RO/N/165](#), 3 April 2018.

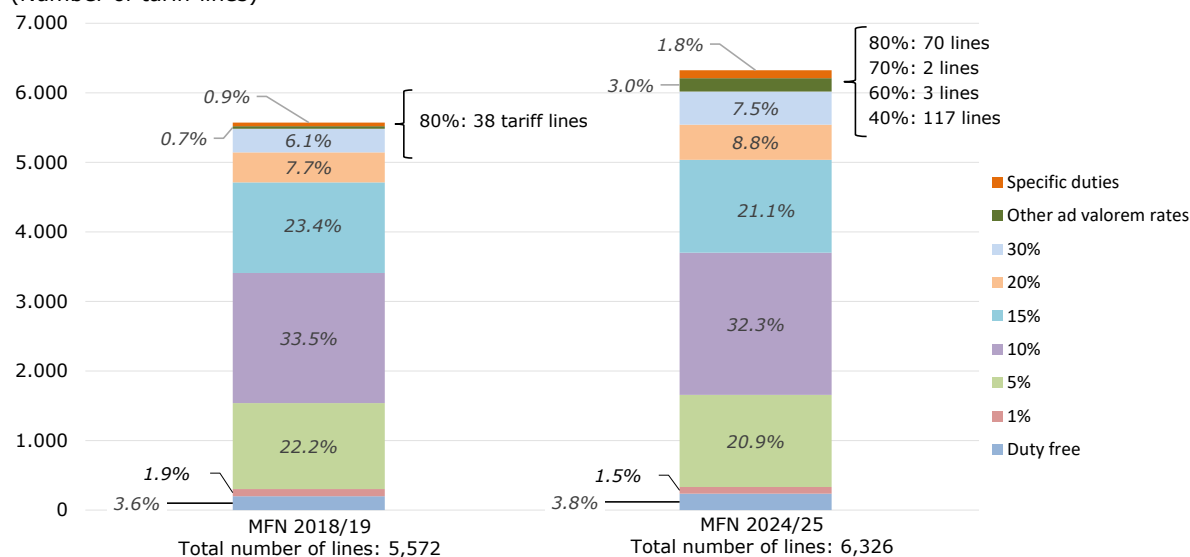
²⁰ WTO document [WT/TPR/S/381/Rev.1](#), page 38, 27 February 2019.

HS2017 nomenclature). Over 98% of the tariff rates are *ad valorem* and 115 lines have non-*ad valorem* tariffs, of which 114 lines are with specific duties, and one with other duties (Table 3.1). The increase in the number of tariff lines is mainly attributed to changes in the HS nomenclature and, to a lesser extent, the splitting of tariff lines at 8-digit level. Nepal applies MFN tariffs to all its trading partners, including non-WTO Members, except where preferential tariffs are applicable. Nepal applies neither seasonal duties nor global tariff quotas.

3.25. Since its previous Review, Nepal introduced new tariff bands of 40%, 60% and 70%. As a result, in FY2024/2025, there were 11 tariff bands (compared with eight in FY2018/2019): duty-free, 1%, 5%, 10%, 15%, 20%, 30%, 40%, 60%, 70% and 80%, and there was a slight change in the overall distribution of percentage of tariff lines under each band (Chart 3.2). Additionally, specific duties apply to 114 tariff lines, up from 51 lines in FY2018/2019. Nearly 80% (around 5 percentage point less than previous review) of applied tariffs continue to range from zero to 15%, while the most common rate also remain the same at 10%, and 3.8% of tariff lines are now duty free, slightly increasing from 3.6% in FY2018/2019. These changes are reflected in a wider dispersion of the applied MFN tariff in FY2024/2025, with the standard deviation rising to 10.9 percentage points from 8.9 in FY2018/2019, and a higher share of tariff lines now having domestic and international peak rates compared with previous review.

Chart 3.2 Applied MFN tariff structure, 2018/19 and 2024/25

(Number of tariff lines)



Note: Italicized figures in percentage denote the share of total lines.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.26. The overall average applied MFN tariff increased from 12% in FY2018/2019 to 13.2% in FY2024/2025, excluding *ad valorem* equivalents (AVEs) for specific duties. If AVEs are included, it increased from 12.4% to 13.9%. For the agriculture products (WTO definition), the average MFN applied tariff increased from 12.6% in FY2018/2019 to 14.4% in FY2024/2025, while it increased from 11.9% to 13.1% for non-agricultural products.

Table 3.1 Tariff structure, FY2018/2019 and FY2024/2025

	MFN applied				Final bound ^a
	FY2018/2019		FY2024/2025		
	excl. AVEs	incl. AVEs	excl. AVEs	incl. AVEs	
Simple average rate (%)	12.0	12.4	13.2	13.9	27.6
WTO agricultural products	12.6	15.0	14.4	18.9	47.5
WTO non-agricultural products	11.9	11.9	13.1	13.1	24.1
HS 01-24	12.5	14.5	14.0	17.7	43.6
HS 25-97	11.9	11.9	13.1	13.1	24.0
Duty-free tariff lines (% of all tariff lines)	3.6	3.6	3.8	3.8	2.5
Simple average rate of dutiable lines only (%)	12.4	12.8	13.8	14.5	28.3
Tariff quotas (% of all tariff lines)	0.0	0.0	0.0	0.0	0.0

	MFN applied				Final bound ^a
	FY2018/2019		FY2024/2025		
	excl. AVEs	incl. AVEs	excl. AVEs	incl. AVEs	
Non- <i>ad valorem</i> tariffs (% of all tariff lines)	0.9	0.9	1.8	1.8	0.0
Domestic tariff "peaks" (% of all tariff lines) ^b	0.7	1.0	3.0	2.0	1.6
International tariff "peaks" (% of all tariff lines) ^c	14.5	15.0	18.6	19.9	86.4
Standard deviation	8.9	11.5	10.9	13.6	17.5
Nuisance applied rates (% of all tariff lines) ^d	1.9	1.9	1.5	1.5	0.0
Number of tariff lines	5,572		6,326		6,326
Duty-free lines	201		238		155
Ad valorem rates (>0%)	5,319		5,973		6,114
Specific rates	51		114		0
Other / unbound rates ^e	1		1		57

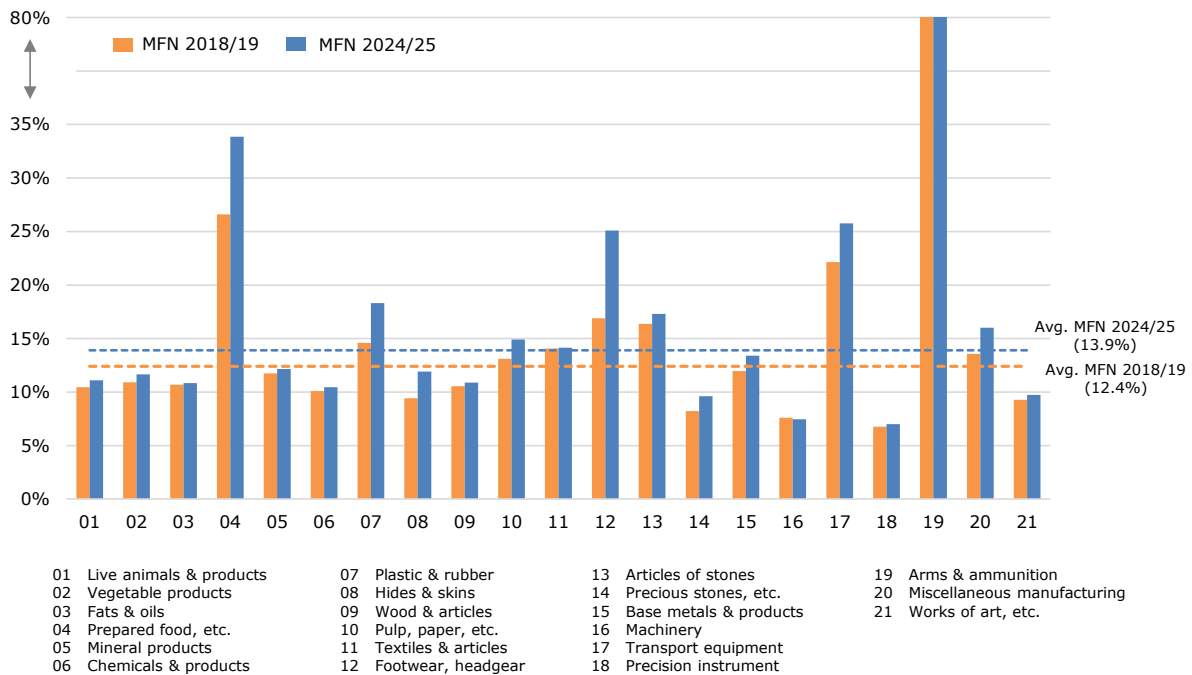
- a Final bound rates are based on the FY2024/2025 tariff schedule in HS22 nomenclature. Since the latest certified binding schedule is in HS17 nomenclature, the concordance to HS22 nomenclature is done to the best extent possible.
- b Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.
- c International tariff peaks are defined as those exceeding 15%.
- d Nuisance rates are those greater than zero, but less than or equal to 2%.
- e In FY2018/2019 and FY2024/2025, for one tariff line (worn clothing and other worn articles, HS code 6309.00.00), the applied MFN rate is equal to the rate of duty as for the corresponding new article. Final bound calculations exclude 57 unbound tariff lines.

Note: The FY2018/2019 tariff is based on HS17 nomenclature, and the FY2024/2025 tariff is based on HS22 nomenclature. For FY2018/2019, 37 AVEs are calculated, for 51 specific rates; for FY2024/2025, 85 AVEs are calculated for 114 specific rates. AVEs are calculated by the WTO Secretariat, based on import data taken from the Ministry of Finance, Department of Customs.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.27. By HS sections, products such as prepared food, beverages, and tobacco; transport equipment; footwear and headgear; plastics and rubber; articles of stone; and miscellaneous manufactured articles continued to have high average applied MFN rates in FY2024/2025, as in FY2018/2019. However, unlike arms and ammunition (which remained unchanged at 80%), their average rates increased, most notably in prepared food, beverages, and tobacco, with a rise of 7.3 percentage points, and in footwear and headgear, with a rise of 8.2 percentage points. The lowest average MFN rates in FY2024/2025 apply to precision instruments and machinery, at 7% and 7.5%, respectively (Chart 3.3 and Table A3.1).

Chart 3.3 Average applied MFN tariff, by HS section, 2018/19 and 2024/25



Source: WTO Secretariat calculations, based on data provided by the authorities. Averages including AVEs, as available.

3.28. The rise in overall average applied MFN tariffs is mainly due to both higher tariff rates applied and, to some extent, the splitting of tariff lines previously subject to those higher rates. For example, in FY2018/2019, the highest *ad valorem* rate of 80% applied to 38 tariff lines, while it increased to 117 lines in FY2024/2025. This can be explained by the splitting of tariff lines under motor vehicles (HS 8702 and 8703), while some other products such as tobacco products (HS 2403), certain motorcycles (HS 871140 and 871150), and arms and ammunition (HS 93) continue to face 80% of tariffs.

3.29. Newly introduced tariff rates (40%, 60% and 70%) also contributed to the increase of average applied tariffs in FY2024/2025. For instance, 70% of tariff rate is applied for two motorcycles-related products (HS8711.30.19 and 8711.30.99), which was 30% in FY2018/2019. Similarly, the rate for three motor vehicles-related tariff lines (HS8703.80.61, 8703.80.69, and 8703.80.91) is now 60%, increasing from 10% in FY2018/2019. Moreover, around 117 tariff lines' rates increased to 40%, mostly from 30% and on a few occasions from 15% and 20% previously applied in FY2018/2019.²¹

3.30. The increase in the number of tariff lines subject to specific duties is mainly due to the shift from an *ad valorem* duty of 30%, previously applied to several tariff lines under fruit and vegetable juices (HS 2009) in FY2018/2019, to a specific rate of NPR 60 per litre in FY2024/2025. Some specific rates previously applied are now increased. For example, the previously applied rate of NPR 240/litre for some wine (HS 2204) is now increased to NPR 300/litre; rates of NPR 900/litre and NPR 1,600/litre previously applied to some spirits (HS 2208) are now increased to NPR 1,500 or NPR 2,000/litre. The specific rates for tobacco products under HS 2402.10 and 2402.90 are increased from NPR 4,500 per thousand sticks in FY2018/2019 to NPR 9,000; and for slag under HS 2618 and 2619, from NPR 500/MT to NPR 1,000/MT. Similarly, the specific rates for certain fuel items under HS 2710²² are also increased.

3.31. The higher number of specific duties, however, does not lead to an increase in the overall average of AVEs; it is slightly lower at 63.5% in FY2024/2025 compared with 65.1% in FY2018/2019. In FY2024/2025, the highest AVEs for the specific rates are found for spirits obtained by distilling grape wine or grape marc (HS 2208.20.92) at 226%, followed by rum and other spirits from fermented sugar-cane products (HS 2208.40.99) at 206.3%, gin and Geneva (HS 2208.50.93) at 174.9%, and cigarettes containing tobacco (HS 2402.20.24) at 174.4%. There are 17 tariff lines in FY2024/2025 tariffs Schedule with a specific rate having AVEs exceeding 100%, mainly alcoholic beverages.

3.1.4.2 Tariff bindings

3.32. Nepal bound all but 57 tariff lines at the HS eight-digit level based on its FY2024/2025 MFN tariff schedule following HS 2022 nomenclature. These unbound tariff lines are mainly for petroleum products, worn clothing, arms and ammunition, cement, and some parts and components of automobiles including golf cars.²³ All bound rates are *ad valorem*, ranging from zero to 200%.²⁴ The overall average bound tariff in FY2024/2025 is 27.6% with 47.5% for agricultural products (WTO definition) and 24.1% for non-agricultural products.

²¹ Tariff rates for the following products increased from 30% to 40% in FY2024/2025 compared with FY2018/2019, unless otherwise specified: HS 0402 Milk and cream, concentrate or containing added sugar or other sweetening matter; HS 0405 Butter and other fats and oils derived from milk, dairy spreads; HS 0901 Coffee not roasted (from 20% to 40%) other from 30% to 40%; HS1704 Sugar confectionery, not containing cocoa; HS1806 Chocolate and other food preparations containing cocoa; HS 1902 Pasta, gnocchi, ravioli, couscous; HS 1905 Bread, cakes, biscuits; HS 2005.20.10 Potato chips; HS 2106.90 Pan Masala without tobacco, Herbal tea; HS 2202 and 2206 Waters, including added sugar; Other fermented beverages; HS 3208, 3209, and 3210: Paints and varnishes; HS 3918: floor coverings of plastics (one line from 15% to 40%; HS3919: Self-adhesive plates, sheets, etc. of plastics; HS 6401 to 6405: from 20% to 40% footwear; HS 6907: ceramic flags and paving, heart or wall tiles etc; and HS 8704 Motor vehicles for the transport of goods.

²² 2710.12.10 Motor spirit (petrol): rates increased from NPR 15,200 per KL in FY2018/2019 to NPR 25,200 in FY2024/2025; 2710.12.20 Hexsen (food grade) from NPR 15,200 per KL to NPR 25,200; 2710.12.90 Other light oils: from NPR 15,200 per KL to NPR 25,200; 2710.19.10 Kerosene: NPR 2,000 per KL to NPR 12,000; 2710.19.30 High diesel oil: from NPR 2,000 KL to NPR 12,000.

²³ Five tariff lines: Cement (HS heading 2523); 21 tariff lines: Petroleum oils other than crude (HS heading 2710); 1 tariff line: Worn clothing and other worn articles (HS heading 6309); 1 tariff line: Golf cars and similar vehicles (HS code 87031090); 11 tariff lines: Chassis fitted with engines for motor vehicles (HS heading 8706); and 18 tariff lines: Arms and ammunition (HS Chapter 93).

²⁴ Tariff bands in the binding schedule are: 0%, 5%, 10%, 15%, 20%, 20.5%, 25%, 30%, 35%, 40%, 50%, 60%, 100%, and 200%.

3.33. The average bound rate is 14.3 percentage point higher than the average MFN applied rate²⁵, providing the Government with large policy space while leading to some uncertainty in customs duties.

3.34. At the product level, while most applied tariffs remain lower than bound tariffs, some tariff lines show discrepancies. In 2024/25, the applied rate exceeds the bound rate for 118 tariff lines (up from 38 lines in 2018/19). These lines mainly include some chemical products, plastics, iron and steel, machinery, and motor vehicles. Additionally, for 28 tariff lines, the applied rates partially exceed the bound rates where bindings apply at more specific product levels. For 24 tariff lines subject to specific duties, the applied rates could exceed the bound *ad valorem* rates (Table A3.2).

3.35. The authorities note that some of these products that exceed bound tariffs are part of splitting tariff lines for the purposes of statistics and other purpose. Some examples of tariff splits include but not limited to HS 8703.21.91 and 8703.21.99, 8703.22.10 and 8703.22.90, 8703.23.11 and 8703.23.19, 8703.23.21 and 8703.23.29.

3.1.4.3 Tariff preferences

3.36. Nepal applies preferential tariffs to seven trading partners under its RTAs²⁶ (Section 2.5.2). Under SAFTA, it grants reduced duties or preferential margins to 3,160 tariff lines for SAFTA non-LDCs and an additional 37 lines for LDCs, resulting in an average relative preference margin of 21.6% for non-LDCs and 22.1% for LDCs compared with MFN tariffs. Accordingly, in FY2024/2025, the simple average applied tariff rate for SAFTA parties stood at 10.9%, 2.5 percentage point for agricultural products and 3.1 percentage point for non-agricultural products less than the applied MFN tariffs (Table 3.2).

3.37. In addition, under its separate bilateral RTA with India, Nepal provides reciprocal duty-free market access to the imports of primary products from India (Section 2.5.2).

Table 3.2 Summary analysis of the preferential tariff under SAFTA, FY2024/2025

	MFN applied		SAFTA	
	Average (%)	Range (%)	Average (%)	Range (%)
All products	13.9	0-226	10.9 (10.8)	0-226
By WTO category:				
WTO agricultural products	18.9	0-226	16.4	0-226
Live animals and meat	11.2	10-30	7.0	6-10
Dairy products	22.7	10-40	21.5	6-40
Fruits and vegetables	12.2	5-53.3	10.3	5-53.3
Coffee, tea, cocoa, and spices	19.7	5-40	15.3	5-40
Cereals and food preparations	19.6	5-54.8	17.1	5-54.8
Oilseeds, fats, and oils	11.0	5-30	8.4	5-15
Sugars and confectionery	20.0	10-40	17.2	6-40
Beverages and tobacco	64.2	11-226	64.2	11-226
Cotton, silk, and wool	3.8	0-5	3.8	0-5
Other agricultural products	9.2	0-10	6.2	0-9
WTO non-agricultural products	13.1	0-80	10.0 (9.9)	0-80
Fish and fish products	10.6	5-15	7.5	5-11.3
Minerals and metals	13.5	0-46.2	9.3 (8.9)	0-46.2
Petroleum	19.3	2.1-30	17.4	2.1-30
Chemicals	12.4	0-40	9.3	0-40
Wood, paper, furniture	14.2	0-30	9.0	0-30
Textiles	12.8	1-30	10.5	1-30
Clothing	18.8	5-20	18.7	5-20
Rubber, leather, and footwear	15.5	0-40	13.6	0-40
Mechanical, office and computing machinery	6.0	0-30	4.9	0-30
Electrical machinery and electronic equipment	9.9	0-30	7.8	0-30
Transport equipment	26.0	0-80	24.2	0-80
Other manufactures	12.6	0-80	6.1	0-30

Note: Including AVEs for specific rates, as available. Figures in brackets refer to data for SAFTA LDCs (Afghanistan, Bangladesh, Bhutan, and the Maldives).

Source: WTO Secretariat calculations, based on information received by the authorities.

²⁵ This is similar to the 14.6 percentage point difference during the last review.

²⁶ The seven trading partners are Afghanistan, Bangladesh, Bhutan, India, Maldives, Pakistan, and Sri Lanka.

3.1.4.4 Tariff exemptions

3.38. Nepal continues to grant tariff exemptions for certain products (Table 3.3). While the list has remained largely unchanged since the previous Review, some amendments have been made. For example, some products that were previously exempt from duties are no longer on the list.²⁷ Conversely, some new items, such as spare parts for jute industries, foreign books and newspapers, and various products imported by industries, have been added to the list for tariffs exemptions. Additionally, Nepal also grants partial tariff exemptions to other several products imported for various reasons, such as products under HS Chapter 84 imported by small, cottage, and medium-scale industries for their production purposes, as well as machinery and equipment imported by industries producing bio-pesticides used in crops.

Table 3.3 Customs duty exemptions, 2025

Items	
1	PET chips under Subheadings 3907.61.00 and 3907.69.00 may be imported by the Partially Oriented Yarn (POY) manufacturing industry, based on limits set by the Department of Industry (DOI) based on the raw material utilization ratio and the ratio of domestic consumption to the export of finished goods.
2	Raw jute under Subheadings 5303.10.00 and 5303.90.00 may be imported by jute industries, including spare parts under Headings/Subheadings 8409.99.90, 8407, 8452.90.00, 8455, 8482, and 8483.90.00, imported by such industries.
3	Postage stamp of Subheading 4907.00.20, Aerogram of Subheading 4907.00.30, Passports of Subheading 4907.00.40, Excise stamp (stickers) of Subheading 4907.00.50 and post cards of Subheading 4909.00.00 to be imported by the Government of Nepal.
4	The transfer of ownership of vehicles, imported under partial customs duty facility for personal use, to the legal spouse (husband or wife) of a deceased person.
6	Goods of the following subheadings produced in and imported from India: HS Chapter 25: 2502.00.00, 2504.10.00, 2504.90.00, 2510.10.00, 2511.10.00, 2511.20.00, 2513.10.00, 2513.20.00, 2519.90.00, 2521.00.00, 2525.10.00, 2528.00.00; HS Chapter 26: 2601.11.00, 2601.12.00, 2601.20.00, 2602.00.00, 2603.00.00, 2604.00.00, 2605.00.00, 2606.00.00, 2607.00.00, 2608.00.00, 2609.00.00, 2610.00.00, 2611.00.00, 2612.10.00, 2612.20.00, 2613.10.00, 2613.90.00, 2614.00.00, 2615.10.00, 2615.90.00, 2616.10.00, 2616.90.00, 2617.10.00, 2617.90.00; HS Chapter 44: 4401.11.00, 4401.19.00, 4401.21.00, 4401.22.00, 4401.31.00, 4401.32.00, 4401.39.00, 4402.10.00, 4402.20.00, 4402.90.10, 4402.90.90, 4403.11.00, 4403.12.00, 4403.21.00, 4403.22.00, 4403.23.00, 4403.24.00, 4403.25.00, 4403.26.00, 4403.41.00, 4403.42.00, 4403.49.00, 4403.91.00, 4403.93.00, 4403.94.00, 4403.95.00, 4403.96.00, 4403.97.00, 4403.98.00, 4403.99.10, 4403.99.90.
7	Partially Oriented Yarn (POY) of Subheading 5402.46.00 and man-made staple fibre of Sub-headings 5503.11.00, 5503.19.00, 5503.20.00, 5503.30.00, 5503.40.00, 5503.90.00, 5504.10.00, 5504.90.00, 5506.10.00, 5506.20.00, 5506.30.00, 5506.40.00, 5506.90.00 and 5507.00.00 imported by yarn manufacturing industries registered for VAT.
8	Blood preserving bag of plastics of Subheading 9018.90.20 required for blood transfusion service, and transfusion set under Subheading 9018.90.90, testing kits under Sub-heading 3002.90.10 and reagents under Subheading 3822.11.00, 3822.12.00, 3822.13.00, 3822.19.00, 3822.90.00 imported by Nepal Red Cross-Society.
9	Braille printer of Subheading 8443.31.00, 8443.32.00 and 8443.39.00, water indicator, light indicator and colour indicative machineries of Subheading 8531.80.00, talking thermometer of Subheading 9025.19.90, Braille watch of Subheading 9102.99.00, magnifying glass of Subheading 9013.80.00, Braille compass of Subheading 9014.10.00, Braille books of Sub-headings 4901.91.00 and 4901.99.00, Braille embosser of Subheading 8443.39.00, Braille stencil machine of Subheading 8472.10.00, to be used by persons with visual impairment.
10	Chemicals of chapter 28, 29 and 38, paper of chapter 48 required for printing, cheque form and cheque book of Sub-heading 4907.00.60, coins of chapter 71, silver, gold and jewellerys thereof of heading 71.06, 71.08 and 71.13, metal of chapter 74 and office equipment and items of similar nature, other than those entitled to duty exemption, of heading 84.72, imported in the name of the Nepal Rastra Bank (NRB – Central Bank).
11	Books and newspapers of heading 49.01, 49.03 and 49.04 published by a foreign publisher.
12	Goods of HS headings 47.07, 72.01, 72.02, 72.04 76.01 and 79.01 to be imported by an industry.

Source: Customs Tariffs Act, 2024

²⁷ These include crude petroleum oil and crude oil obtained from bituminous minerals produced in and imported from India, chassis for certain specific vehicles, specific motors under HS Chapter 85, and commode chairs, walkers, tricycles, and crutches for use by physically disabled persons.

3.1.5 Other duties and charges affecting imports

3.39. There have been a few amendments to other duties and charges:

- An agriculture reform fee of 5% or 9% (previously 8%²⁸) continues to apply to selected agricultural products imported from India and the Tibet Autonomous Region of China where no customs duty is levied. (Table A3.4);
- Green tax on coal and petroleum products is applied ranging from NPR 0.5 to 1 per kg or litre;
- Road construction fees are applied as: ranging from 2.5% to 5% for electrical vehicles and from 9% to 10% for other vehicles, and specific rates from NPR 10,000 to 20,000 per pieces based on the capacity for two and three-wheeler vehicles. The road construction fee is charged for both imported and domestically produced vehicles; and
- Road maintenance fees are charged as NPR 4 per litre on petrol and NPR 2 per litre on diesel.

3.40. Customs charges a service fee of NPR 565 per declaration for import consignments valued over NPR 5,000.

3.41. Besides customs tariffs, the customs offices continue to collect VAT and excise duties²⁹ and other internal taxes such as health hazard and infrastructure taxes at customs borders. Such taxes and duties constitute a significant portion of Nepal's total revenue collected at border (Table 3.4).

Table 3.4 Revenue collected at the customs border, FY2019/2020 to FY2023/2024

(NPR million and % of total revenue collected at the customs border)

Fiscal Years	FY2019/ 2020	FY2020/ 2021	FY2021/ 2022	FY2022/ 2023	FY2023/ 2024
Total revenue collected at border	317,836	443,361	506,421	390,704	424,240
VAT on imports (%)	40.7	38.5	41.0	44.3	43.5
Excise duties on imports (%)	11.3	11.9	11.3	8.3	8.8
Customs duties on Import (%)	37.1	37.9	37.0	36.6	37.5
Customs duties on Exports (%)	0.0	0.0	0.0	0.0	0.1
Other charges/internal taxes (including Agriculture reform fees) (%)	10.9	11.7	10.7	10.8	10.2

Note: 0.0% indicates less than 0.05% but greater than 0%.

Source: Information provided by the authorities.

3.42. The Customs Act, 2007 and its Regulations, 2007 also contain provisions on demurrage fees, which are charged for goods not cleared from the customs office within seven days (Table 3.5).

Table 3.5 Demurrage for warehouses in customs, 2025

Duration	Charge per day/kg	
	Airport Customs offices	Other customs offices
Up to 30 days	NPR 0.40	NPR 0.20
30 to 60 days	NPR 0.80	NPR 0.40
More than 60 days	NPR 1.20	NPR 0.60

Source: Tariff Regulation, 2024 (Annex 5).

3.1.6 Import prohibitions

3.43. The Export and Import (Control) Act, 1957 provides legal basis for imposition of imports prohibition or restrictions of certain goods based on, *inter alia*, national security, public order, health, environmental, and socio-economic considerations.³⁰ The authorities note that the new Export and

²⁸ Since the previous Review, while the products covered have remained largely unchanged, the 8% fee has been raised to 9% for a broader range of items.

²⁹ No product-level data on applied excise duties were available.

³⁰ WTO document [WT/TPR/S/381/Rev.1](#), 27 February 2019.

Import (Control) Bill, 2025, along with its Regulations, has been submitted to the House of Representatives to replace the 1957 Act.

3.44. The list of products subject to import prohibition has been expanded to include new eight categories of products on top of the existing seven categories of products (Table 3.6). The importation of used motor vehicles is currently prohibited. Nepal's latest WTO notification on quantitative restrictions covers biennial notification for the periods 2020-2022 and 2022-2024; it is related to measures in force as of September 2022.³¹

Table 3.6 Products subject to import prohibitions, 2018 and 2025

	Products description	2018	2025
1	Health hazardable narcotic intoxicating goods such as hashish, heroin, opium, etc.	X	X
2	Beef	X	X
3	Hazardous ouzo dyes as specified by the Government, by publishing a notice in the Nepal Gazette	X	X
4	Plastics scrap and bags and sheets of plastics below 30-micron thickness ^a	X	X
5	High carbon disposing incandescent light bulbs	X	X
6	"Stacklector" or combine harvester with baler	X	X
7	Scrap plastic and recycled granules		X
8	Used second-hand goods, except for those permitted by law (However, used goods can be imported in recommendation of Ministry of Forest and Environment during manmade or natural disasters like flood, landslides, or fire)		X
9	Instruments using HCFC-22 Gas, including refrigerator, air conditioner, chiller, deep fridge, compressor, etc.		X
10	Chlorofluorocarbon (R11, R12) Gas		X
11	Asbestos based corrugated and non-corrugated sheets, tiles, insulators, brake shoes, clutch plates, etc.		X
12	Paints having more than 90 PPM or 90 mg/Ltr lead; and those packaging without such labels showing lead content and occupational safety notices		X
13	Pentachlorophenol and its compounds, salts, and mixtures		X
14	Caffeinated energy drinks, flavoured synthetic drinks, and similar drinks		X
15	Goods prohibited/banned by other existing laws	X	X

a In 2018, the thickness threshold was below 20 microns.

Source: Based on information provided by the authorities.

3.1.7 Import restrictions and licensing

3.45. The Export and Import (Control) Act, 1957 and its Regulation, 1978 remained the legal basis to regulate the import licensing regime in Nepal; they grant the Government the authority to suspend or impose licensing requirements, provided that such actions are published in the Nepal Gazette. According to the authorities, the most recent notice regulating restrictions/partial restrictions on import (and export) was published in the Nepal Gazette on 17 June 2019. The DOCSCP continued to administer the licensing regime in coordination with the DOC.

3.46. Nepal did not submit any notifications under Article 7.3 of the Agreement on Import Licensing Procedures during the review period.³² The authorities note that the new notification on import licensing is under way.

3.47. Nepal's import licence or permit (non-automatic) requirements remain largely unchanged; they apply to items such as: (i) arms and ammunition and explosive substances, where licences are issued by the DOCSCP based on a recommendation from the Ministry of Home Affairs; (ii) radio equipment, where licensing is based on a recommendation from the Ministry of Communication and Information Technology; (iii) all types of tobacco imports, for which licences are issued by the DOCSCP based on an approved scheme and a recommendation letter from the DOI; and (iv) poppy seeds. In addition, certain goods require NS-Standard certification issued by the Nepal Bureau of Standards and Metrology (NBSM).³³

3.48. Documents required for obtaining such licences remain largely unchanged during the review period; nonetheless, there were some amendments, such as a new requirement of an EXIM Code,

³¹ WTO document [G/MA/QR/N/NPL/1](#), 11 October 2022.

³² Nepal's last notification was submitted in 2015. WTO document [G/LIC/N/3/NPL/2](#), 14 April 2015.

³³ Such as, certain cements, certain parts related to the use of liquified petroleum gas, certain batteries and cables.

and TT (Telegraphic Transfer) for imports up to USD 50,000, and DAP (Documents Against Payment) Letter for imports valued up to USD 100,000. According to the authorities, a complete application for a licence can be processed within a day. A licence is initially valid for a period 6 months with the options for renewal. The application fee for an import licence is NPR 10,100.

3.49. Only authorized dealers or agents of manufacturing companies may import motor vehicles. Additionally, the import of certain products is restricted to state-owned enterprises (SOEs) (Section 3.3.5).

3.1.8 Anti-dumping, countervailing, and safeguard measures

3.50. During the review period, Nepal adopted its first law concerning anti-dumping, countervailing, and safeguard measures, the Safeguards, Anti-dumping, and Countervailing Act (SACA), 2019, which entered into force on 12 January 2020.³⁴ Broadly building on the WTO Agreements for related provisions, the SACA outlines the criteria and procedures for the application of anti-dumping, countervailing, and safeguard measures and provides a legal framework for addressing injury to domestic industry caused by unfair trade practices or import surges. MoICS is main body for implementing the Act and overseeing investigations through designated investigating officers within its DOCSCP. As notified to the WTO, the DOCSCP has been designated as the competent authority in Nepal to initiate and conduct anti-dumping and countervailing investigations.³⁵ The SACA consists of seven Chapters.³⁶

3.51. Under the SACA, safeguards measures may be applied upon conducting investigations (imports of identical goods from developing countries constituting less than 3% of total imports are excluded). The initial duration of application of such measures is limited to four years, with a possibility of an extension of another four years, based on recommendations by the investigating authority.³⁷ If the conditions for the imposition of measures no longer exist or alternative solutions are found, the measure can be lifted at any time. Provisional safeguard measures can also be applied up to 200 days in an emergency case based on preliminary evidence of injury. The SACA also foresees "other alternative measures".³⁸

3.52. After an investigation, if imported goods are found to be sold in Nepal at less than their normal value, causing or threatening material injury to domestic industries, the Government may impose an anti-dumping duty in addition to any current customs duty. However, anti-dumping duties are not applied if the dumping margin is less than 2%, or the import share from a country is less than 3% of total imports (and not cumulatively over 7% for multiple countries). The initially imposed anti-dumping duties may remain in force for up to five years, subject to review. In urgent cases where preliminary evidence suggests serious injury, temporary anti-dumping duties may be imposed for a limited period (up to 6 months if the domestic industry requests, and up to 120 days otherwise). Anti-dumping duties may be withdrawn at any point if investigations show that the conditions for maintaining them no longer prevail.³⁹ Similarly, countervailing duties may be imposed when imported goods are found to benefit from direct or indirect subsidies provided by a foreign government or related body, and such imports cause or threaten material injury to domestic industries.⁴⁰

3.53. Under the SACA, any investigations can be initiated upon receipt of a written application from domestic industries or by the DOCSCP. The appointed investigation officers to examine the case may publicly notify the start of the investigation, including key details such as the goods involved and

³⁴ WTO documents [G/ADP/N/1/NPL/2](#), [G/SCM/N/1/NPL/2](#), [G/SG/N/1/NPL/2](#), 28 July 2025. The Safeguards, Anti-dumping and Countervailing Regulation, 2021, was also adopted on 18 January 2021, and outlines the procedural details for implementing the provisions of the Act.

³⁵ WTO document [G/ADP/N/193/NPL/Rev.1](#) and [G/SCM/N/202/NPL/Rev.1](#), 6 June 2025.

³⁶ Chapter 1 contains a general definition of terminologies. Chapter 2 sets out provisions on safeguards measures, Chapter 3 on anti-dumping duties, Chapter 4 on countervailing duties, Chapter 5 on investigation procedures, Chapter 6 on establishing coordination committees, and Chapter 7 on miscellaneous provisions. Government of Nepal. "Safeguards, Anti-Dumping and Countervailing Act, 2019", Nepali Version provided by the authorities.

³⁷ In exceptional cases, the duration of application may be extended by an additional two years, including any interim period already applied.

³⁸ Sections 3 through 7, of the Safeguards, Anti-Dumping and Countervailing Act, 2019.

³⁹ Sections 8 through 12 of the Safeguards, Anti-Dumping and Countervailing Act, 2019.

⁴⁰ Sections 13 through 16 of the Safeguards, Anti-Dumping and Countervailing Act, 2019.

the basis for the investigation, and invite the related parties to submit responses and evidence in their defence within a specified timeframe. Information from the authorities of the exporting country can also be requested during the assessment of subsidies or dumping practices. An initial investigation report must be issued within 60 days, followed by a final report within one year, including findings on injury, dumping or subsidy margins, and recommendations. The report is then submitted to MoICS for final decision and possible imposition of measures.

3.54. The SACA also establishes a coordination committee under MoICS to oversee and facilitate the implementation of the legislation and its regulations. The Secretary of MoICS chairs the committee and includes representatives from various government bodies and private sector organizations. The Director-General of the DOCSCP serves as member-secretary. The committee is tasked with advising the Government on trade remedy policies, coordinating among concerned agencies for the implementation of the SACA and its regulations. Meetings may be conducted as needed, and the decisions are made by majority vote from the committee members, with the chair holding the deciding vote in case of a tie. The DOCSCP provides administrative support for the committee.

3.55. Under Section 44 of the SACA, any party not satisfied with a decision to impose anti-dumping duties, countervailing duties, or safeguard measures, including interim measures, may file an appeal to the High Court having jurisdiction over the customs office concerned. To do so, the appellant must deposit a guarantee equal to the disputed duty amount. The High Court's commercial bench is responsible for hearing such cases and delivering a final ruling.

3.56. According to the authorities, no cases have been registered or investigations conducted since the SACA entered into force. They further note that although the DOCSCP is mandated to implement the SACA, institutional and human capacity constraints hinder effective implementation. The authorities view that due to similar gaps in both the Government and the private sector, Nepal has also been unable to participate in or benefit from WTO dispute settlement and trade remedy mechanisms; they consider that targeted technical assistance is necessary to address these challenges.

3.2 Measures directly affecting exports

3.2.1 Customs procedures and requirements

3.57. The Customs Act, 2007 and its Regulation remained the legal basis for regulating exports, and the DOC continued its roles of administering exports in Nepal during the review period. Customs procedures for exports are largely same as for the imports. While an EXIM Code is mandatory for exports, supporting documents that must be submitted with the SAD includes commercial invoice, certificate of origin, payment certificate (letter from a bank or bank statement), and other additional documents as required. As in the case of imports, necessary documents for exports differ between exports to India and those to other countries.

3.58. In Nepal, exports are permitted against advance payment, L/C, cash against documents, bank guarantee, or standby letter of credit to ensure that exporters receive payment for their goods.

3.59. Exporters may request Customs to inspect goods directly at the production site or warehouse by submitting an application with the customs declaration and related documents, including a fee of NPR 1,000 per consignment. After inspection, the goods are sealed by the customs officer, and the seal is verified at the customs office before export is allowed.

3.2.2 Taxes, charges, and levies

3.60. Certain products remain subject to export duties. The authorities state that such duties are for protecting domestic industries, conserving natural resources, or discouraging the export of raw materials. There are 132 products⁴¹ subject to export duties in FY2024/2025 (compared with around 100 products in FY2018/2019). Amongst these products, 47 products are subject to *ad valorem*

⁴¹ These products fall under various HS Chapters, including 10, 12, 14, 21, 23, 24, 25, 39, 40, 44, 47, 72, 74, 76, 79, 80, and 85.

duties with the rate of 50% (which is reduced from 200% previously applied), while other products are subject to specific duties with different rates (Table A3.3).

3.61. While the majority of the products previously subject to export duties remain on the current list, some amendments have been made. Certain products have been removed and are no longer subject to export duties.⁴² Meanwhile, several products from HS Chapters 39, 40, 47, 72, 74, 76, 79, 80, and 85 are now included and subject to export duties in FY2024/2025.

3.62. VATs on exports are zero rated and are exempt from excise duties. For export consignments valued above NPR 5,000, a customs service fee of NPR 113 per declaration applies.

3.63. The authorities state that, as zero-rated VAT is applied to exports, exporters are entitled to claim the refund of VATs paid on inputs such as raw materials, capital goods, and services used in producing the exporting goods. The exporter may submit a refund claim to the Inland Revenue Department (IRD) along with supporting documents such as export declaration forms, bills of entry, proof of payment, purchase invoices, and customs documents. Once verified, refunds are made to the exporter's bank account within 30 days (which is 30 days less than other taxpayers' tax refund time).

3.2.3 Export prohibitions, restrictions, and licensing

3.64. Nepal continues to prohibit the export of certain goods to achieve various policy objectives (Table 3.7).

Table 3.7 List of products subject to export ban, 2025

Name of product	Rationale for export ban
Articles of archaeological, historical, and religious importance <ul style="list-style-type: none"> a. Foreign or Nepalese coins b. Idols of gods and goddesses, palm leaf inscriptions (Tad Patra), plant leaf inscriptions (Bhoj Patra) c. Pauva (Thangka or traditional cloth paintings) of historical importance 	Cultural and religious reasons
Protected wildlife, protected body parts of wildlife, and endangered wildlife <ul style="list-style-type: none"> a. Untreated skin (including dry salted) b. Unprocessed wool and hair (fur) of wild animals c. Wild animals d. Bile and any part of wild animals 	Protection of wildlife
Narcotic substances <ul style="list-style-type: none"> a. Intoxicating and narcotic drugs such as marijuana, opium, hashish (as defined in the Single Convention of Narcotic Drugs 1961, and the UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances 1988) 	Human health
Explosive materials and ammunitions <ul style="list-style-type: none"> a. Explosive materials and fuses or materials needed therefor b. Materials used in the production of arms and ammunition 	Public security
Industrial machines, spare parts, and raw materials <ul style="list-style-type: none"> a. Industrial mills, machinery, and spare parts thereof 	To promote the development of small cottage industries
Forest resources related to biodiversity and environment conservation <ul style="list-style-type: none"> a. <i>Dactylorhiza hatagirea</i> and <i>Juglans regia</i> b. Non-processed <i>valeriana jatamansi</i>, <i>Rock Exudat</i>, <i>Parmelia sps</i> and other (<i>Lichen sps</i>), <i>Abies spectabilis</i>, <i>Cinnamomum glaucescens</i> 	To conserve biodiversity and the environment
Petrol and petroleum products <ul style="list-style-type: none"> a. Petrol b. Diesel c. Kerosene oil d. liquefied petroleum gas e. Air fuel (except for international flights) 	All these are imported products. The export ban is to maintain the regular supply and distribution in Nepal
Other products <ul style="list-style-type: none"> a. <i>Mamira</i> (a medicinal herb) b. Logs and timber from naturally grown plants 	Exhaustible natural resources: most are from naturally grown plants. Their exportation is banned, and their domestic consumption restricted

Source: Information provided by the authorities.

⁴² These products include split red lentils; buckwheat; millet; bran, sharps, and other residues of maize, wheat, leguminous plants, and other cereals; wood pellets; and other forms of sawdust and wood waste and scrap.

3.65. Since 2019, Nepal has applied quantitative restrictions on exports of paddy, rice, wheat, and sugar. The authorities state that, as a net food-importing country, these temporary measures aim to ensure food security.

3.2.4 Export support and promotion

3.66. Nepal notified to the WTO that it had one export subsidy programme between 16 July 2020 and 15 July 2022.⁴³ As per the latest annual notification under the Agreement on Agriculture (Articles 10 and 18.2 – ES:1), no export subsidies were provided for agricultural products in recent fiscal years (Section 4.1).

3.67. Chapter 5 of the Industrial Enterprises Act (IEA), 2020 contains provisions on incentives, exemptions, facilities, and concessions for registered industries in Nepal, including those with specific for the exports (Section 2.6.4).⁴⁴ For example, an additional income tax exemption of 5% for manufacturing industries on the earnings from exports; and a 25% exemption on the rate of income tax leviable on royalty income earned from exporting intellectual property rights are provided.

3.68. The IEA, 2020 also continues the provision on the duty drawback system, under which exporting industries without bonded warehouse or passbook facilities can claim duty drawback at rates set by the Ministry of Finance, refunded through the One Stop Service Centre established in the DOI. Additionally, the IEA now also allows customs duty refunds on intermediate goods used by the industries for the export based on the quantity of export, provided the refund is claimed within one year from the date of export. Industries making intermediate goods for export can get a refund on duties paid, if claimed within a year. These measures have not been notified to the WTO.

3.69. Industries operating within bonded warehouses can import raw materials and auxiliary inputs, such as packaging materials not produced in Nepal, against a bank guarantee. If these materials are used in the production of goods that are exported within 11 months from the date of import, and the value addition exceeds 10%, Customs releases the bank guarantee within one month of receiving the application. Industries with no bonded warehouses can still import raw materials and inputs by paying a cash duty deposit at the Customs Office. If these materials are used to produce goods that are exported within 12 months, and the export adds at least 10% in value, the deposit is refunded by Customs within a month of submitting the necessary documents.⁴⁵

3.70. Nepal continues to provide specific export facilities and incentives to industries established under the SEZs Act, as amended in 2025 (Section 2.6.4).⁴⁶ The licensed industries established in SEZs must export a certain share of their total production. As per the amendment, these industries must export 15% of their goods and services for the first four years, increasing to 30% thereafter. If export is not possible due to prevailing circumstances, industries may, with prior approval from the authorities, sell the exempted quantity in Nepal's domestic market. Domestic industries supplying products to SEZ industries are considered as engaging in deemed exports. The amendment also permits existing industries to relocate or set up new production units within SEZs. According to the authorities, the Government has a policy to establish at least one SEZ in each province.⁴⁷ Incentives provided to licensed industries established in SEZs include: a lease rent rebate of 50% in the first year, 40% in the second, and 25% in the third year; full income tax exemption for the first 5 years, and 50% for the next 10 years for industries using 60% domestic raw materials (5 years for others).⁴⁸ Foreign investors may repatriate dividends, share sales, and loan repayments as per the MoU with the SEZ Authority, and may operate foreign currency accounts in commercial banks with the SEZ Authority's recommendation; SEZ's one-window service unit aims to provide all

⁴³ WTO document [G/SCM/N/401/NPL](#), 17 April 2024.

⁴⁴ WTO document [G/SCM/N/401/NPL](#), 17 April 2024.

⁴⁵ WTO document [WT/TPR/S/381/Rev.1](#), 27 February 2019. These bonded warehouse mechanisms and refund conditions were not mentioned in Nepal's notifications.

⁴⁶ These were not covered in Nepal's notifications.

⁴⁷ Currently, one SEZ in Bhairahawa (Lumbini Province) and another in Simara (Madhesh Province) are operational. Two additional SEZs, Panchkhal and Simara Blocks B & C, are being constructed under a PPP model.

⁴⁸ Other incentives include dividend tax exemption for 5 years and a 50% reduction for the following 3 years; zero VAT facility under certain conditions; and conditional customs duty exemptions and other facilities under a government bank guarantee for importing raw materials, machinery, and up to three vehicles, with reimbursement provisions for prescribed sales. Full income tax exemption for 10 years and 50% thereafter for industries are accorded to enterprises established in Hilly or Himalayan SEZs.

necessary facilities; and strikes or protests within SEZs are strictly prohibited.⁴⁹ The industries established under Nepal's Special Economic Zone (SEZ) broadly cover mineral processing, metal fabrication, stainless-steel production, lighting and electronics manufacturing, plastics and polymers, energy, stone and granite processing, herbal products, and IT services. These sectors represent a mix of manufacturing and value-addition industries aimed at boosting exports from Nepal's SEZs⁵⁰. According to the authorities, while several incentives are provided to SEZ industries with the aim of increasing exports, no specific data on exports by these industries are available.

3.71. For the promotion of exports, MoICS remains the leading agency, under which the TEPC continued conducting export promotion activities during the review period. The export promotion activities focused on specific products identified as having export potential under NTIS (Section 2.4).⁵¹

3.2.5 Export finance, insurance, and guarantees

3.72. The authorities state that access to credit facilities from local financial institutions, such as concessional loans and working capital financing for export-oriented businesses, are in place.⁵² As per the Government's unified Circular No. 13/2080(4), Class A licensed commercial banks may provide bank guarantees in foreign currency and standby L/C required for exporting goods from Nepal. Similarly, for the importation of raw materials as per the unified Circular No. 18/2080(1), both Class A licensed commercial banks and Class B licensed development banks may provide short-term loans in foreign currency to industrial producers, firms, or companies. The Circular also contains provisions related to pre-shipment and post-shipment loans in foreign currency for exporters.

3.73. Working capital guideline (recent amendment in 2025) issued by the NRB contains provisions on export financing under which licensed banks and financial institutions can provide loans related with export financing as per provision of the guideline.

3.3 Measures affecting production and trade

3.3.1 Incentives

3.74. In 2024, Nepal submitted its new and full subsidies notification to the WTO Committee on Subsidies and Countervailing Measures.⁵³ The notification describes industrial incentives under the Industrial Enterprises Act, 2020 and the Public Private Partnership and Investment Act, 2019 (Section 2.6) as well as budgetary incentives such as cash incentive scheme for exporting industries (Section 3.2.4) and transportation subsidy on rice and salt programme.

3.75. The NRB has implemented various incentive programmes, including preferential loans, to stimulate trade and production. Lending priorities are given to agriculture, energy, tourism, and MSMEs. These programmes aim to support specific sectors and beneficiary groups. The NRB has set mandatory lending targets for certain sectors. For instance, by the end of FY2024/25, commercial banks are required to allocate 12% of their total loans to agriculture, 7% to energy, and 12% to MSMEs. These targets are set to increase to 15%, 10% and 15% respectively by the end of FY2026/2027.

3.3.2 Standards and other technical requirements

3.76. The Nepal Standards (Certification Mark) Act, 1980, and the Standards, Weights and Measures Act, 1968 remain the main legislation concerning standards and technical regulations. Other relevant laws include: the Drug Act, 1978; the Consumer Protection Act, 1998 and the Consumer Protection

⁴⁹ IBN. "Nepal Investment Guide 2021", September 2021. Viewed at: <https://ibn.gov.np/resources/details/nepal-investment-guide-1483> (06/05/2025).

⁵⁰ New Business Age. (2024). "Industrialists attracted to special economic zone in Bhairahawa". Viewed at: <https://newbusinessage.com/news/21431/industrialists-attracted-to-special-economic-zone-in-bhairahawa/>

⁵¹ The Nepal Trade Information Portal (NTIP), launched in 2020 within the TEPC with the support of the World Bank, was intended as a one-stop platform for trade-related information. However, the authorities note that it was in operation for only four years and is no longer functional due to technical shortcomings and capacity gaps in its development and operation.

⁵² Concessional loans were not mentioned in Nepal's latest notification.

⁵³ WTO document [G/SCM/N/401/NPL](https://www.wto.org/press/2024/G/SCM/N/401/NPL), 17 April 2024.

Act, 2018; the Environmental Protection Act, 1997 and the Environmental Protection Act, 2021; and the Weights and Measures Act, 2022. The Food Safety and Quality Act, 2024 entered into force on 3 August 2024 and replaced the Food Act, 1966, and the Accreditation Act, 2022, was adopted and entered into force in 2022. The authorities state that, in accordance with the Accreditation Act, the Nepal Accreditation Centre (NAC) has been established, and the NAC will be a member of the Global Accreditation Cooperation.

3.77. The NBSM, Nepal's central government standardizing body, is the main agency responsible for preparing standards; technical regulations are developed by relevant ministries. The Nepal Council for Standards (NCS) is responsible for approving standards. The NBSM also provides product and system certification services and testing and calibration services; it is the enquiry point and notification authority for TBT matters in the WTO. The NBSM is a member of the International Organization for Standardization (ISO), the South Asian Regional Standards Organization (SARSO), and the Asia Pacific Metrology Programme. It is also a corresponding member of the International Organization for Legal Metrology, and an affiliate country for the International Electrotechnical Committee (IEC). In July 2023, the NBSM notified to the WTO its acceptance of the code of good practice for Preparation, Adoption and Application of Standards in Annex 3 to the TBT Agreement.⁵⁴ The authorities indicate that Nepal has not yet notified standards work programme; it is in the process of developing a six-month standards work programme to place it to its website and notify.

3.78. Nepal has concluded no mutual recognition agreement since 2018. Nonetheless, an MOU on standardization between the NBSM and Standardization Administration of China was concluded in 2019. In addition, in 2019, the Department of Food Technology and Quality Control (DFTQC) in the Ministry of Agriculture and Livestock Development (MOALD) signed an MOU with the Food Safety and Standards Authority of India on food safety.⁵⁵ The DFTQC has also signed an MOU with the Bangladesh Standards and Testing Institution.⁵⁶

3.79. There was no change in the drafting and adopting process of standards and technical regulations or adopting conformity assessment procedures relating to goods and services during the review period. The National Council for Standards, which is chaired by the Minister of Industry, Commerce and Supplies, is responsible for approving standards; once approved, it is published as a Nepal Standard and is available from the NBSM. All committees, including the NCS, include representatives from stakeholders including the private sector, consumers, and academia. The NBSM plans to publish its work programme on its website. The Government may make standards mandatory, in which case they are published in the Nepal Gazette.

3.80. Since 2018, 241 new national standards have been adopted, covering, *inter alia*, food and agricultural products, textiles construction materials, electrical appliances and electronic goods, and test methods. The authorities indicate that, in the process of adopting these standards, the NBSM places the draft standards on its website, allowing 60 days comment period to its stakeholders and the concerned, and replies to questions provided promptly; adopted standards were published promptly.

3.81. At end-April 2025, there were around 1,145 national standards.⁵⁷ According to the authorities, during the review period, six new technical regulations were adopted concerning Portland cement, galvanized steel sheets, rubber hose for LPG, polyvinyl chloride insulated cable for fixed wiring with copper conductor, and certain kinds of polypropylene for packaging of cement.⁵⁸

3.82. In general, standards are based on international standards.⁵⁹ According to the authorities, as of May 2025, the number of Nepalese standards based on ISO/IEC international standards was 173.

⁵⁴ WTO document, [G/TBT/CS/N/206](#), 17 July 2023.

⁵⁵ The MOU concerns (i) the establishment of mechanism of information exchange and communication; (ii) exchange of information on each other's organizational structure, rules, procedure for food safety and quality certification and other related matters; (iii) notification of each other's laboratories as per the policy prevailing; and (iv) cooperation and collaboration on capacity-building.

⁵⁶ The MOU is on cooperation concerning food safety issues such as the recognition of test reports of competent authority, technical information sharing, and cooperation and collaboration on capacity-building.

⁵⁷ NBSM. Viewed at: <https://nbsm.gov.np/> (29/07/2025).

⁵⁸ WTO documents [G/TBT/N/NPL/6-10](#), 26 September 2018 – 5 August 2024.

⁵⁹ Such as those of the ISO, the IEC, and the Codex Alimentarius.

In case international standards are not available, the NBSM develops its own standards based on other available national or regional standards relevant to Nepal.

3.83. The NBSM continues to represent Nepal in the SARSO, which sets harmonized standards for the members of the South Asian Association for Regional Cooperation (SAARC) (i.e. Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka). SAARC standards, once adopted, replace national ones where they exist.⁶⁰ The authorities indicate that none of the SARSO Standard has been adopted to replace Nepal Standards.

3.84. The Department of Drug Administration in the Ministry of Health and Population is responsible for standards relating to pharmaceuticals, and the DFTQC is responsible for standards relating to food and feed. At end July 2025, there were 135 food commodity technical regulations.

3.85. The main features and provisions of the new Food Safety and Quality Act, 2024 include: (i) the development of food standards based on science and in compliance with international and regional standards; (ii) inspection and monitoring of food products by the federal, provincial, and local governments; (iii) approval to import of food products prior to actual importation and the issue of entry permits of food products at border; and (iv) facilitation on inspection and certification for food exports.

3.86. The Accreditation Act, 2022 empowers designated accreditation bodies to assess and certify conformity with national and international standards; the authorities note that the same conformity assessment procedures as relevant international standards also apply to certifying or testing of technical regulations. The Act outlines the procedures for granting, renewing, suspending, or cancelling accreditation licences, and mandates adherence to prescribed quality benchmarks. The Act also enables the Government to enter into agreements with foreign accreditation bodies to facilitate mutual recognition and cooperation. Accredited institutions must demonstrate compliance through self-assessment reports and peer reviews. The Act further mandates that foreign-affiliated educational institutions operating in Nepal obtain accreditation through the national quality assurance mechanism. The authorities indicate that a new accreditation centre was established in accordance with the Act.⁶¹

3.87. The Nepal Standards certification (NS) mark system, which may be used for products where standards or technical regulations exist, continues to be administered by the NBSM. The certification mark is compulsory for a product to be placed on the market if it entails technical regulations as stipulated the Nepal Standards (Certification Mark) Act. An audit from the NBSM, which includes testing and assessment of the requesting company, is required to obtain authorization to use the mark and, after authorization, inspections and testing are carried out to ensure continued compliance with the standards and/or technical regulations. The NBSM has issued 482 licences to use the NS mark for 70 different products.

3.88. Concerning labelling, the Consumer Protection Act, 2018 mandates producers to affix labels on goods with a view to ensuring that consumers receive products with necessary information. Labels must include declarations such as product name, manufacturer details, batch number, expiry date, and other relevant information to protect consumer rights and safety.

3.89. The Food Safety and Quality Act, 2024 also regulates food product registration and labelling, overseen by the DFTQC. They require food products to meet safety and quality standards with proper labelling before being marketed in Nepal. The Standard Measurement and Weight Act, 1968 and related regulations establish legal metrology standards for labelling weights and measurements on sealed packaged goods. Labels must display accurate weight, manufacturer details, and other required information. Inspectors have authority to restrict or confiscate goods not complying with labelling standards.

3.90. According to the authorities, the Government has recently intensified enforcement of the Mandatory Maximum Retail Price (MRP) Labelling, which was introduced over a decade ago. The DOCSCP issued directives requiring manufacturers and importers to display MRP, manufacturer details, batch number, expiry date, and applicable standardization marks on essential goods in 2024.

⁶⁰ SARSO. Viewed at: <https://www.sarso.org/> (29/07/2025). The SAARC Agreement on Implementation of Standards, 2011 has not been notified to the WTO by Nepal.

⁶¹ MOLJPA. Viewed at: <https://www.moljpa.gov.np/prevailing-laws?categoryId=1> (29/07/2025).

This initiative was aimed to increase market transparency and fair competition, especially following recent price hikes in construction materials like cement and iron rods.

3.91. The E-Commerce Act, 2025 includes provisions related to product labelling related to e-commerce, addressing issues such as misleading advertisements and labelling requirements with a view to protecting consumers in online transactions.

3.92. In the WTO, the enquiry point for TBT measures is the NBSM, and the notification authority is listed as the Agriculture and Livestock Business Promotion Division in the MOALD. Nepal made five notifications to the WTO between 2019 and August 2025.⁶² No specific trade concern was raised by other Members about Nepal's TBT measures and Nepal has never raise a concern with respect to other Members' TBT measures⁶³

3.3.2.1 Sanitary and phytosanitary (SPS) requirements

3.93. During the review period, the Food Safety and Quality Act, 2024 (replacing the previous Food Act, 1967) and the Pesticide Management Act, 2019 were adopted; the Plant Quarantine and Protection Act, 2007 was amended in 2023, and the Seed Act, 1988 was amended in 2022. The authorities indicate that these laws were developed incorporating the provision of international SPS standards by the Codex Alimentarius or the International Plant Protection Convention (IPPC). Other relevant laws and regulations include the Plant Protection Act, 2007 and the Plant Protection Rule, 2010; the Contagious or Infectious Disease Act, 1963; the Animal Health and Livestock Services Act, 1998; the Drug Act 1978 and the Drug Registration Regulation 1981; the Directives on Export Import Inspection and Quality Certification System, 2006; and the National Standards for Phytosanitary Measures.

3.94. In addition, the National Food Safety Policy, 2019 was adopted as a guideline to: (i) upgrade the legislative framework and infrastructure to ensure risk based food safety and quality control system; (ii) enhance self-regulation and implementation of food safety management system; (iii) promote and facilitate trade; (iv) establish food epidemiology surveillance system; (v) adopt effective and efficient inspection and monitoring system as well as laboratory services; (vi) improve consumer awareness on food safety and quality; and (vii) conduct research and development for the promotion of food safety and quality.

3.95. Responsibilities on SPS matters fall in the MOALD, particularly the DFTQC, the Bureau of Plant Industry in the Department of Agriculture and the Plant Quarantine and Pesticide Management Centre (PQPMC), the Animal Quarantine Office in the Department of Livestock Services (DLS), and the Seed Quality Control Centre.

3.96. The current policy priorities of the authorities include: (i) the promotion and adoption of food safety management system (e.g. ISO 22000) in food processing industries; (ii) capacity-building and creating enabling environment of producers and processor from "farm to fork" in order to implement food safety management system; and (iii) intensifying consumer education, training and awareness.

3.97. Importation of food products, plants, plant products, live animals, livestock products, and inputs for livestock require import permits via the Nepal National Single Window. Import permits for food products in the light of food safety are issued by the DFTQC. Import permits for plants and plants products are issued by the PQPMC and import permits for livestock and livestock products are issued by the DLS. The authorities indicate that the issue of import permits will not discriminate among the trading partners having the consignments with the same level of risk.

3.98. The DFTQC provides export certificates on a voluntary basis, provide export certificates under the Directives on Export Import Inspection and Quality Certification System; the DFTQC may also authorize other organizations to provide export certificates.

3.99. Nepal is a member of the World Organization for Animal Health (WOAH) and the Codex Alimentarius, a contracting party to the IPPC, and has acceded to the Pesticides and Industrial

⁶² WTO documents [G/TBT/N/NPL/7](#) to 10, 11 July 2019 to 5 August 2024.

⁶³ WTO SPS and TBT Platform. Viewed at: <https://epingalert.org/> (09/06/2025).

Chemicals Convention (the Rotterdam Convention). The DFTQC acts as the Codex contact point, the International Food Safety Authorities Network (INFOSAN) focal point, and INFOSAN emergency contact point. The PQPMC acts as the National Plant Protection Organization and contact point of the IPPC, and the DLS acts as contact point of the WOA. H.

3.100. The authorities have a strategy to harmonize Nepal's SPS measures with international standards (e.g. Codex, IPPC, and WOA); this is to be done with reference to the provisions of Agriculture Development Strategy, 2015 and Food safety Policy, 2019.

3.101. The authorities state that Nepal concluded several bilateral agreements during the review period. These include: (i) Protocol on Phytosanitary requirements for haylage exports from Nepal to China, 2022; (ii) Protocol on Phytosanitary requirements for medicinal herbs export from Nepal to China, 2023; and (iii) Protocol on phytosanitary requirements for Citrus fruits export from Nepal to China, 2019.

3.102. In the WTO, the enquiry point for SPS measures is the DFTQC, and the notification authority is listed as the Agriculture and Livestock Business Promotion Division in the MOALD. The DFTQC continues to function as the SPS Enquiry point. However, the DFTQC, the PQPMC, and the DLS are the government authorities responsible for implementing WTO related rules, regulations and guidelines. Since 1 January 2019, Nepal has made 20 regular notifications.⁶⁴ During the review period, one specific trade concern was raised by another Member on SPS measures taken by Nepal; Nepal did not raise any specific trade concerns relating to measures taken by other Members.⁶⁵

3.3.3 Competition policy and price controls

3.3.3.1 Competition policy

3.103. Nepal's competition law, the Competition Promotion and Market Protection Act, 2007 and relevant regulations and rules remained unchanged during the review period. In accordance with the Act, the Competition Promotion and Market Protection Board has been established as the competition authority. It is made up of representatives from MoICS, the Ministry of Finance, the Ministry of Law, Justice and Parliamentary Affairs, and the MOALD.

3.104. The Act does not apply to certain businesses or activities.⁶⁶ The Act also exempts actions relating to the exercise of intellectual property rights.⁶⁷ Sector specific laws and agencies overseeing such laws regulate some sectors, e.g. banking, securities, and telecommunications.

3.105. The Act prohibits anti-competitive agreements and abuse of dominant position. Mergers or amalgamations, including taking a controlling interest in another enterprise, with the intent of maintaining a monopoly or restricting trade, are prohibited. This prohibition applies whenever the merger or amalgamation would result in a market share of more than 40%. In addition, a bidder for a public procurement contract may not enter into agreements with other potential bidders to restrict or manage bids or share information with them. The Act also prohibits other activities including exclusive dealing, market restrictions, tied selling, and misleading advertisements.

3.3.3.2 Price controls

3.106. The Nepal Oil Corporation Ltd. (NOC) is a state-owned and state trading company, established by the Government with sole rights to import petroleum products. All imports are from the Indian Oil Corporation. The NOC applies the Automatic Petroleum Pricing Mechanism, under which, the NOC adjust prices to reflect the international prices of petroleum products.

3.107. The Essential Commodities Control (Authorization) Act, 1961, enables the Government to apply maximum retail prices or control/ regulate the production, distribution or trade of essential

⁶⁴ WTO documents [G/SPS/N/NPL/28](#) to NPL/47, 15 March 2019 to 10 March 2025.

⁶⁵ WTO SPS and TBT Platform. Viewed at: <https://epingalert.org/> (09/06/2025).

⁶⁶ For example, export businesses, small businesses and farms, collective bargaining, research and development, management collaboration, or collaboration for organizational and procedural improvements meant to improve trade capacity.

⁶⁷ It also exempts actions taken to improve the quality of goods and services that result in improvements in the interests of consumers.

products, unchanged since the previous Review. Essential commodities may include: cereals, lentils and some other food products; fuel; salt; cement; and medicines. The authorities indicate that during the review period, the Act did not apply to any products; they state that the Act exist to ensure smooth supply of essential commodities.

3.3.4 State trading, state-owned enterprises, and privatization

3.108. Nepal has not made any notifications to the WTO concerning state trading enterprises. Nonetheless, according to the authorities, there are four state trading enterprises. They are: (i) the NOC (import and distribution of petroleum products)⁶⁸; (ii) Food Management and Trade Company (supply of food in remote areas); (iii) Agricultural Inputs Corporation Limited (import and supply of chemical fertilizers and seed); and (iv) Nepal Ban Nigam Limited (supply of timber).

3.109. There are 45 SOEs in Nepal; the State wholly owns 20 companies. Data provided by the authorities indicate that in FY2022/23, 32,180 people were directly employed in public institutions (Table 3.8). Data provided by the authorities indicate public utility sector institutions employed 14,674 persons, social sector institutions 1,280 persons, and industrial sector institutions 1,873 persons in FY2023/2024.

3.110. During the review period, the Government did not undertake any privatization of SOEs. Nonetheless, the authorities have identified seven SOEs that are either defunct, in a state of closure, or consistently operating at a loss, for management of government investment, and the management process has been initiated accordingly.⁶⁹

3.111. The Government adopted privatization policies through the budget speech for FY2024/2025; they include converting public corporations into public limited companies based on feasibility, operating sick industries that have the potential to contribute to production and employment in partnership with the private sector, operating closed industries such as Biratnagar Jute Mill, Hetauda Textile Industry, Gorakhkali Rubber Industry and others through public-private partnerships, and involving strategic partners in the management and operation of Nepal Airlines Corporation.

Table 3.8 SOEs, operating profits and numbers of employees

	SOE	Operating profit (loss)(NPR million)		Number of employees	
		Actual 2016-17	Actual 2023-24	Actual 2016-17	Actual 2023-24
	Industrial sector				
1	Dairy Development Corporation	(2,139)	..	1,122	881
2	Herbs Production and Processing Co. Ltd.	71	..	166	229
3	Hetauda Cement Industries Ltd.	1,549	..	386	336
4	Janakpur Cigarette Factory Ltd.	(384)	..	33	8
5	Nepal Drugs Ltd.	(1,387)	..	110	73
6	Udayapur Cement Industries Ltd.	377	..	405	305
7	Nepal Orind Magnesite Pvt. Ltd.	(1,195)	..	23	18
8	Butwal Dhago Factory Ltd.		..		3
9	Nepal Metal Company Ltd		..		7
10	Dhaubadi Iron Company Ltd.		..		13
	Total	(3,107)	..	2,245	1,873
	Trading sector				
11	Agriculture Inputs Company Ltd.	1,321	..	270	216
	National Seeds Company Ltd. ^a	455	n.a.	79	n.a.
	National Trading Corporation Ltd. ^a	14,303	n.a.	42	n.a.
	Nepal Food Corporation ^a	642	n.a.	268	n.a.
12	Nepal Oil Corporation	104,114	..	728	765
13	The Timber Corporation of Nepal Ltd.	(188)	..	181	91
14	Food Management and Trading Company Ltd. ^b	n.a.	..	n.a.	463
	Total	120,647	..	1,568	1,535
	Services sector				
15	Industrial District Management Ltd.	404	..	207	219
16	National Construction Company Nepal Ltd.	0	..	0	..
17	Nepal Transit and Warehouse Ltd.	255	..	58	100
18	Nepal Engineering Consultancy Service Center Ltd.	0	..	0	..

⁶⁸ The NOC is the statutory monopoly for importing and selling petroleum products.

⁶⁹ These concern: Gorakhkali Rubber Industry Limited, Udayapur Cement Industry Limited, Nepal Metal Company Limited, Butwal Yarn Factory Limited, Janakpur Cigarette Factory Limited, Hetauda Cement Industry Limited, and Nepal Orind Magnesite Pvt. Ltd.

	SOE	Operating profit (loss) (NPR million)		Number of employees	
		Actual 2016-17	Actual 2023-24	Actual 2016-17	Actual 2023-24
19	Nepal Airlines Corporation	1,663	..	1,406	2,004
20	National Productivity & Eco. Dev. Centre Ltd.	(71)	..	15	7
21	Civil Aviation Authority of Nepal	15,072	..	890	1,887
22	Nepal Purbadhar Nirman Company Ltd.	n.a.	..	n.a.	9
23	Sajha Yatayat Sahakari Sastha Ltd.	n.a.	..	n.a.	379
24	Nepal Railway Company Ltd.	n.a.	..	n.a.	123
25	Bishal Bazar Company Ltd.	n.a.	..	n.a.	32
	Total	17,323		2,576	4,760
	Social sector				
26	Sanskritik Sansthan	(276)	..	84	46
27	Gorkhapatra Sansthan	1,009	..	375	459
28	Janak Shiksha Samagri Kendra Ltd.	(3,162)	..	435	410
29	Nepal Television ^c	(960)	..	403	320
30	Rural Housing Company Ltd.	(334)	..	76	45
	Total	(3,723)	..	1,373	1,280
	Public utility sector				
31	Nepal Drinking Water Corporation	(2,079)	..	569	568
32	Nepal Electricity Authority	15,122	..	8,351	8,839
33	Nepal Doorsanchar Company Ltd (Nepal Telecom)	153,728	..	4,286	5,187
34	Electricity Production Company	(323)	..	7	38
35	National Electricity Grid	47	..	19	42
	Total	166,495	..	13,232	14,674
	Financial sector				
36	Agricultural Development Bank Ltd.	25,652	..	2,632	3,080
37	Rastriya Beema Sansthan (Life)	2,370	..	74	105
38	Rastriya Beema Sansthan (Non-Life)	68	..	81	118
	Nepal Industrial Development Corporation Ltd. ^a	2,090	n.a.	46	n.a.
39	Rastriya Banijya Bank Ltd.	27,763	..	2,248	3,664
40	Deposit and Credit Guarantee Corporation Ltd.	9,206	..	44	72
41	Nepal Stock Exchange Ltd.	3,721	..	31	36
42	Citizen Investment Trust	9,684	..	127	123
43	Hydroelectricity Investment and Development Company Ltd.	4,910	..	16	23
44	Nepal Bank Ltd.	31,179	..	2,112	3,567
45	CDS and Clearing Ltd.		..		41
	Total	116,643	..	7,411	10,829
	Grand total	414,278	..	28,405	34,951

n.a. Not applicable.

.. Not available.

a Not in existence.

b Underwent merger during the review period. Food Management and Trading Company Ltd. was formed following the merger of National Trading Corporation Ltd and Nepal Food Corporation.

c Underwent change in their name during the review period. Currently, Nepal Television falls under the Public Service Broadcasting Nepal.

Source: Ministry of Finance, Yellow Book 2025. Viewed at: <https://mof.gov.np/category/yellowbook/> (20/08/2025)

3.3.5 Government procurement

3.112. Nepal is neither a party nor an observer to the Agreement on Government Procurement.

3.113. The Public Procurement Act, 2007 (as amended), and the Public Procurement Regulations, 2007, continue to apply to all procurement by all public bodies, including central and local government bodies, and wholly and majority state-owned enterprises.⁷⁰ While certain autonomous bodies or corporations may have specific procurement rules, they must still align with the broader principles of transparency and competition under the Act. During the review period, various Standard

⁷⁰ Under the Act, each public procurement entity is required to set up a procurement unit and set out a description of the goods, services and works to be procured, cost estimates, a procurement plan, the procurement methods based on cost estimates and thresholds, and the technical requirements required from bidders. In addition, each procurement entity must prepare a master procurement plan for contracts of more than one year or with a value of more than NPR 100 million, and an annual procurement plan for all contracts of more than NPR 1 million.

Bidding Documents of Procurement of Works were amended (in June 2025); the amendments mainly concerned the qualifications of bidders.

3.114. Each public entity is responsible for its own procurement under the Act; the Public Procurement Monitoring Office (PPMO) established under the Act is responsible for, *inter alia*, monitoring and regulating of public procurement procedures in accordance with the Act.

3.115. Domestic bidders in works receive a 5% price preference over foreign bidders in procurement evaluations, and goods manufactured in Nepal receive a 15% price preference over imported goods. Nonetheless, according to the authorities, the use of the preferences is limited. For consultancy services, international consultants must have a local agent.

3.116. National level open tendering is required for the procurement of goods and services (as well as works) worth more than NPR 2 million (Table 3.9). According to the authorities, the PPMO has no data concerning annual spending on public procurement, the amount of contracts/value procured by tendering methods, and the percentage of government procurement, if any, awarded to foreign suppliers.

Table 3.9 Procurement methods and thresholds

(NPR)

Method	Goods and services	Works	Consultancy services
National level open tendering (minimum 30 days to respond)	More than 2 million	More than 2 million	
International tendering	Open international bidding is used when: the goods or services are not available in Nepal; no bids were received under national bidding; a donor requires international bidding, or the contract is complex and requires international bidding.		
Sealed quotes (15 days to respond)	Up to 2 million	Up to 2 million	
Direct purchase	Up to 1 million	Up to 1 million	
Competitive proposal	n.a.	n.a.	Over 2 million
Direct procurement	n.a.	n.a.	Up to 2 million

n.a. Not applicable.

Source: Information provided by the authorities.

3.117. Single-stage bidding is normally required under tendering; two-stage bidding may be used where it is not feasible to define all technical aspects in the tender, or, due to the complex nature of the procurement, the procuring entity must discuss it with the bidders. Normally, contracts are awarded to the lowest evaluated, substantially responsive bid, considering the preference for Nepali goods and companies (see above).

3.118. During the review period, the PPMO continued develop further an electronic government procurement (e-GP) system. All government entities must use the e-GP system.

3.3.6 Intellectual property rights

3.119. MoICS is responsible for policy formulation and the preparation of draft legislation concerning patents, designs, and trademarks.

3.120. During the review period, there were no changes to the legislation on IP (Table 3.10). Layout designs, geographical indications (GIs), plant varieties, or undisclosed test or other data are not covered in the current legislation.

3.121. The authorities have identified various issues concerning the IPR regime in Nepal. They include: (i) inadequate legal framework; (ii) lack of skilled/trained manpower; (iii) lack of resources; (iv) lack of authorized patent attorneys; and (iv) inadequate awareness. The authorities state that they are currently in the process of presenting an Industrial Property Bill, which has the provision of an Industrial Property Office for IP protection and enforcement, to the Parliament.

3.122. During the review period, nine collective trademarks were registered with the DOI.

Table 3.10 IP legislation, 2025

Legislation	Protection	Agency
Patent, Design and Trademark Act, 1965	Patents: 7 years, with a possibility of two renewal periods of 7 years (maximum 21 years). Industrial designs: 5 years, with a possibility of two renewal periods of 5 years (maximum 15 years).	DOI
Copyright Act, 2002 Copyright Rules, 2004	Authors' rights: 50 years from the death of the author. Work published in volumes: 50 years from the date of the first publication of such work, or the date on which the work is made public, whichever is earlier. Cinematographic or audiovisual works: 50 years from the first publication. Performers: 50 years from the first publication. Producers of phonograms: 50 years from the first publication. Producers of film: 50 years from the first publication. Broadcasting organizations: 50 years from the first publication. Photographs: 25 years from the year of preparation of such work.	Copyright Registrar Office, Ministry of Culture, Tourism, and Civil Aviation
Seeds Act, 1988	Registration and grant of ownership.	National Seed Board, Ministry of Agriculture, Land Management and Cooperatives

Source: Information provided by the authorities.

3.123. The National Intellectual Property Policy, 2017 sets out five objectives:

- (i) to incentivize protection, promotion and development of IPRs;
- (ii) to develop a balanced system between innovator/inventors and social interest;
- (iii) to promote public awareness on importance of intellectual properties for economic, social and cultural prosperity of the society;
- (iv) to incentivize commercialization of areas of intellectual properties; and
- (v) to develop legal, institutional and human resources for protection and enforcement of intellectual property rights.

3.124. Apart from to the WTO, Nepal is a member of the World Intellectual Property Organization (WIPO), a party to the Paris Convention for the Protection of Industrial Property, and the Berne Convention for the Protection of Literary and Artistic Works. It is not a member of the Madrid Union relating to the Madrid Agreement and Protocol Concerning the International Registration of Marks or the Lisbon Agreement for the Protection of Appellations of Origin and their International Recognition.⁷¹

3.3.6.1 Copyright

3.125. The Copyright Act, 2002 and the Copyright Rules, 2004 continue to govern Nepal's copyright protection. The Act protects literary, artistic, musical, software, and digital content. The Nepal Copyright Registrar's Office handles registrations and disputes.

3.126. Registration is not required for copyright protection. Nonetheless, copyrights may be registered with the Copyright Registrar's Office in the Ministry of Culture, Tourism and Civil Aviation. In principle, copyright protection is 50 years from creation for films, performances, and recordings, or from the death of the author for authors' rights, or 25 years for photographs.

3.3.6.2 Industrial property

3.127. Nepal's IPR protection regime for trademarks, industrial designs, and patents has remained largely unchanged since its previous Review.⁷²

3.128. The Industrial Property Section in the DOI registers trademarks for goods and service marks for companies. Trademarks are registered for seven years and are renewable. Infringements suits may be brought to the courts by the owner of a registered trademark against an infringing party. The Section also registers an industrial design; applicants need to apply along with a description, drawings and four copies of the model. Priority may be claimed under the Paris Convention for trademarks. The DOI checks whether the design to be registered is new and original. The registration

⁷¹ WIPO. Viewed at: <https://www.wipo.int/treaties/en/> (08/06/2025).

⁷² WTO document [WT/TPR/S/381/Rev.1](#), 27 February 2019 for details.

of an industrial design lasts for five years, which may be renewed twice for an additional five years each time. The Section also receives patent applications; applicants should apply form along with a description of the method of operation or utilization of the invention and, if necessary, the principle or formula on which it is based, drawings, and, if the invention is by someone else, the conditions for acquiring the right to the patent from the inventor. A patent application may be refused if: the invention has already been registered; the applicant is not the inventor and has not acquired the right to register from the inventor; the invention could have an adverse effect on the health, conduct, or morals of people in general; the invention is against the public interest; or it violates the prevailing laws in Nepal.

3.3.6.3 Enforcement

3.129. Customs remains responsible for the enforcement of IPR protection at the border. Under Section 68 of the Customs Act 2007, Customs may only act following a complaint by the IPR holder. Data concerning enforcement at the border were not available

3.130. During the review period, some steps to combat copyright infringement were implemented notably through: (i) raids and seizures where the Police occasionally conducted raids against counterfeit and pirated goods, particularly in Kathmandu and major cities; and (ii) destruction of pirated goods such as books, DVDs, and software. The authorities state that no centralized public database of copyright cases exists, but limited fines were imposed, mostly on small-scale vendors rather than large distributors; while Nepal has laws against copyright infringement, enforcement remains weak due to lack of public awareness.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, forestry, and fisheries

4.1. In FY2023/2024, agriculture, forestry and fisheries accounted for around 24.1% of GDP. Farming in Nepal is largely carried out on small family holdings. The Agri Census, 2022 indicates that 62% of family in Nepal engaged in agriculture, of which 68.8% engaged in subsistence farming.

4.2. Nepal is a net importer of agricultural products (WTO definition). Exports of agricultural products increased slightly in FY2023/2024 compared with FY2018/2019; there was a substantial increase in agricultural exports up to FY2021/2022. Imports of agricultural products decreased from USD 2.0 billion in FY2018/2019 to USD 1.9 billion in FY2023/2024; as in the case of agricultural exports, there was a substantial increase in agricultural imports up to FY2021/2022 (Table 4.1).

Table 4.1 Trade in agricultural products, FY2018/2019-FY2023/2024

	FY2018/ 2019	FY2019/ 2020	FY2020/ 2021	FY2021/ 2022	FY2022/ 2023	FY2023/ 2024
Exports^a (USD million)	328.3	448.2	724.3	1,050.0	525.3	367.2
% of total exports	38.2	53.4	60.5	63.4	43.7	32.2
Top 10 exports at HS 6-digit level (% of agricultural exports)						
090831 Cardamoms, neither crushed nor ground	7.3	4.9	8.2	3.8	12.1	16.2
151190 Palm oil, not chemically modified, other than crude	0.0	0.0	0.0	32.4	29.9	12.9
200990 Mixtures of fruit of vegetable juices, unfermented	9.0	4.8	3.7	3.5	6.9	12.7
140490 Vegetable products, n.e.s., excluding cotton linters	5.0	3.1	2.2	1.7	4.2	7.6
090240 Black tea, fermented and partly fermented, in immediate packings of a content exceeding 3 kg	8.3	5.0	4.2	2.5	5.3	6.8
230910 Dog or cat food, put up for retail sale	2.8	2.4	2.3	2.3	5.0	6.5
230641 Oil-cake of low erucic acid rape or colza seeds	4.3	2.9	2.6	2.0	3.2	6.0
121190 Other plants or parts, of a kind used in pharmacy, etc.	3.7	2.8	2.0	1.3	2.7	4.6
190230 Other pasta	0.8	0.8	1.0	0.6	1.2	2.9
200911 Frozen orange juice, unfermented	1.7	0.8	0.6	0.6	1.3	2.5
Imports^a (USD million)	2,000.1	2,098.1	2,759.8	3,153.4	2,287.1	1,939.6
% of total imports	15.9	20.4	21.1	19.8	18.6	16.3
Top 10 imports at HS 6-digit level (% of agricultural imports)						
151211 Sunflower oil, crude	3.4	4.0	5.0	4.8	6.0	6.9
230400 Oil-cake and other solid residues, of soyabean	4.1	3.6	4.5	5.4	4.2	6.5
100590 Maize (corn), other than seed	5.6	5.6	4.7	4.9	5.5	5.4
150710 Soya-bean oil, crude	5.9	7.7	16.4	14.7	11.9	5.2
100610 Rice in the husk (paddy or rough)	3.0	4.3	6.3	4.5	6.9	5.0
210690 Food preparations, n.e.c.	3.3	2.5	2.3	2.7	3.6	4.7
120510 Low erucic acid rape or colza seeds	2.5	2.6	3.2	3.3	3.1	4.1
151110 Palm oil, crude	5.3	7.4	2.2	10.3	8.7	4.1

	FY2018/ 2019	FY2019/ 2020	FY2020/ 2021	FY2021/ 2022	FY2022/ 2023	FY2023/ 2024
100630 Semi-milled or wholly milled rice	10.9	9.1	8.5	7.6	5.2	3.6
080810 Apples, fresh	2.2	1.9	2.2	1.9	2.4	3.3

a WTO definition: HS Chapters 01-24 less fish and fishery products (HS 03, 0508, 0511.91, 1504.10, 1504.20, 1603-1605 and 2301.20), plus some selected products (HS 2905.43-2905.45, 3301, 3501-3505, 3809.10, 3823, 3824.60, 4101-4103, 4301, 5001-5003, 5101-5103, 5201-5203, and 5301-5302).

Note: Top 10 agricultural exports and imports by HS 6-digit are sorted by FY2023/2024.

Source: WTO Secretariat calculations, based on trade figures provided by the authorities.

4.3. There is no integrated agricultural law in Nepal; the authorities state that an integrated agriculture bill is under formulation. There are specific policies and laws relating to different aspects of agricultural trade policy such as the National Food Safety Policy, 2019, the Nepal Agricultural Research Council Act, 1992, the Seeds Act, 1988 (as amended in 2022), the Pesticide Management Act, 2019, the Food right and Food Sovereignty Act, 2018, the Plant Protection Act, 2007 (amended and reformulated to the Plant Quarantine and Protection Act in 2022), the Animal Slaughter House and Meat Inspection Act, 1999, the Feed Act, 1976, the Cooperatives Act, 2017, and the Food Safety and Quality Act, 2024, which entered into force on 3 August 2024 (Section 3.2.2).¹

4.4. The Ministry of Agriculture and Livestock Development is responsible for developing agricultural policies; several other ministries are involved in different aspects of agricultural policy, including: the Ministry of Land Management, Cooperatives and Poverty Alleviation; the Ministry of Forests and Environment (MoFE); and the Ministry of Energy, Water Resources and Irrigation.²

4.5. According to the authorities, Nepal has been facilitating the export of various plant species as per the rules of Department of Plant Resources and the Convention on International Trade in Endangered Species of Wild Fauna and Flora. The MoFE has been facilitating trade by providing laboratory test and certification around 1,200-1,500 samples per year. Additionally, Nepal exports the non-timber forest products, which amounted to more than USD 59 million in 2024 and is expected to increase to USD 74 million by 2043.³ The Forest Act, 2019 encourages the forest-based industries and exports, such as handicrafts, plywood, forest-based fabric, resin and turpentine, essential oil, and handmade paper.

4.6. In FY2024/2025, the simple average applied MFN tariff on agricultural products (WTO definition) was 18.9% (including estimates for *ad valorem* equivalents (AVEs) of non-*ad valorem* tariffs) and high variability indicated by a standard deviation of 23.3%. Beverages spirits and tobacco were particularly highly protected with an average tariff of 64.2%, while the applied tariff on wool, not carded or combed, was zero (as in FY2018/2019). There were 17 tariff lines with applied tariffs greater than 100%, applied to cigarettes (2 lines) and distilled spirits (15 lines), all referring to an AVE.

4.7. During the review period, Nepal submitted various notifications concerning agriculture.⁴

4.8. There are several national plans for the development of agriculture.⁵ The Agriculture Development Strategy 2015-2035 aims to achieve, *inter alia*, food and nutrition security, poverty reduction, trade competitiveness in agriculture, and higher and more equitable income. The National Agro-Forestry Policy, 2019 aims to promote the development, expansion, and commercialization of the agroforestry system as well as the multipurpose use of the land. The National Dairy Development

¹ The Act outlines the responsibilities of the Government and local authorities in maintaining food hygiene and quality standards. Establishing food production, processing, packaging, and storage industries requires approval from a provincial government. Food businesses must obtain licences and comply with food safety and quality standards set by the provincial government. Import permits are required for food business importing food products.

² Several government agencies are also responsible for implementing policy such as the Nepal Agricultural Research Council (NARC); the Agricultural Development Bank (ADB); and the Small Farmers Development Bank (SFDB). Both banks operate under the Ministry of Finance.

³ According to the Integrated Strategic Plan of National Forest, MoFE.

⁴ WTO documents [G/AGN/N/NPL/5-22](#), 19 August 2020 to 4 December 2024.

⁵ The Constitution of Nepal, 2015 also has explicit provisions for the development of agriculture, focusing on, *inter alia*, protecting and promoting rights and interests of peasants.

Policy, 2021 aims to increase milk production in Nepal through the collaboration of Government, private-sector and cooperatives. In addition, the National Livestock Breeding Policy, 2021 aims to improve breed by adopting high-yielding improved dairy animal breeds and modern breeding technologies, and encourages the utilization, conservation, and improvement of genetic resources as adapted to local conditions.

4.9. The Government provides financial assistance in various forms. An insurance premium subsidy for agriculture crops and livestock production, guided by the Agriculture Crops and Livestock Insurance Premium Subsidy Procedure, 2024, provides subsidy rates of up to 80%. The subsidy rate is fixed by the Government. Insurance companies issue the policy to farmers, and the Nepal Insurance Authority inspects, regulates and supervises the insurance system.

4.10. Exports of some agricultural products to destinations other than India continued to qualify for subsidies under the Cash Incentive Scheme for Exports with a subsidy rate that depend on the domestic value added. The Government has allocated a small amount of cash incentives to the products that have been prioritized from the perspective of employment and technological transfer. The authorities state that the Government does not allocate funds for such cash incentives on exports in FY2025/2026.

4.11. Under the Agriculture and Livestock Interest Subsidy Programme, the Government, through the Nepal Rastra Bank (NRB), provides a subsidy of 5% on loans of up to NPR 70 million. Loans greater than NPR 50 million require the approval of the Central Coordination and Monitoring Committee under the NRB.

4.12. Fertilizer subsidies to producers are also provided; in FY2023/2024, the total subsidy budgeted amounted to NPR 24.4 billion (compared with NPR 8.1 billion in FY2018/2019).

4.13. The main state-owned enterprises in the agriculture sector include Agriculture Inputs Company Limited, established to supply seeds and fertilizers; Salt Trading Corporation Ltd, which supplies iodized salt, fertilizers and sugar; Food Management and Trading Company, which procures and supplies food products; and Dairy Development Corporation, which caters to a large part of the domestic dairy market. The Agriculture Inputs Company Limited and Salt Trading Corporation Ltd remain responsible for importing and distributing chemical fertilizers that receive fertilizer subsidies.

4.14. FDI in primary agricultural industry requires permission from the authorities.

4.2 Mining and energy

4.15. Mining and quarrying accounted for 0.5% to GDP in FY2023/2024. The sector accounted for about 60,000 direct and indirect employment in 2025 according to the Department of Mining and Geology.

4.16. During the review period, legislation and institutional framework governing the mining sector remained largely unchanged. The Mines and Mineral Act, 1985 and its Regulations, 1999 remained the main legislation governing mining sector. Laws and regulations governing mineral exploration and mining also included Nepal Petroleum Act, 1983, Petroleum Exploration Regulation, 1984; Environment Protection Act, 1997; and Forest Act, 1993. The Fiscal Arrangement Act, 2017 stipulated the royalty arrangement for natural resources.

4.17. The Department of Mines and Geology (DMG), under the Ministry of Industry, Commerce and Supplies (MoICS), is responsible for the systematic prospecting, exploration, and evaluation of mineral resources. The DMG plays a key role in promoting and fostering the sustainable development of the mining and mineral-based sector. Additionally, it is also responsible for monitoring and regulating mining activities with a view to ensuring adherence to existing laws, policies, and environmental regulations.

4.18. The Mineral Policy, 2017 continues to serve as Nepal's main policy in the mining sector; its objectives include making the mining and quarrying sector more competitive, sustainable and environmentally friendly by using new and innovative technology, and attracting larger private sector investment by providing incentives and facilities.

4.19. No mining activities can be conducted without the prior issuance of a valid mining licence by the DMG.⁶ If the proposed mining site is located within a designated forest area, the licence holder needs to obtain environmental clearance from the Ministry of Forests and Environment. A mining licence is required to conduct all excavation activities.⁷ Fees and deposit amount for the acquisition of a licence depend upon the category.

4.20. Nepal offers investment incentives to the mining and quarrying sector in the form of reduced income tax provisions.

4.2.1 Energy

4.21. Nepal continues to rely heavily on imports for its petroleum needs; no major oil, gas, or coal reserves have been extracted in the country to date. The DMG has been conducting petroleum (oil and gas) exploration in various parts of Nepal since the 1980s. Under the implementation agreement of the Joint Statement between the Government of Nepal and the People's Republic of China, issued on 23 March 2016, the Government of China provided economic and technical assistance to carry out detailed exploration in certain areas.⁸ Following the discovery of a significant natural gas reserve, the Government remains hopeful about reducing its long-standing dependence on imported petroleum in the near future.

4.22. Nepal's largest available renewable energy resource is hydropower. The authorities aim to promote sustainable and low-carbon energy development. Nepal's total installed electric capacity reached around 3,200 megawatts (MW) by FY2023/2024 (3,602 MW by FY2024/2025); this includes major hydropower projects.

4.23. The main legislation governing the energy sector remains the Electricity Regulatory Commission Act, 2074 (2017), unchanged since 2017, and the Electricity Act, 1992 and the Electricity Rules, 1993, which continue to govern generation, transmission and distribution of electricity. Royalties are payable, after the generation of electricity.

4.24. During the review period, several laws and regulations were adopted. The Electricity Regulatory Commission Regulation, 2018 established the Electricity Regulatory Commission (ERC) on 6 May 2019 to oversee the regulation of the electricity sector, including tariff setting, and ensuring fair competition.⁹ The Public-Private Partnership and Investment Act, 2019, which entered into force on 27 March 2019, aimed to facilitate collaboration between the Government and the private sector in infrastructure projects, particularly in hydropower and renewable energy. The Water Resources Policy, 2020, promulgated on 13 July 2020, is designed to guide the sustainable management, development, and utilization of Nepal's water resources.

4.25. The Ministry of Energy, Water Resources and Irrigation remains responsible, *inter alia*, for energy policy, and regulates other bodies related to the sector. The Department of Electricity Development (DoED), *inter alia*, promotes the participation of private investors, manages the licensing process for independent power producers. The ERC recommends and advises the Government on policies regarding the generation, transmission, distribution or trade of electricity, and tariff fixation. The NOC controls the prices of petroleum products, with periodic adjustments based on international market prices. Other relevant bodies include the Water and Energy Commission Secretariat, the Nepal Electricity Authority (NEA), and the Alternative Energy Promotion Centre (AEPIC). Various private companies continue to hold the total retail market in the distribution of petroleum products, including liquefied petroleum gas. The Investment Board Nepal (IBN)

⁶ There are two types of licences related to mining activities issued by the DMG: a prospecting licence and a mining licence. The prospecting licence is required for all exploration activities in Nepal. It allows the licence holder to conduct exploration in an area of not less than 0.25 km² and not more than 250 km² for an initial exploration period of two to four years and can be extended for up to two years.

⁷ This type of licence is related to the scale of the mining operation: very small scale (10 years of operation); small scale (15 years); medium scale (20 years); and large scale (30 years). In the case of cement grade limestone, the initial period for a very small scale and a small-scale licence is 15 and 20 years, respectively, and can be extended by the DMG.

⁸ Exploration was carried out from the Sirasthan to Padukasthan area in Dailekh district, resulting in the identification of four potential sites.

⁹ The ERC's tariff setting policy focuses on cost recovery while providing subsidies to low-income households. During the review period, tariff adjustments were made to reflect market conditions and to ensure financial sustainability of the power sector.

facilitates FDI projects, negotiates public private partnership projects, and furnishes Project Development Agreements for hydropower projects having an installed capacity of above 200 MW.

4.26. Several national plans were adopted during the review period. For example, Increasing Electricity Consumption and Reducing Fossil Fuels Action Plan, 2023 was adopted in 2023 and is being implemented as a strategic action plan aimed at promoting the use of electricity in various sectors with a view to reducing the reliance on fossil fuels and encouraging the adoption of EVs and electric cooking. The Plan aims to decrease fossil fuel imports and enhance energy security. The National Energy Efficiency Strategy, 2019 outlines measures to enhance energy efficiency across all sectors by, *inter alia*, setting efficiency standards, implementing energy-saving practices, and promoting energy-efficient technologies to reduce overall energy consumption and greenhouse gas emissions. The Water Resources Policy, 2020 emphasizes the sustainable management and utilization of water resources, and focuses on improving water storage, enhancing irrigation systems, and supporting hydroelectric projects. In response to the growing energy demands and the need to reduce dependency on fossil fuels, the Government has prepared the Increasing Electricity Consumption and Reducing Fossil Fuels Action Plan, 2023 and the Green Hydrogen Policy, 2024¹⁰, and the Energy Development Road Map, 2025.¹¹

4.27. The Government is promoting the use of EVs as part of its strategy to reduce the significant imports of petroleum products, and to reduce dependence on imported energy as well as to protect the environment through tax incentives for EV purchases, lower electricity tariffs for EVs, expanding charging infrastructure, and encouraging the transition to electric public transportation. Additionally, the Government is advocating for electric cooking as an alternative to traditional cooking methods that rely on imported LPG, further contributing to the reduction of fossil fuel imports and enhancing energy security.

4.28. Various SOEs and government bodies are in operation in the energy sector. These include (i) the NEA, which is responsible for electricity generation, transmission, and distribution; (ii) Rastriya Prasharan Grid Company Limited, which is also responsible for the development and management of the national power transmission grid; (iii) the NOC, which is solely responsible for the import, storage, and distribution of petroleum products; (iv) the AEPC, which promotes renewable energy technologies; (v) Hydroelectricity Investment and Development Company Limited, which aims to facilitate investment in large hydropower projects; (vi) Vidhyut Utpadan Company Limited, which is focused on the development, operation, and management of large-scale hydropower projects; and (vii) Budhigandaki Jalvidhyut Company Limited, which was established specifically for the development of the Budhigandaki Hydropower Project, one of Nepal's largest hydropower projects.

4.29. Under the Foreign Investment and Technology Transfer Act (FITTA), 2019, there is no foreign equity limits in Nepal's energy sector in principle. The Government encourages FDI in hydropower and renewable energy through fiscal incentives, which include tax holidays, customs duty exemptions, and repatriation of profits as per the prevailing laws of Nepal. The Public Private Partnership and Investment Act, 2019 provides mandate to the IBN to approve FDI of NPR 6 billion (around USD 60 million) or above in infrastructure projects. Hedging fees in energy projects, or the cost-sharing arrangement between the project developer and the Government, vary by the types of projects.¹²

4.30. The Government continues to provide subsidies for rural electrification, renewable energy installations, and energy-efficient appliances to promote energy access and sustainability (Table 4.2). The Renewable Energy Subsidy Policy, 2022 was introduced to further support the

¹⁰ The Green Hydrogen Policy, 2024 was promulgated to promote the production, storage, and utilization of green hydrogen as a clean energy source. The Policy aims to reduce dependence on imported fossil fuels and support Nepal's transition to a low-carbon economy.

¹¹ The Energy Development Roadmap, 2025 aims to generate 28,500 MW of electricity by 2035, with 15,000 MW for export and 13,500 MW for domestic use. Its action plan includes hydropower projects in various stages, expansion of alternative energy sources, and targets 1,500 units per capita consumption. The Roadmap also envisions the use of innovative financing tools such as green bonds, public-private partnerships.

¹² For PROR (Peaking Run-of-River) and storage hydropower projects with a capacity exceeding 100 MW, the project developer is responsible for bearing 5% of the hedging fee, while the relevant government entity covers 40%. In the case of transmission line projects of 220 kV and above, with a line length exceeding 30 km, the developer bears 20% of the hedging fee, and the relevant government entity covers 35%.

adoption of renewable energy technologies, particularly in off-grid rural areas. This policy provides financial incentives for solar, wind, micro-hydro projects, and biogas systems. The Government also provides subsidies on fuels with a view to reducing the burden of rising fuel prices.

4.31. The Government has also introduced several incentives to promote green hydrogens to promote energy self-reliance and a low-carbon future. Feasibility studies on green hydrogen are to be conducted in collaboration with universities and the private sector. Furthermore, both domestic and foreign investments in green hydrogen projects are being actively encouraged through, for example, tax and duty exemptions on machinery and equipment used for green hydrogen production. Green hydrogen industries are also accorded a five-year income tax exemption.

4.32. According to the authorities, during the review period, Nepal ended load shedding (power cut) and achieved energy independence (self-sufficiency).¹³ As of 2024, the national electrification rate has reached approximately 99%, with nearly all local levels either fully connected to the national grid or undergoing electrification through grid extension or off-grid solutions.

4.33. Since 2019, Nepal has also begun exporting surplus power via connected grids to neighbouring countries. During FY2023/2024, Nepal exported 1.95 billion units of electricity to India, while also importing 1.90 billion units from India. The trilateral agreement between Nepal, India, and Bangladesh was concluded on 3 October 2024; it allows Nepal to export 40 MW of electricity to Bangladesh each year between mid-June and mid-November (Section 2.5.3.2).

Table 4.2 Investment incentives (energy), 2025

Incentive category	Ordinary provision	Incentive provision
Income Tax	Normal tax rate: 25%	Tax rates - Build, Own, Operate and Transfer Model (BOOT) projects: powerhouse construction, hydropower generation and transmission: 20% - Income generated by the entity from export: 20% - For hydro generation and transmission entities listed on the stock exchange: 15% exemption from the normal tax rate Tax holiday - Licensed person or entity producing electricity through hydro, solar, wind or biofuel, starting its commercial production, transmission or distribution
Carrying forward of losses	Normal provision: 7 years	- Powerhouse construction, generation and transmission of electricity: 12 years
Depreciation provisions	Applicable Pool Pool A: 5% Pool B: 25% Pool C: 20% Pool D: 15%	- 33.3% accelerated depreciation for BOOT projects, powerhouse construction, hydropower generation and transmission - Investment made during a year on the replacement of old machinery after the deduction of the accumulated depreciation up to that year, is allowed to be booked as an expense - 50% depreciation shall be allowed in the year of the purchase of equipment to produce energy for the business
Value added tax		- VAT exemption for construction equipment, machinery, tools, high-capacity storage batteries, and related spare parts required for electricity generation, distribution, and transmission line projects based on water, solar, and wind sources, as well as the raw materials (such as steel sheets) necessary for manufacturing such equipment (based on the recommendation of the DoED, the IBN, and/or the AEPC) - 0% VAT facility based on a recommendation from the AEPC for batteries produced and supplied by Nepalese industries for use in solar energy-producing industries - VAT exemption on the import of machinery, equipment, tools and their spare parts, penstock pipes or iron sheets used in hydropower projects and not produced in Nepal (based on the recommendation of the AEPC or the DoED) - VAT exemption for equipment and machines, tubular batteries, and solar lead batteries, required by bio-gas, solar, and wind energy industries
Custom duty rate	Various	- Duty on construction equipment, machinery, tools, their spare parts, high-capacity storage batteries, and other necessary items required for electricity generation, storage, transmission, and distribution (based on the recommendation of the DoED, the IBN, and or the AEPC): 1%

¹³ The authorities state that Nepal eliminated nationwide load shedding in 2018, with only occasional minor outages now occurring; by 2019, the country had achieved energy independence, ending its reliance on electricity imports during peak demand seasons.

Incentive category	Ordinary provision	Incentive provision
		<ul style="list-style-type: none"> - Duty on generation plants having a capacity equal to or exceeding 10 kW: 1% - Duty on generating parts imported by VAT-registered industries producing generators: 1% - Duty on alternative energy-based industries: 1% - Special preference regarding tariffs is provided to windmills and related parts imported by wind energy-based industries - Special preference regarding tariffs is provided to solar panels, modules, tubular batteries and solar pumps imported by solar industries - Bio-stoves imported by bio industries - Import of mills, machinery, equipment and spare parts thereof and chemicals for the purpose of producing organic fuel - Appliances and equipment such as main gas valves, valves used in biogas, fitting, elbow, gas pipes, gas gauges, biogas (dung gas) lamps, gas taps (brass), gas stoves, and parts thereof, reduction elbows and rubber hose pipe necessary for dung gas, including bio gas

Source: Income Tax Act 2001 (Article 11); Custom Tariff Act (Annexes 3 and 4), Finance Act (Article 3).

4.3 Manufacturing

4.34. The contribution of manufacturing to GDP was 4.9% in FY2023/2024 compared with 5.4% in FY2017/2018; the main subsectors included food and beverages, textiles and apparel, non-metallic minerals, tobacco and tobacco products, metal and machinery, and paper and printing. Applied MFN tariffs on manufactured goods (major division three of ISIC, Revision 2) averaged 14.2%, with rates ranging from zero to 80% (without AVEs) and 226.0% (including AVEs) in FY2024/2025.¹⁴

4.35. The Industrial Enterprises Act (IEA), 2020 removed minimum investment thresholds for small industries to encourage startups. Under the IEA, registration with the Department of Industry (DOI) is compulsory for all industries. Industries can commence operations only after obtaining the results of an environmental impact assessment or an initial environmental examination, as applicable. The Act classifies industries as either cottage industries (traditional industries using specific skills and local raw materials), small industries (fixed assets investment up to NPR 150 million), medium industries (fixed assets of between NPR 150 million and NPR 500million), and large industries (fixed assets of more than NPR 500 million). Medium or large industries, and cottage and small industries whose annual turnover exceeds NPR 150 million, must allocate 1% of annual net profit to corporate social responsibility activities. The Act prohibits nationalization of privately-owned enterprises. Under the Act, fiscal concessions are granted for different industries. Manufacturing and export-oriented industries receive most of fiscal incentives (78).

4.36. MoICS remains responsible for policies and measures concerning the manufacturing sector. Nepal aims to boost domestic manufacturing, attract investment, and create jobs while reducing reliance on imports. Its Industrial Policy, 2010 continues to guide policies related to manufacturing with the aim, *inter alia*, of promoting industrial activity and increasing its contribution to GDP. The Policy also remains as guidelines for the promotion of value-added industries¹⁵, facilitate the supply and adoption of new technology.

4.37. FITTA, 2019 eased FDI restrictions by allowing 100% foreign ownership in most sectors (except for restricted activities listed in a "negative list" under the Act) (Section 2.6). Foreign investment in manufacturing is also governed by the IEA, 2020, and recent amendments via ordinances issued in January 2025. The Government prioritizes export-oriented, pharmaceutical, and local-resource-based manufacturing industries for foreign investment.

4.38. Incentives provided for FDI in the sector include (i) income tax reduction¹⁶ and preferential tax treatment for certain export-oriented and agro/food processing industries; (ii) customs duty exemptions for certain priority industries (e.g. pharmaceuticals and machine parts); (iii) tariff exemption on imported machinery for manufacturing; (iv) VAT exemption for small industries;

¹⁴ Prepared food, beverages, and tobacco (one tariff line).

¹⁵ The Government promises to purchase goods that are produced by domestic firms if there is 30% value-addition in the final product.

¹⁶ There is also full income tax exemption for five years for investments exceeding NPR 1 billion creating at least 500 jobs.

(v) export subsidies of 2% to 5% of export value for agro-industries as well as handicrafts and carpet manufacturing¹⁷; (vi) energy subsidies in certain regions; (vii) cash reimbursement of up to 25% for automation/machinery purchases; and (viii) interest subsidies on loans to SMEs. Other fiscal and non-fiscal incentives are accorded in line with the Income Tax and Finance Act. There are also sector-specific incentives such as excise duty reduction for cement/construction materials, customs duty exemptions for electric vehicles assembly, and tax rebate for agro-processing in rural areas.¹⁸ The authorities state that they will notify these measures soon.

4.4 Services

4.39. The services sector accounted for 62.9% of GDP in FY2023/2024. During the review period, Nepal remained a net importer of services.

4.40. Nepal's commitments under the General Agreement on Trade in Services (GATS) remained unchanged during the review period, covering, *inter alia*, financial services, telecommunications, transport, tourism, and professional services.¹⁹

4.41. Services are covered in some of Nepal's regional trade arrangements, e.g. the SAARC Agreement on Trade in Services (SATIS).

4.4.1 Financial services

4.42. Financial services (including insurance) accounted for 6.8% of GDP in FY2023/2024. Total deposit and total credit of banks and financial institutions (BFIs) to GDP ratios reached 113.1% and 91.3%, respectively, in May 2025.

4.43. As of May 2025, the financial institutions under the responsibility of the NRB comprised: 20 commercial banks ("A" class financial institutions); 17 development banks ("B" class financial institutions); 17 finance companies ("C" class financial institutions); 52 micro-finances ("D" class financial institutions); 24 money transfer firms; and 311 money changers. There are three state-owned banks in Nepal: Nepal Bank, Rastriya Banijya Bank, and the Agriculture Development Bank Limited²⁰; the others are private banks (7 are registered as joint ventures, and the remainder are local). The remaining financial institutions include those licensed and regulated by the Ministry of Finance: 37 insurance companies; the Nepal Stock Exchange; the Employees Provident Fund; the Citizen Investment Trust; the Deposit and Credit Guarantee Corporation; and the Credit Information Bureau; Social Security Fund and a large number of Savings and Credit Cooperatives (licensed and regulated by the Cooperative Act, 2017).

4.44. Under the Nepal Rastra Bank Act, 2002 (as amended in 2016) and the Banks and Financial Institutions Act, 2017, the NRB regulates and supervises BFIs. The NRB has the power and jurisdiction to regulate foreign exchange transactions under the Foreign Exchange Regulation Act, 1962. Other major laws and regulations related to BFIs include: the Insolvency Act, 2006; the Insurers' Licensing Policy; the Securities Board Regulation, 2008; the Lender of Last Resort Policy, 2010; the Foreign Currency Loan Policy, 2002; the Licensing Policy for Payment Related Institutions, 2016; the Licensing Policy for Foreign Bank Branch; the Insurance Regulation, 1993; the Securities Businessperson (Stock Broker, Dealer & Market Maker) Regulation, 2008; and the Securities Businessperson (Merchant Banker) Regulation, 2008. Changes in laws and regulations during the review period included the adoption of the Payment and Settlement Act, 2019, which entered into force on 18 March 2019, and the Act to Amend some Acts related to Preventing Money Laundering and Promotion of Business, 2024, which entered into force on 12 April 2024.

4.4.2 Banking

4.45. Changes in regulations concerning banking and other financial services during the review period included: (i) the issue of the Expected Credit Loss Guidelines for BFIs by the NRB; (ii) the

¹⁷ The authorities state that while no export subsidies have been provided for agricultural products in recent years, agro-industries have not been excluded from receiving export subsidies.

¹⁸ These have not been notified to the WTO.

¹⁹ WTO documents [GATS/SC/139](#), 30 August 2004; and [GATS/SC/139/Corr.1](#), 3 November 2005.

²⁰ The State has a majority shareholding in all three SOEs.

issue of Green Finance Taxonomy document by the NRB, which was issued in 20 October 2024 with a view, *inter alia*, to helping BFIs identify, track and demonstrate the credentials for their green activities and direct resources towards green, resilient, and inclusive economy; (iii) allowing BFIs to issue Perpetual Non-Cumulative Preference Shares (PNCPS) as an additional capital instrument to ease out the capital stress²¹; and (iv) issuing of the Working Capital Loan Guidelines, 2022, which entered into force on 18 October 2022.²²

4.46. BFIs are entitled to receive certain investment incentives (Table 4.3).

Table 4.3 Investment incentives (banking), 2025

Incentive category	Incentives and subsidy provision
Banking	<ul style="list-style-type: none"> - The provision made by a person running a banking business to cover the risk for outstanding loans will be deductible up to a limit of 5% of the total outstanding loan under the norms and standards prescribed by the NRB. - A deduction from the profits as expenses for bad debt shall not be allowed, and, if any amount of the risk-bearing fund is capitalized or distributed as profit or dividend, the amount shall be included in calculating the income of the year when it is so capitalized or distributed.
General insurance business	<p>The provision of an unexpired risk reserve fund can be deducted from the income of the general insurance business sum of:</p> <ul style="list-style-type: none"> - 50% of the net insurance premium as shown in the income statement of the particular year, and 115% of the outstanding claim at the end of the financial year. The closing balance of such unexpired risk fund claimed as a deduction in the current income year should be carried forward as income in the next income year.
Life insurance business	<p>The following amounts are not included in the computation of life insurance business income:</p> <ul style="list-style-type: none"> - the amount received from the premium or reinsurance premium received during the year; - the amount received from reinsurance, guarantee, or any indemnity contract during the year. <p>The following amount shall not be deducted when computing the expenses of the life insurance business:</p> <ul style="list-style-type: none"> - any amount paid or reimbursed as an insurer during the year; - the refund of the premium to the insured during the year.
Retirement fund	<p>For the purposes of calculating the income of a retirement fund:</p> <ul style="list-style-type: none"> - retirement contributions received by the fund shall not be included in the calculation, and shall not be considered as income of the fund; - retirement payments shall not be deductible in the calculation, and shall not be considered as an outgoing of the fund; - the interest of a beneficiary in a retirement fund shall not be a liability of that fund; - the income of an approved retirement fund shall be exempt from tax.

Source: Information provided by the authorities; Income Tax Act 2001.

4.47. Foreign BFIs are allowed to open branches for wholesale banking. They require approval by the NRB, an assigned capital of at least USD 20 million, and deposits from corporations/associations registered in Nepal of a minimum of NPR 100 million and in the form of fixed deposits for more than one year.

4.48. In principle, all commercial banks in Nepal are universal banks, which are allowed to carry out all types of banking activities. The ratio of total assets/liabilities of commercial banks to GDP was 126.9% in mid-July 2024 (99.4% in mid-July 2017). Banks are not allowed to carry out activities related to insurance. However, commercial banks, development banks, and finance companies may maintain equity stakes in insurance companies.

4.4.3 Insurance

4.49. In Nepal, there are 37 insurance companies: 14 carry out non-life insurance business, 14 are life, 2 are re-insurance, and the remaining include various micro-insurance companies. Three insurance companies are state-owned, 29 are owned by the private sector, 2 are joint

²¹ The provision to issue PNCPS applies to all A class commercial banks and national-level development banks following the Capital Adequacy Framework 2015.

²² Other changes included (i) issuing of Directive for Strengthening Asset Quality, where the provision related to loan restructuring and rescheduling by BFIs was revised; (ii) issuing of money laundering and terrorist financing risk assessment guidelines for BFIs in 2022 with a view to conducting risk assessment of money laundering and terrorism financing; (iii) publishing of Financial Literacy Framework, 2022; (iv) issuing of Large Exposure Framework, 2023 to BFIs to monitor large borrowers in the banking system; and (v) issuing of the updated Basel Committee on Banking Supervision stress testing guideline.

ventures, and three are foreign branches. Based on the NRB's third quarterly financial reports of insurers and the GDP estimate for FY2024/2025, the total assets/liabilities of insurance and reinsurance companies amount to 18.37% of GDP comprising 17.40% from insurance companies and 0.97% from reinsurance companies.

4.50. The authorities state that the insurance market in Nepal comprises a mixture of life and non-life insurers; micro insurance companies are the newer entrants in the market. During the review period, there was an expansion in the range of insurance products available, including health insurance, microinsurance, and investment-linked insurance products. Some new products like digital insurance policies, index-based insurance policies, and parametric insurance have been emerging.

4.51. During the review period, the Insurance Act, 2022 was adopted to govern the provision of insurance services. The Act established the Nepal Insurance Authority as the regulatory authority overseeing the insurance industry.²³ The Insurance Rules, 2024 provide additional detail on matters, including the establishment of the insurance business, licensing procedures, dispute settlements and the regulation of insurance agents, insurance brokers, and insurance surveyors and other intermediaries. They also establish rules related to payments against claims. There were also updates to solvency regulations in 2024 after the issuance of Risk based Capital and Solvency Directive, 2024, which aims to ensure that insurers maintain adequate reserves to cover their liabilities. New guidelines on investment portfolios for insurance companies were introduced December 2023 with a view to diversifying investments and reduce risk exposure. Regulations supporting microinsurance were also issued in January 2024 with a view to enhancing financial inclusion by providing insurance products tailored to low-income populations.

4.52. A licence is required to set up an office in Nepal, and for all intermediaries wishing to operate in the insurance business (e.g. agents, surveyors, brokers). Life and non-life insurance companies must have a paid-up capital of NPR 500 million and NPR 250 million, respectively. There is no minimum capital requirement for establishing a branch insurance office or a reinsurance business.²⁴ A minimum paid-up capital of NPR 50 million is required to be mandated for reinsurance brokers. No new composite insurance companies are permitted.

4.53. Foreign insurance companies operating in Nepal are subject to the same regulatory framework as domestic insurers. This includes compliance with the Insurance Act and relevant regulations and guidelines. Foreign insurers must obtain approval from the Insurance Authority before entering the Nepalese market. They must also adhere to capital requirements, solvency norms, and operational standards set for domestic insurers. Foreign insurance companies and reinsurance brokers must establish a local presence and may need to partner with local entities or establish joint ventures to comply with regulations and market practices.

4.54. Third-party liability insurance for motor vehicles is compulsory. Under Section 26 of the Foreign Employment Act, no Nepali citizen is allowed to work abroad without an insurance policy covering any kind of accident, disability or death. Section 54 of the Labour Act, 2017 requires employers to provide medical treatment insurance with the premium shared equally between employer and employee, and Section 55 mandates accidental insurance with the entire premium paid by the employer.

4.4.4 Telecommunications

4.55. Telecommunications (information and communication) accounted for 1.9% of GDP in FY2023/2024.

4.56. Nepal's telecommunication sector is dominated by two large market participants, Nepal Telecom (NTC) and Ncell. NTC is an SOE; 8.47% of its shares are owned by the general public and

²³ The Insurance Board of Nepal was established in 1969 in accordance with the Insurance Act, 1968, as the regulatory authority for the insurance sector. This act was later replaced by the Insurance Act, 1992, which was replaced by the current Insurance Act, 2022. Following the enactment of the Act, the then Insurance Board was transformed into the Nepal Insurance Authority, an autonomous regulatory body, effective from 8 November 2022 (B. S. 2079 Kartik 22).

²⁴ Insurance branches are subject to the working capital requirement approved by the Nepal Insurance Authority.

the rest is owned by the Government. Ncell is privately owned and is the largest mobile service provider in Nepal.

4.57. During the review period, several changes were adopted in regulations and policies for telecommunications, including the Frequency Policy and pricing amendment, in 2023; Telecom Property Management Regulations, first amendment in 2023; Consumer protection regulation, 2020; and the National Cyber security policy, 2023, under which the National Cyber Security Operation Centre was established in 2023. The Satellite Policy, 2020 has been adopted and the National AI Policy, 2025 is being prepared.

4.58. Nepal's main policy objectives in telecommunications include: universal access in rural areas; a universal service obligation in urban areas; liberalization of all telecom services; an open licensing regime except for systems requiring scarce resources; the encouragement of private-sector participation and economic efficiency; and a technology-neutral licensing regime.

4.59. Investment incentives are granted to the telecoms sector (Table 4.4).

Table 4.4 Investment incentives (telecommunications), 2025

Incentive category	Incentive provisions
Income tax	- ICT industries employing more than: (i) 100 Nepalese nationals throughout the year will be granted a 10% tax rebate; (ii) 300 Nepalese national throughout the year will be granted a 20% tax rebate; (iii) 500 Nepalese national throughout the year will be granted a 25% tax rebate; and (iv) 1,000 Nepalese national throughout the year will granted a 30% tax rebate.
Concessions based on establishment in specific areas (SEZ & IT park)	- Software development, information processing, cyber cafés, and digital mapping industries established in technology parks, bio-tech parks, and information processing parks specified by the Government through Rajpatra will be provided with a 50% exemption on the applicable tax rate. - A 15% tax rate exemption for ICT industries listed on the stock exchange.
Others	- Telecom companies are required to collect a Telecom Service Fee of 13% from its customers, and this must be deposited together with the VAT.

Source: Income Tax Act (Article 11); and Financial Act (Article 13).

4.60. Under the Telecommunications Act, 1997 and the Telecommunications Regulations, 1997, the Ministry of Communication and Information Technology oversees the telecommunications sector in Nepal. In addition, the Nepal Telecommunications Authority (NTA) remains as an autonomous regulatory and licensing authority for all telecommunication services except broadcasting.²⁵ All telecom operators require a licence from the NTA. Licences are issued for a maximum of 10 years, are subject to fees ranging from NPR 100 to NPR 3 million and are renewable every five years for up to 25 years. The NTA charges an annual Rural Telecom Development Fee (set at 2% of the licensees' total adjusted gross revenue) on all licensees. In addition, every basic mobile telecom operator must invest 15% of their total investment to expand their network to rural areas.

4.61. Based on proposals submitted by the service providers, telecom tariffs are approved by the NTA.

4.62. Under the NTA's Interconnection Guidelines, each licensee must make available its telecommunications network and services to any other licensees wishing to interconnect, on an appropriate basis. The charges that a licensee offers for all interconnection services must be cost-based and reflect the carrier-to-carrier relationship between licensees.²⁶ Licensees must use an established cost methodology, where feasible. During the review period, there was no change in NTA's policies with regard to illegal voice over Internet protocol.

4.4.5 Transport

4.63. Transport accounted for 7.3% of GDP in FY2023/2024. Road transport is the predominant mode of transport in Nepal, accounting for 90% of the movement of passengers and goods. The demand for air transport is increasing as services become more accessible and affordable. India's

²⁵ The NTA is fully financially independent. However, its members (including the Chairperson) are appointed by the Government, and the NTA Board is accountable to the Government.

²⁶ This generally involves the provision of services that are not available to customers or to unlicensed third parties.

eastern port of Kolkata (about 750 km away) has been used as Nepal's gateway to the sea. The presence of railways is limited.

4.64. The main institutions overseeing the sector include the Ministry of Physical Infrastructure and Transport, the Ministry of Federal Affairs and General Administration, the Ministry of Culture, Tourism and Civil Aviation, the National Planning Commission, and the Civil Aviation Authority of Nepal.

4.65. Investment incentives are granted to the transport sector in the areas of income tax and customs duties exemptions (Table 4.5).

Table 4.5 Investment incentives (transport), 2025

Incentive category	Incentive provisions
Income tax	<ul style="list-style-type: none"> - A 40% tax exemption on the construction and operation of roads, bridges, tunnels, airports, and on the operation of tram trolley buses. - The tax rate for the construction and operation of roads, bridges, tunnels, ropeways, and flyover bridges; the operation of trolley buses and trams; and BOOT: 20%. - International airline operators with capital investments of NPR more than 1 billion are entitled to a tax holiday for five years after the start of business. After that, they are entitled to a 50% tax exemption for the following three years. More than 3 billion are entitled to a tax holiday for 10 years after the start of business. After that, they are entitled to a 50% tax exemption for the following five years. More than 5 billion are entitled to a tax holiday for 15 years after the start of business. - In addition, if existing operators increase their current capacity by 25% and contribute new investments so that their capital investment reaches NPR 2 billion, they will be granted a tax holiday on all profits earned from that increased capacity for 5 years and a 50% exemption on such profit for an additional three years. - Losses can be carried forward for up to 12 years (the normal provision is 7 years) for BOOT projects related to public infrastructures and petroleum industries.
Customs duty exception/concession	<ul style="list-style-type: none"> - A 50% concession is granted on the chargeable customs duty on the import of passenger vehicles and container vehicles that are operated by electricity or battery. - Hybrid vehicles (that is, those operated by both battery and fuel) receive a 25% exemption on chargeable duties.

Source: Income tax Act, 2001 (Article 11), and Custom Tariff Act, 2024.

4.4.5.1 Road transport and railways

4.66. The main legislation in road transport and railways remain the Motor Vehicle and Transport Management Act 1993, the Public Road Act 1974, and the Railway Act 1963.

4.67. The Department of Roads (DOR) is the primary planning and implementation agency for road transport. The Roads Board Nepal (RBN) approves the annual plan of the DOR prior to releasing funds from its budget for the maintenance of the sector. The RBN is mainly financed by fuel levies, vehicle registration fees, and tolls.

4.68. Foreign buses and trucks, mostly from neighbouring countries, are allowed to transport people and goods, respectively, within Nepal based on bilateral agreements with respective nations. Nepal has various trade and transit agreements, including the Treaty of Trade and Transit with India and the Transit and Transport Agreement with China. There are also regional connectivity provisions such as the BIMSTEC Master Plan for Transport Connectivity, SAARC Regional Multi-modal Transport System, the Bangladesh, Bhutan, India, and Nepal Framework Agreement, and the Action Plan for South Asia Subregional Economic Cooperation Initiatives.

4.69. Under the Nepal-India Cross-Border Railway Project, passenger train operations commenced in April 2022 along the 51 km Jaynagar-Janakpur-Bhangaha segment of the 69 km under-construction Jaynagar-Janakpur-Bardibas railway line. Similarly, under the East-West Electric Railway Project, by the beginning of March 2025, a total of 68 km of track bed and 16 railway bridges had been constructed in the Bardibas-Chocha section (out of 82 km) of the Bardibas-Nijgadh railway line. Furthermore, the 8 km cargo rail section from Bathnaha to the Nepal Customs Yard has been completed and officially inaugurated.

4.4.5.2 Air transport

4.70. Nepal has eight airline companies; three of them serve international routes. Nepal has 55 registered airports, including 3 international airports, 3 regional hub airports, and 49 short take-off and landing strips. The authorities state that, in accordance with the Civil Aviation Policy,

2006, Nepal has been gradually pursuing an open sky policy. During the review period, two additional airports came into operation: Pokhara International Airport in 2023, and Gautam Buddha International Airport in 2022. Tribhuvan International Airport (TIA) in Kathmandu is currently being renovated; hangar area development at east side and extension of parallel taxi lanes at TIA is ongoing.

4.71. The participation of the private sector in the development and operation of airports is ensured in the Civil Aviation Authority of Nepal Act, 1996. The Act stipulates conditions relating to the establishment of airports and the issuing of relevant permission. The Civil Aviation Authority of Nepal is responsible for the administration of air transport. The authorities indicate that new legislation to promote private sector participation in the development, operation, and management of airports is being drafted.

4.72. Nepal has signed bilateral air service agreements and MOUs with 42 countries/regions. During the review period, Nepal concluded MOUs with Cambodia (29 November 2018), Australia (30 September 2019), Rwanda (5 December 2023), and Switzerland (6 February 2024).

4.4.6 Tourism

4.73. In 2024, tourism receipts in Nepal amounted to USD 623.4 million compared with USD 724.3 million in 2019 (Table 4.6).

Table 4.6 Selected tourism indicators, 2019-2024

	2019	2020	2021	2022	2023	2024
Tourist arrivals	1,197,191	230,085	150,962	614,869	1,014,882	1,147,548
Duration of stay (days)	12.7	15.1	15.5	13.1	13.2	13.3
Per day expenditure (USD)	48.0	65.0	48.0	40.5	41.0	40.8
Tourist receipts (USD million)	724.3	217.0	112.5	359.7	548.2	623.4
Number of hotels	1,289	1,313	1,345	1,401	1,416	1,578
Number of beds	43,999	45,850	48,412	53,365	54,370	62,642

Source: Ministry of Culture, Tourism and Civil Aviation.

4.74. The tourism sector in Nepal faces various challenges, such as insufficient investment, poor infrastructure, and limited air connectivity. With the aim of tackling these and promoting the sustainable growth of tourism, several programmes have been implemented, such as the Nepal Tourism Year 2020 campaign, and the National Tourism Strategic Plan 2016-2025, which advocates for, *inter alia*, infrastructure development and diversification of tourist attractions. The authorities state that 57 additional peaks were opened to climbers in 2024.

4.75. Tourism is regulated by, *inter alia*, the Tourism Act, 1978; the Hotel, Lodges, Restaurants, Bar and Tourist Guide Regulation, 1981; the Travel and Trekking Agency Regulation; the Rafting Regulation, 2006; and the Mountaineering Rules, 2002. The Tourism Act, 1978 was amended on 12 April 2024 by The Act to Amend Certain Acts Related to Prevention of Money Laundering and Promotion of Business Environment, 2024. The amendment introduced provisions regarding casino operations to strengthen Nepal's anti-money laundering framework. The latest Amendment in Mountaineering Rules, 2002 was adopted on 3 February 2025 with a view to making the mountaineering related issues timely and relevant. The Tourism Bill, 2025 is currently being prepared.

4.76. The Ministry of Culture, Tourism and Civil Aviation (MoCTCA) is responsible for policy formulation, including the development of air transportation and tourism trade-related services. The Nepal Tourism Board is responsible for the promotion and regulations of tourism activities and fostering partnerships between the Government and the private sector. In accordance with the latest amendment to the Tourism act, 1978, the Department of Tourism is now a regulatory body of casinos and has the responsibility of casino registration and renewal.

4.77. Among policy initiatives taken by the authorities during the review period, the Mountain Clean-up Campaign 2019-2024 has collected 108 tonnes of waste from four mountains (i.e. Mt. Everest, Mt. Lhotse, Mt. Annapurna, and Mt. Baruntse). Similarly, in its effort to revive the tourism industry heavily affected by the COVID-19 pandemic, the MoCTCA issued a tourism recovery plan. With the introduction of the Nepal Tourism Sector Resurgence Action Plan, the MoCTCA focuses

on recovering the travel business and identifying and developing new tourist destinations and fostering collaboration with various organizations for tourism development.

4.78. Investment incentives are granted to the tourism industry in terms of income tax and customs duties exemptions (Table 4.7).

Table 4.7 Investment incentives, 2025

Incentive category	Incentives and subsidy provisions
Income tax	<p>In the case of tourism industry established with a capital investment of NPR 1 billion or more, 100% exemption for the first five years from the date of operation of the business and 50% concession for the next 3 years.</p> <p>For the tourism industry established with a capital investment of NPR 3 billion or more, 100% exemption for the first ten years from the date of operation of the business and 50% concession for the next 5 years.</p> <p>For the tourism industry established with a capital investment of NPR 5 billion or more, 100% exemption for the first fifteen years from the date of operation of the business.</p>

Source: Data provided by the authorities.

4.79. Foreign investment in tourism is regulated under FITTA, 2019. The authorities state that permission for the establishment is required, *inter alia*, for travel agencies, trekking agencies, water rafting, pony trekking, horse riding, or tourist lodging; FDI is permitted in the hotel industry, subject to authorization.

5 APPENDIX TABLES

Table A1.1 GDP by economic activity, 2018-2024

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
GDP by economic activities, constant prices (% change)						
Agriculture forestry and fishing	5.2	2.4	2.8	2.4	2.8	3.0
Mining and quarrying	17.6	-2.2	4.6	8.8	1.0	2.3
Manufacturing	6.5	-9.0	8.7	6.7	-2.0	-1.6
Electricity and gas	9.6	19.5	4.2	52.7	19.9	17.4
Water supply, sewerage, and waste management	1.2	2.1	1.3	3.1	3.3	2.8
Construction	7.5	-4.4	7.0	6.9	-1.1	-2.1
Services	6.8	-4.5	4.7	5.3	2.4	4.5
Wholesale and retail trade, repair of motor vehicles and motorcycles	8.1	-11.4	6.6	7.4	-3.0	0.2
Transportation and storage	8.8	-11.8	4.4	4.6	1.4	11.9
Accommodation and food service activities	9.9	-36.8	10.7	12.6	18.0	21.8
Information and communication	7.0	2.0	3.7	4.2	4.2	4.9
Financial and insurance activities	6.3	-0.3	4.7	6.9	7.3	7.8
Real estate activities	3.8	2.1	2.8	1.7	2.2	3.0
Professional, scientific, and technical activities	5.6	1.5	1.5	3.5	3.9	4.2
Administrative and support service activities	6.4	2.2	2.3	1.6	5.0	4.0
Public administration and defence, compulsory social security	5.1	6.2	3.4	4.1	5.7	4.5
Education	6.0	3.2	3.9	4.7	3.9	2.7
Human health and social activities	6.7	5.2	6.6	7.0	6.6	5.5
Other services activities	5.9	1.8	3.4	4.5	5.1	4.2
Gross value added by economic activities (% of current basic GDP)						
Agriculture forestry and fishing	24.9	25.2	25.8	24.5	23.9	24.1
Mining and quarrying	0.7	0.6	0.6	0.5	0.5	0.5
Manufacturing	5.8	5.1	5.6	5.7	5.2	4.9
Electricity and gas	1.0	1.2	1.1	1.5	1.6	1.8
Water supply, sewerage, and waste management	0.6	0.6	0.6	0.5	0.5	0.4
Construction	7.0	6.2	6.0	6.0	5.9	5.4
Services	60.1	61.2	60.4	61.3	62.5	62.9
Wholesale and retail trade, repair of motor vehicles and motorcycles	16.2	15.0	15.6	15.8	14.1	13.8
Transportation and storage	6.5	5.3	5.3	6.0	6.7	7.3
Accommodation and food service activities	2.3	1.5	1.6	1.6	2.0	2.4
Information and communication	2.2	2.2	2.2	2.1	2.0	1.9
Financial and insurance activities	6.2	7.1	6.8	6.8	7.0	6.8
Real estate activities	8.8	9.4	9.0	8.3	8.2	8.3
Professional, scientific, and technical activities	1.0	1.0	1.0	1.0	1.0	1.0
Administrative and support service activities	0.8	0.8	0.8	0.7	0.7	0.7
Public administration and defence, compulsory social security	6.5	8.1	7.7	8.8	10.0	9.6
Education	7.5	8.4	8.0	7.9	8.3	8.5
Human health and social activities	1.5	1.8	1.8	1.7	1.9	1.9
Other services activities	0.5	0.6	0.6	0.6	0.6	0.6

Source: National Statistics Office, Nepal. Viewed at: <https://data.nsonepal.gov.np/dataset/national-accounts> (04/07/2025).

Table A1.2 Merchandise exports by HS sections and major HS chapters, 2018-2024

HS Section/chapters	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Total exports (NPR billion)	97.1	97.7	141.1	200.0	157.1	152.4
Total exports (USD million)	860.3	840.1	1,197.3	1,655.3	1,201.9	1,145.4
	(% of total exports)					
01 Live animals and products	0.5	0.1	0.1	0.1	0.1	0.1
02 Vegetable products	13.6	12.3	11.4	7.5	12.9	13.7
09 Coffee, tea, mate, and spices	8.6	7.7	8.3	4.7	9.0	8.8
Cardamoms	4.4	4.1	5.0	2.4	5.3	5.2
03 Animal, vegetable or microbial fats and oils	13.3	31.9	39.7	46.9	18.7	4.9
04 Prepared food, beverages, and tobacco	10.2	8.5	8.4	8.3	11.3	12.9
20 Preparations of vegetables, fruit, nuts, or other parts of plants	4.7	3.5	3.0	3.0	4.2	5.7
23 Residues and wastes of food industry; prepared animal fodder	3.6	3.3	3.4	3.7	4.3	4.3
05 Mineral products	0.0	0.0	0.4	0.2	0.8	2.9
06 Chemicals and products thereof	4.4	3.9	3.9	3.1	3.6	4.0
07 Plastics and rubber	1.0	0.7	0.7	0.6	1.1	1.3
08 Raw hides and skins; leather, furskins and articles thereof	0.8	0.3	0.2	0.4	0.5	0.5
09 Wood, cork, straw	0.1	0.0	0.1	0.3	3.2	5.5
44 Wood and articles of wood, wood charcoal	0.1	0.0	0.1	0.3	3.2	5.5
10 Pulp of wood; paper and paperboard	1.1	0.6	0.5	1.0	0.8	0.8
11 Textiles and textile articles	39.7	32.6	28.1	25.1	33.3	33.5
53 Vegetable textile fibres n.e.s.; paper yarn, woven fabrics thereof	3.4	3.6	3.4	3.3	3.3	3.2
55 Man-made staple fibres	10.1	7.4	6.0	6.4	7.9	7.7
56 Wadding, felt, nonwovens, special yarns, twine, cordage, etc	2.1	2.2	2.9	2.5	3.4	3.2
57 Carpets and other textile floor coverings	7.9	6.6	5.4	5.0	7.8	7.5
Of wool or fine animal hair, knotted	7.6	6.3	5.1	4.8	7.3	6.9
61 Articles of apparel and clothing accessories, knitted or crocheted	2.5	2.0	1.5	1.6	2.3	2.6
62 Articles of apparel and clothing accessories, not knitted or crocheted	6.0	4.8	4.1	3.4	5.0	5.3
12 Footwear, headgear, etc.	1.9	1.0	0.7	0.7	0.8	1.0
13 Articles of stone, plaster, cement	0.8	0.9	0.9	0.9	1.0	0.8
14 Precious stones and metals	0.6	0.4	0.5	0.6	0.4	0.3
15 Base metals and articles thereof	9.2	4.4	2.4	3.0	8.6	14.8
72 Iron and steel	6.0	1.8	0.9	1.6	6.4	10.3
16 Machinery, electrical equipment	0.5	0.4	0.3	0.2	0.6	0.8
17 Transport equipment	0.3	0.5	0.3	0.0	0.5	0.2
18 Precision equipment	0.6	0.6	0.7	0.6	0.7	0.7
19 Arms and ammunition	0.0	0.0	0.1	0.0	0.0	0.0
20 Miscellaneous manufactured articles	0.6	0.1	0.2	0.2	0.6	0.9
21 Works of art, etc.	0.8	0.6	0.4	0.3	0.5	0.3
<i>Memorandum:</i>						
NPR/USD (period average)	112.9	116.3	117.9	120.8	130.7	133.0

Source: WTO Secretariat calculations, based on data taken from the Ministry of Finance, Department of Customs. Viewed at: <https://www.customs.gov.np/#> (25/08/2025).

Table A1.3 Merchandise imports by HS sections and major HS chapters, 2018-2024

HS Section/chapters/headings	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Total imports (NPR billion)	1,418.5	1,196.8	1,539.8	1,920.4	1,611.7	1,593.0
Total imports (USD million)	12,566.8	10,289.7	13,063.9	15,892.5	12,327.3	11,974.2
	(% of total imports)					
01 Live animals and products	0.6	0.4	0.4	0.3	0.3	0.3
02 Vegetable products	9.0	12.0	11.2	9.5	9.1	8.4
10 Cereals	3.7	4.8	5.2	3.9	3.5	2.9
03 Animal, vegetable or microbial fats and oils	2.6	4.2	5.4	6.3	5.4	3.0
04 Prepared food, beverages, and tobacco	3.6	3.7	4.1	3.7	3.6	4.4
05 Mineral products	19.8	17.6	15.1	20.7	22.6	21.9
27 Mineral fuels and oils	17.9	16.3	13.9	20.0	21.9	21.2
2710 Petroleum, other than crude	12.8	11.1	9.1	14.0	15.6	15.4
Diesel	8.5	7.3	6.0	8.8	9.5	9.0
Petrol	2.5	2.4	2.1	3.7	4.1	4.3
2711 Petroleum gases and other gaseous hydrocarbons	2.5	2.6	2.3	3.4	3.6	3.5
Liquified petroleum gases	2.5	2.6	2.3	3.4	3.6	3.5
06 Chemicals and products thereof	6.9	8.0	8.1	8.8	9.6	9.5
30 Pharmaceutical products	2.1	2.4	2.4	3.7	2.8	2.6
31 Fertilizers	1.1	1.6	1.5	1.1	2.5	2.3
07 Plastics and rubber	4.6	4.7	5.1	4.6	4.6	4.7
39 Plastics and articles thereof	3.7	3.8	4.1	3.8	3.8	3.7
08 Raw hides and skins; leather, furskins and articles thereof	0.1	0.1	0.1	0.1	0.1	0.2
09 Wood, cork, straw	0.5	0.4	0.5	0.4	0.4	0.3
10 Pulp of wood; paper and paperboard	1.2	1.2	0.9	1.0	1.4	1.6
11 Textiles and textile articles	5.4	5.1	5.5	5.1	5.3	6.2
12 Footwear, headgear, etc.	0.7	0.6	0.6	0.6	0.6	0.8
13 Articles of stone, plaster, cement	1.6	1.7	1.8	1.7	1.8	1.5
14 Precious stones and metals, pearls	3.7	2.0	2.6	3.3	3.2	2.1
15 Base metals and articles thereof	14.2	12.8	13.7	11.8	12.8	11.6
72 Iron and steel	10.1	8.6	9.9	8.4	8.7	7.8
16 Machinery, electrical equipment	15.0	15.1	15.0	13.9	12.6	13.6
84 Machinery and mechanical appliances, parts thereof	8.5	8.2	8.0	7.5	6.3	6.9
85 Electrical machineries and parts thereof	6.5	6.9	7.0	6.4	6.3	6.7
17 Transport equipment	8.1	7.2	6.7	5.5	3.6	6.3
87 Vehicles and parts thereof	6.4	5.4	6.3	5.2	3.2	5.4
18 Precision instruments	1.3	1.6	1.9	1.5	1.7	1.9
19 Arms and ammunition	0.0	0.2	0.3	0.1	0.2	0.1
20 Miscellaneous manufactured articles	1.2	1.3	1.1	1.1	1.1	1.5
21 Works of art, collectors' pieces, and antiques	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum:</i>						
NPR/USD (period average)	112.9	116.3	117.9	120.8	130.7	133.0

Source: WTO Secretariat calculations, based on data taken from the Ministry of Finance, Department of Customs. Viewed at: <https://www.customs.gov.np/#> (25/08/2025).

Table A1.4 Merchandise exports by destination, 2018-2024

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Total exports (NPR billion)	97.1	97.7	141.1	200.0	157.1	152.4
Total exports (USD million)	860.3	840.1	1,197.3	1,655.3	1,201.9	1,145.4
	(% of total exports)					
Americas	12.2	10.4	10.5	9.6	13.7	12.4
United States	11.2	9.7	9.8	9.0	12.5	11.4
Other – Americas	1.0	0.8	0.7	0.6	1.2	1.0
Canada	0.9	0.7	0.6	0.6	1.1	0.9
Europe	14.6	11.4	9.0	9.1	11.6	11.1
EU-27	8.1	6.6	5.6	5.3	7.6	7.9
Germany	3.3	2.8	2.3	2.1	2.8	2.9
France	1.3	1.1	0.9	0.8	1.2	1.3
Italy	1.2	0.7	0.6	0.6	0.8	0.9
Netherlands	0.4	0.3	0.4	0.4	0.7	0.6
Denmark	0.4	0.3	0.4	0.4	0.6	0.5
Belgium	0.3	0.2	0.2	0.2	0.3	0.3
Spain	0.3	0.3	0.1	0.1	0.2	0.3
Austria	0.2	0.2	0.2	0.1	0.2	0.2
EFTA	0.7	0.5	0.5	0.3	0.5	0.5
Switzerland	0.5	0.3	0.3	0.3	0.4	0.4
Other – Europe	5.8	4.3	2.9	3.4	3.5	2.7
United kingdom	2.7	2.1	1.7	1.6	2.1	2.0
Türkiye	3.1	2.2	1.1	1.9	1.4	0.7
CIS ^a	0.2	0.2	0.1	0.1	0.1	0.2
Africa	0.5	0.6	0.1	0.1	0.2	0.2
Middle East	0.5	0.3	0.5	0.3	0.8	1.9
United Arab Emirates	0.3	0.2	0.3	0.2	0.7	1.7
Asia	72.1	77.1	79.8	80.8	73.5	74.2
China	2.2	1.2	0.7	0.4	1.1	1.7
Japan	1.1	0.9	0.7	0.6	0.9	1.0
Other – Asia	68.8	74.9	78.4	79.8	71.5	71.5
India	64.6	71.8	75.4	77.6	67.9	67.7
Australia	0.8	0.6	0.8	0.6	1.0	1.2
Bangladesh	1.3	1.0	0.5	0.4	0.4	0.4
Afghanistan	0.0	0.0	0.0	0.0	0.0	0.3
Hong Kong, China	0.3	0.3	0.3	0.2	0.3	0.3
Bhutan	0.2	0.1	0.5	0.2	0.4	0.3
Singapore	0.2	0.1	0.1	0.1	0.3	0.2
Other	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum:</i>						
NPR/USD (period average)	112.9	116.3	117.9	120.8	130.7	133.0

a Commonwealth of Independent States, including certain associate and former member States.

Source: WTO Secretariat calculations, based on data taken from the Ministry of Finance, Department of Customs. Viewed at: <https://www.customs.gov.np/#> (25/08/2025).

Table A1.5 Merchandise imports by origin, 2018-2024

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Total imports (NPR billion)	1,418.5	1,196.8	1,539.8	1,920.4	1,611.7	1,593.0
Total imports (USD million)	12,566.8	10,289.7	13,063.9	15,892.5	12,327.3	11,974.2
	(% of total imports)					
Americas	3.0	5.3	5.7	6.3	3.8	3.0
United states	0.9	2.0	1.3	2.6	1.2	1.2
Other – Americas	2.1	3.3	4.4	3.7	2.6	1.8
Argentina	0.7	1.3	2.7	2.1	1.5	0.8
Canada	1.0	1.4	0.9	0.6	0.3	0.6
Europe	5.3	5.1	3.6	4.2	4.7	4.6
EU-27	2.9	2.8	1.6	1.9	2.7	2.5
France	1.4	0.9	0.3	0.3	0.5	0.9
Germany	0.5	0.5	0.4	0.3	0.4	0.5
Belgium	0.2	0.1	0.2	0.4	0.6	0.3
EFTA	0.9	0.7	0.2	0.4	0.1	0.1
Other – Europe	1.5	1.5	1.7	1.9	1.8	1.9
Ukraine	0.7	0.9	1.1	1.1	1.1	1.2
United kingdom	0.3	0.3	0.2	0.3	0.4	0.4
CIS ^a	0.3	0.2	0.2	0.3	0.0	0.3
Africa	0.8	0.9	0.9	0.6	0.4	0.6
Middle East	3.3	2.8	3.4	3.3	4.6	3.3
United Arab Emirates	2.5	1.5	2.4	2.5	2.0	1.8
Saudi Arabia, Kingdom of	0.6	0.6	0.6	0.4	0.6	0.7
Oman	0.1	0.5	0.3	0.0	0.7	0.3
Asia	86.9	85.5	86.0	85.0	86.3	88.0
China	14.6	15.3	15.3	13.9	13.9	18.9
Japan	0.5	0.6	0.4	0.4	0.3	0.4
Other – Asia	71.7	69.6	70.3	70.8	72.1	68.7
India	64.7	61.4	63.1	62.5	63.8	62.6
Malaysia	0.9	0.9	0.6	0.9	1.4	1.1
Australia	0.6	0.4	1.1	1.3	1.2	1.0
Indonesia	1.3	2.6	1.1	2.8	2.6	0.7
Korea, Republic of	0.7	0.8	1.1	0.5	0.4	0.5
Thailand	1.0	0.8	0.6	0.6	0.7	0.5
Singapore	0.4	0.4	0.4	0.4	0.4	0.4
Chinese Taipei	0.3	0.2	0.2	0.2	0.2	0.4
Viet Nam	0.8	0.7	0.5	0.5	0.5	0.3
Other	0.4	0.3	0.3	0.2	0.2	0.3
<i>Memorandum:</i>						
NPR/USD (period average)	112.9	116.3	117.9	120.8	130.7	133.0

a Commonwealth of Independent States, including certain associate and former member States.

Source: WTO Secretariat calculations, based on data taken from the Ministry of Finance, Department of Customs. Viewed at: <https://www.customs.gov.np/#> (25/08/2025).

Table A3.1 MNF applied tariff summary, FY2024/2025

	Number of lines	Average (%)	Range (%) MFN applied	Standard deviation	Duty free (%)
All products	6,326	13.9 (13.2)	0-226 (0-80)	13.6 (10.9)	3.8
HS01-24	1,140	17.7 (14.0)	0-226 (0-80)	21.3	0.1
HS25-97	5,186	13.1	0-80	11.1	4.6
By WTO category:					
WTO agricultural products	941	18.9 (14.4)	0-226 (0-80)	23.3 (10.9)	0.7
Live animals and meat	110	11.2	10-30	3.9	0.0
Dairy products	30	22.7	10-40	12.6	0.0
Fruits and vegetables	203	12.2 (12.0)	5-53.3 (5-40)	5.1 (4.2)	0.0
Coffee, tea, cocoa, and spices	66	19.7	5-40	12.9	0.0
Cereals and food preparations	108	19.6 (19.3)	5-54.8 (5-40)	12.4 (12.0)	0.0
Oilseeds, fats, and oils	78	11.0	5-30	3.5	0.0
Sugars and confectionery	30	20.0	10-40	10.6	0.0
Beverages and tobacco	126	64.2 (48.1)	11-226 (30-80)	45.5 (19.3)	0.0
Cotton, silk, and wool	25	3.8	0-5	2.1	24.0
Other agricultural products	165	9.2	0-10	1.9	0.6
WTO non-agricultural products	5,385	13.1	0-80	10.9	4.3
Fish and fish products	262	10.6	5-15	1.7	0.0
Minerals and metals	933	13.5	0-46.2 (0-40)	8.4 (8.3)	0.4
Petroleum	22	19.3 (21.0)	2.1-30 (5-30)	8.5 (8.2)	0.0
Chemicals	1,143	12.4	0-40	7.8	3.1
Wood, paper, furniture	349	14.2	0-30	7.3	2.0
Textiles	613	12.8	1-30	6.4	0.0
Clothing	231	18.8	5-20	3.9	0.0
Rubber, leather, and footwear	175	15.5	0-40	11.9	0.6
Mechanical, office and computing machinery	560	6.0	0-30	5.1	10.9
Electrical machinery and electronic equipment	359	9.9	0-30	7.4	25.1
Transport equipment	320	26.0	0-80	24.7	0.9
Other manufactures	418	12.6	0-80	15.7	6.9
By stage of processing					
First stage of processing	833	9.8 (9.7)	0-53.3 (0-40)	5.8 (5.3)	1.2
Semi-processed products	1,955	12.3	0-40	7.0	1.2
Fully processed products	3,538	15.8 (14.6)	0-226 (0-80)	16.9 (13.2)	5.8
By HS Section					
01 Live animals and products	380	11.1	0-40	5.3	0.3
02 Vegetable products	357	11.6 (11.5)	5-53.2 (5-40)	6.1 (5.7)	0.0
03 Fats and oils	59	10.8	5-15	3.1	0.0
04 Prepared food, beverages, and tobacco	344	33.9 (23.0)	5-226 (5-80)	33.8 (14.8)	0.0
05 Mineral products	176	12.2 (11.6)	0-46.2 (0-30)	7.9 (7.1)	1.7
06 Chemicals and products thereof	983	10.4	0-40	5.0	3.5
07 Plastics, rubber, and articles thereof	282	18.3	0-40	10.6	1.1
08 Raw hides and skins, leather	73	11.9	5-30	9.8	0.0
09 Wood and articles of wood	154	10.9	5-15	4.6	0.0
10 Pulp of wood, paper, and paperboard	157	14.9	0-30	5.9	2.5
11 Textiles and textile articles	838	14.1	0-30	6.5	0.7
12 Footwear, headgear, etc.	57	25.1	0-40	13.0	1.8
13 Articles of stone, plaster, cement	158	17.3	0-40	8.5	1.3
14 Precious stones and metals, pearls	56	9.6	1-30	6.6	0.0
15 Base metals and articles thereof	589	13.4	1-30	8.3	0.0
16 Machinery, electrical equipment, etc.	911	7.5	0-30	6.4	16.6
17 Transport equipment	325	25.8	0-80	24.6	0.9
18 Precision equipment	227	7.0	0-30	4.6	11.9
19 Arms and ammunition	18	80.0	80-80	0.0	0.0
20 Miscellaneous manufactured articles	163	16.0	0-30	9.2	1.8
21 Works of art, etc.	19	9.7	5-10	1.1	0.0

Note: Including AVEs for specific rates, as available. Figures in brackets refer to data excluding AVEs.

Source: WTO Secretariat calculations, based on information received by the authorities.

Table A3.2 Tariff lines where the MFN applied exceeds bound rate, FY2024/2025

Fully breaching 118 tariff lines		MFN applied rate	Bound rate
3209.90.00	Paints and varnishes, other than based on acrylic or vinyl polymers	40%	30%
3824.81.00	Chemicals	10%	5%
3824.82.00		10%	5%
3824.83.00		10%	5%
3826.00.00	Biodiesel	30%	5%
3827.31.00	Mixtures containing halogenated derivatives of methane, ethane, or propane, n.e.s.	10%	5%
3827.32.00		10%	5%
3827.39.00		10%	5%
3827.51.00		10%	5%
3827.59.00		10%	5%
3827.61.10		10%	5%
3827.61.90		10%	5%
3827.62.00		10%	5%
3827.63.10		10%	5%
3827.63.20		10%	5%
3827.63.90		10%	5%
3827.64.00		10%	5%
3827.65.10		10%	5%
3827.65.90		10%	5%
3827.68.00		10%	5%
3827.69.00		10%	5%
3916.90.00	Monofilaments of plastics	30%	25%
3919.90.00	Self – adhesive plates, sheets, film, etc. of plastics	40%	30%
3920.20.10	Other plates, sheets, film, foil, and strip, of plastics supported with other materials	30%	25%
3920.20.90		30%	25%
3920.62.10		30%	25%
3920.62.90		30%	25%
3920.69.10		30%	25%
3920.69.90		30%	25%
3926.10.00	Office of school supplies of plastics	30%	25%
3926.90.39	Laboratory equipment of plastics	30%	25%
6904.90.00	Ceramic tiles	30%	25%
7211.13.00	Flat rolled products of iron or non-alloy steel, of a width of less than 600 mm, not clad, plated, or coated	30%	25%
7211.14.00		30%	25%
7211.19.00		30%	25%
7211.23.00		30%	25%
7211.29.00		30%	25%
7211.90.00		30%	25%
7216.40.00	Angles, shapes, and sections of iron or non-alloy steel	30%	25%
7216.50.00		30%	25%
7216.61.00		30%	25%
7216.69.00		30%	25%
7216.91.00		30%	25%
7216.99.00		30%	25%
7217.10.00		30%	25%
7217.20.00		30%	25%
7217.30.00		30%	25%
7217.90.00		30%	25%
7225.11.00		Flat rolled products of other alloy steel, of a width of 600 mm or more	30%
7225.19.00	30%		25%
7225.30.00	30%		25%
7225.40.00	30%		25%
7225.50.00	30%		25%
7225.91.00	30%		25%
7225.92.00	30%		25%
7225.99.00	30%		25%
7227.10.00	Bars and rods, hot-rolled, in irregularly wound coils, of other alloy steel	30%	25%
7227.20.00		30%	25%
7227.90.00		30%	25%
7301.10.00	Sheet piling of iron and steel	30%	25%
7308.90.00	Structures of iron and steel	20%	15%
8413.70.19	Centrifugal pumps	15%	10%
8413.70.91		15%	10%
8413.70.92		15%	10%
8413.70.99		15%	10%
8456.40.00	Machines operated by plasma arc processes	5%	0%
8456.50.00	Waterjet cutting machines	5%	0%
8507.50.00	Electric accumulators	20%	15%
8507.60.00		20%	15%
8508.60.00	Vacuum cleaners	15%	0%
8539.52.00	Light-emitting diode (LED) lamps	20%	0%
8702.10.41	Motor vehicles principally designed for the	80%	60%
8702.10.49	transport of persons	80%	60%

		MFN applied rate	Bound rate
8702.20.41		80%	60%
8702.20.49		80%	60%
8702.30.41		80%	60%
8702.30.49		80%	60%
8702.90.41		80%	60%
8702.90.49		80%	60%
8703.10.10		30%	20%
8703.21.91		80%	40%
8703.21.99		80%	40%
8703.22.10		80%	40%
8703.22.90		80%	40%
8703.23.11		80%	40%
8703.23.19		80%	40%
8703.23.21		80%	40%
8703.23.29		80%	40%
8703.23.31		80%	40%
8703.23.39		80%	40%
8703.24.10		80%	60%
8703.24.90		80%	60%
8703.31.10		80%	60%
8703.31.90		80%	60%
8703.32.11		80%	40%
8703.32.19		80%	40%
8703.32.21		80%	40%
8703.32.29		80%	40%
8703.33.10		80%	40%
8703.33.90		80%	40%
8703.40.10		80%	40%, 60%
8703.40.90		80%	40%, 60%
8703.50.10		80%	40%, 60%
8703.50.90		80%	40%, 60%
8703.60.10		80%	40%, 60%
8703.60.90		80%	40%, 60%
8703.70.10		80%	40%, 60%
8703.70.90		80%	40%, 60%
8703.90.10		80%	60%
8703.90.90		80%	60%
8708.95.00	Safety airbags with inflator system	20%	15%
8708.99.00	Other vehicles accessories	20%	15%
8711.30.19		70%	40%
8711.30.99		70%	40%
8711.40.00	Motorcycles	80%	40%
8711.50.00		80%	40%
9001.30.10	Intraocular lenses	30%	25%
9027.81.00	Mass spectrometers	5%	0%
Partially breaching (28 tariff lines)			
2853.90.00	Other inorganic compounds	30%	20%, 40%
3401.19.00	Soaps	30%	20%, 40%
3402.90.00	Organic surface-active agents	30%	15%, 40%
3821.00.00	Prepared culture media for development of microorganisms or of plant, human or animal cells	10%	5%, 10%
3824.84.00		10%	5%, 20%
3824.85.00		10%	5%, 20%
3824.86.00		10%	5%, 20%
3824.87.00		10%	5%, 20%
3824.88.00	Chemical products and preparations n.e.s.	10%	5%, 20%
3824.89.00		10%	5%, 20%
3824.91.00		10%	5%, 20%
3824.92.00		10%	5%, 20%
3827.11.00		10%	5%, 20%
3827.12.00		10%	5%, 20%
3827.20.00	Mixtures containing halogenated derivatives of methane, ethane, or propane, n.e.s.	10%	5%, 20%
3827.40.00		10%	5%, 20%
3827.90.00		10%	5%, 20%
8443.31.00		10%	0%, 15%, 20%
8443.32.00	Other printers, copying machines and facsimile machines, whether or not combined	10%	0%, 15%, 20%
8443.39.00		10%	0%, 15%, 20%
8508.19.00	Vacuum cleaners	15%	0%, 15%
8508.70.00	Vacuum cleaners, parts	15%	10%, 30%
8708.40.00		20%	15%, 30%
8708.50.00		20%	15%, 30%
8708.80.00	Parts and accessories of the motor vehicles of headings 8701 to 8705	20%	15%, 30%
8708.91.00		20%	15%, 30%
8708.92.00		20%	15%, 30%
8708.94.00		20%	15%, 30%

		MFN applied rate	Bound rate
Comparing specific MFN^a with <i>ad valorem</i> bound (24 tariff lines)			
0802.80.00	Areca nuts	NPR 100/kg (AVE = 53.3%)	30%
2009.19.00	Orange juice	NPR 60/l (AVE = 41.2%)	40%
2009.39.00	Juice of any other single citrus fruit	NPR 60/l (AVE = 49.3%)	40%
2009.90.00	Mixture of juices	NPR 60/l (AVE = 53.7%)	40%
2106.90.60	Scented areca nuts	NPR 100/kg (AVE = 54.8%)	40%
2202.99.10	Energy Drinks	NPR 100/l (AVE = 75.1%)	40%
2208.20.10	Spirits	NPR 1,500/l (AVE = 226.0%)	100%
2208.20.92	Spirits	NPR 2,000/l (AVE = 102.0%)	100%
2208.20.93	Spirits	NPR 2,000/l (AVE = 171.5%)	100%
2208.40.91	Rum	NPR 2,000/l (AVE = 144.2%)	100%
2208.40.93	Rum	NPR 2,000/l (AVE = 171.8%)	100%
2208.40.99	Rum	NPR 2,000/l (AVE = 206.3%)	100%
2208.50.91	Gin and Geneva	NPR 2,000/l (AVE = 110.9%)	100%
2208.50.93	Gin and Geneva	NPR 2,000/l (AVE = 174.9%)	100%
2208.60.91	Vodka	NPR 2,000/l (AVE = 119.1%)	100%
2208.60.93	Vodka	NPR 2,000/l (AVE = 154.7%)	100%
2208.70.93	Liquors and cordials	NPR 2,000/l (AVE = 121.2%)	100%
2208.90.93	Other liquor	NPR 2,000/l (AVE = 149.3%)	100%
2208.90.94	Other liquor	NPR 2,000/l (AVE = 109.2%)	100%
2208.90.95	Other liquor	NPR 2,000/l (AVE = 134.7%)	100%
2208.90.96	Other liquor	NPR 2,000/l (AVE = 127.2%)	100%
2619.00.00	Slag dross	NPR 1,000/mt (AVE = 22.5%)	15%
2621.10.00	Ash from the incineration of municipal waste	NPR 1,000/mt (AVE = 40.4%)	15%
2621.90.00	Other slag and ash	NPR 1,000/mt (AVE = 46.2%)	15%

a Only those for which AVEs are available are taken into account.

Source: WTO, based on data received by the authorities.

Table A3.3 List of agricultural products subject to agriculture reform fees, for the import from India and the Tibet Autonomous Region of China where no customs duty is levied

Products
5% agriculture reform fees:
0101.21.00, 0101.29.00, 0101.30.00, 0101.90.00, 0102.21.00, 0102.29.00, 0102.31.00, 0102.39.00, 0102.90.00, 0103.10.00, 0103.91.00, 0103.92.00, 0104.10.00, 0105.11.00, 0105.12.00, 0105.13.00, 0105.14.00, 0105.15.00, 0106.11.00, 0106.12.00, 0106.13.00, 0106.14.00, 0106.19.00, 0106.20.00, 0106.31.00, 0106.32.00, 0106.33.00, 0106.39.00, 0106.41.00, 0106.49.00, 0106.90.00, 0506.10.00, 0506.90.00, 0601.10.00, 0601.20.00, 0602.10.00, 0602.20.00, 0602.30.00, 0602.40.00, 0602.90.00, 0604.20.00, 0604.90.00, 0705.11.00, 0705.19.00, 0705.21.00, 0705.29.00, 0710.40.00, 0711.20.00, 0712.33.00, 0801.12.00, 0801.19.00, 0804.20.10, 0806.10.00, 0809.10.00, 0809.21.00, 0809.29.00, 0810.20.00, 0810.40.00, 0810.50.00, 0810.60.00, 1001.11.00 ^a , 1001.19.00, 1001.91.00 ^a , 1001.99.00, 1002.10.00, 1002.90.00, 1003.10.00, 1003.90.00, 1004.10.00, 1004.90.00, 1005.10.00 ^a , 1005.90.00, 1006.10.10 ^a , 1006.10.90, 1007.10.00, 1007.90.00, 1008.10.00, 1008.21.00, 1008.29.00, 1008.30.00, 1008.40.00, 1008.50.00, 1008.60.00, 1008.90.00, 1207.21.00, 1207.29.00, 1208.10.00, 1208.90.00, 1209.10.00, 1209.21.00, 1209.22.00, 1209.23.00, 1209.24.00, 1209.25.00, 1209.29.00, 1209.30.00, 1209.91.10 ^a , 1209.91.20 ^a , 1209.91.30 ^a , 1209.91.40 ^a , 1209.91.50 ^a , 1209.91.90 ^a , 1209.99.00, 1210.10.00, 1210.20.00, 1211.20.00, 1211.30.00, 1211.40.00, 1211.50.00, 1211.60.00, 1211.90.10, 1211.90.90, 1213.00.00, 1214.10.00, 1214.90.00, 1401.10.00, 1401.20.00, 1401.90.00, 1404.20.00, 1404.90.40, 1404.90.91, 1404.90.99, 1521.90.00
9% agriculture reform fees:
0104.20.00, 0105.94.00, 0105.99.00, 0301.11.00, 0301.19.00, 0301.91.00, 0301.92.00, 0301.93.00, 0301.94.00, 0301.95.00, 0301.99.00, 0302.11.00, 0302.13.00, 0302.14.00, 0302.19.00, 0302.21.00, 0302.22.00, 0302.23.00, 0302.24.00, 0302.29.00, 0302.31.00, 0302.32.00, 0302.33.00, 0302.34.00, 0302.35.00, 0302.36.00, 0302.39.00, 0302.41.00, 0302.42.00, 0302.43.00, 0302.44.00, 0302.45.00, 0302.46.00, 0302.47.00, 0302.49.00, 0302.51.00, 0302.52.00, 0302.53.00, 0302.54.00, 0302.55.00, 0302.56.00, 0302.59.00, 0302.71.00, 0302.72.00, 0302.73.00, 0302.74.00, 0302.79.00, 0302.81.00, 0302.82.00, 0302.83.00, 0302.84.00, 0302.85.00, 0302.89.00, 0302.91.00, 0302.92.00, 0302.99.00, 0303.11.00, 0303.12.00, 0303.13.00, 0303.14.00, 0303.19.00, 0303.23.00, 0303.24.00, 0303.25.00, 0303.26.00, 0303.29.00, 0303.31.00, 0303.32.00, 0303.33.00, 0303.34.00, 0303.39.00, 0303.41.00, 0303.42.00, 0303.43.00, 0303.44.00, 0303.45.00, 0303.46.00, 0303.49.00, 0303.51.00, 0303.53.00, 0303.54.00, 0303.55.00, 0303.56.00, 0303.57.00, 0303.59.00, 0303.63.00, 0303.64.00, 0303.65.00, 0303.66.00, 0303.67.00, 0303.68.00, 0303.69.00, 0303.81.00, 0303.82.00, 0303.83.00, 0303.84.00, 0303.89.00, 0303.91.00, 0303.92.00, 0303.99.00, 0304.31.00, 0304.32.00, 0304.33.00, 0304.39.00, 0304.41.00, 0304.42.00, 0304.43.00, 0304.44.00, 0304.45.00, 0304.46.00, 0304.47.00, 0304.48.00, 0304.49.00, 0304.51.00, 0304.52.00, 0304.53.00, 0304.54.00, 0304.55.00, 0304.56.00, 0304.57.00, 0304.59.00, 0304.61.00, 0304.62.00, 0304.63.00, 0304.69.00, 0304.71.00, 0304.72.00, 0304.73.00, 0304.74.00, 0304.75.00, 0304.79.00, 0304.81.00, 0304.82.00, 0304.83.00, 0304.84.00, 0304.85.00, 0304.86.00, 0304.87.00, 0304.88.00, 0304.89.00, 0304.91.00, 0304.92.00, 0304.93.00, 0304.94.00, 0304.95.00, 0304.96.00, 0304.97.00, 0304.99.00, 0401.10.00, 0401.20.00, 0401.40.00, 0401.50.00, 0407.11.00, 0407.19.00, 0407.21.00, 0407.29.00, 0407.90.00, 0409.00.10, 0603.11.00, 0603.12.00, 0603.13.00, 0603.14.00, 0603.15.00, 0603.19.00, 0603.90.00, 0701.10.00, 0701.90.00, 0702.00.00, 0703.10.00, 0703.20.00, 0703.90.00, 0704.10.00, 0704.20.00, 0704.90.00, 0706.10.00, 0706.90.00, 0707.00.00, 0708.10.00, 0708.20.00, 0708.90.00, 0709.20.00, 0709.30.00, 0709.40.00, 0709.51.00, 0709.59.00, 0709.60.00, 0709.70.00, 0709.91.00, 0709.92.00, 0709.93.00, 0709.99.00, 0710.10.00, 0710.21.00, 0710.22.00, 0710.29.00, 0710.30.00, 0710.80.00, 0710.90.00, 0711.40.00, 0711.51.00, 0711.59.00, 0711.90.00, 0712.20.00, 0712.31.00, 0712.32.00, 0712.39.00, 0712.90.90, 0713.39.00, 0713.40.10, 0713.40.90, 0713.50.00, 0713.90.10, 0713.90.90, 0803.10.00, 0803.90.00, 0804.30.00, 0804.40.00, 0804.50.10, 0804.50.20, 0804.50.30, 0805.10.00, 0805.21.00, 0805.22.00, 0805.29.00, 0805.40.00, 0805.50.00, 0805.90.00, 0807.11.00, 0807.19.00, 0807.20.00, 0808.10.00, 0808.30.00, 0808.40.00, 0809.30.00, 0809.40.00, 0810.10.00, 0810.30.00, 0810.70.00, 0810.90.10, 0810.90.20, 0810.90.90, 0910.11.10, 0910.30.10, 1006.20.00, 1006.30.10, 1006.30.90, 1006.40.00, 1101.00.00, 1102.20.00, 1102.90.00, 1103.11.10, 1103.11.90, 1103.13.00, 1103.19.00, 1103.20.00, 1104.12.00, 1104.19.00, 1104.22.00, 1104.23.00, 1104.29.00, 1104.30.00, 1201.10.00, 1201.90.00, 1202.30.00, 1202.41.00, 1202.42.00, 1206.00.00, 1207.40.00, 1207.99.00, 1212.91.00, 1212.92.00, 1212.93.00, 1212.94.00, 1212.99.00, 1701.13.10, 1701.14.10, 2304.00.00, 2305.00.00, 2306.10.00, 2306.20.00, 2306.30.00, 2306.41.00, 2306.49.00, 2306.50.00, 2306.60.00, 2306.90.00

a For wheat seeds, maize seeds, paddy seeds, vegetable seeds, when imported with a recommendation from the Seed Quality Control Centre, the agriculture reform fee is only 1%.

Source: Customs Tariff Act, 2024 (Nepali Version): Annex 6.

Table A3.4 Tariff lines subject to export duties, FY2024/2025

Hs code	Description	Export duty
1001.11.00	Durum wheat: seed	Rs.1 per kg
1001.19.00	Durum wheat: other than seed	Rs.1 per kg
1001.91.00	Wheat (other than durum) and meslin: seed	Rs.1 per kg
1001.99.00	Wheat (other than durum) and meslin: other than seed	Rs.1 per kg
1005.10.00	Maize (corn): seed	Rs.1 per kg
1005.90.00	Maize (corn): other than seed	Rs.1 per kg
1006.10.10	Rice in the husk (paddy or rough): seed	Rs.1 per kg
1006.10.90	Rice in the husk (paddy or rough): other than seed	Rs.1 per kg
1006.20.00	Husked (brown) rice	Rs.1 per kg
1006.30.00	Wholly milled rice, whether or not polished or glazed	Rs.1 per kg
1006.40.00	Broken rice	Rs.1 per kg
1211.90.10	Yarchagumba	Rs.5,000 per kg
1211.90.90	Certain other plants	Rs.1 per kg
1404.90.10	Semi-processed Catechu of acacia (liquid Kaththha)	Rs.7 per kg
1404.90.20	Catechu of acacia (Kaththha)	Rs.5 per kg
1404.90.50	Rudrakshya	Rs.1 per kg
1404.90.60	Skin of Argeli	Rs.1 per kg
1404.90.70	Soapnut	Rs.1 per kg
1404.90.90	Other vegetable products, n.e.s.	Rs.5 per kg
2106.90.20	Pan Masala without tobacco	Rs.40 per kg
2106.90.60	Scented areca nuts without tobacco	Rs.25 per kg
2304.00.00	Oil-cake (...), resulting from the extraction of soybean oil	Rs.0.5 per kg
2305.00.00	Oil-cake (...), resulting from the extraction of ground-nut oil	Rs.0.5 per kg
2306.20.00	Oil-cake (...), resulting from the extraction of linseed	Rs.1 per kg
2306.41.00	Oil-cake (...), resulting from the extraction of low erucic acid rape or colza seeds	Rs.0.5 per kg
2306.90.00	Oil-cake (...), resulting from the extraction of other rape or colza seeds	Rs.1 per kg
2403.99.10	Jarda, Khaini (...) and similar preparations containing chewing tobacco	Rs.50 per kg
2403.99.91	Manufactured tobacco: Hukkah flavour	Rs.50 per kg
2403.99.99	Manufactured tobacco: other	Rs.50 per kg
2505.10.00	Silica sand and quartz sand	Rs.1,200 per cubic metre
2505.90.00	Other natural sands	Rs.1,200 per cubic metre
2514.00.00	Slate	Rs.1,200 per cubic metre
2516.20.10	Stones and pebbles up to the size 2.5 inches	Rs.600 per cubic metre
2516.20.20	Stones of a size more than 2.5 inches	Rs.1,200 per cubic metre
2516.20.30	Mixture of crushed or uncrushed stones and sand	Rs.1,200 per cubic metre
2517.10.10	Aggregates and pebbles up to the size 2.5 inches	Rs.600 per cubic metre
2517.10.20	Stones of a size more than 2.5 inches	Rs.1,200 per cubic metre
2517.10.30	Mixture of crushed or uncrushed stones and sand	Rs.1,200 per cubic metre
2517.20.10	Aggregates and pebbles up to the size 2.5 inches	Rs.600 per cubic metre
2517.20.20	Stones of a size more than 2.5 inches	Rs.1,200 per cubic metre
2517.49.11	Dust of stones, produced by crusher industry	Rs.600 per cubic metre
2517.49.91	Other granules, chippings, and powder of stones, produced by crusher industry	Rs.600 per cubic metre
2519.10.00	Natural magnesium carbonate (magnesite)	Rs.600 per cubic metre
2519.90.00	Fused magnesia; dead-burned magnesia, other magnesia oxide	Rs.600 per cubic metre
2526.10.00	Natural steatite not crushed, not powdered	Rs.1.5 per kg
3902.10.00	Polymers of propylene or of other olefins, in primary forms	Rs.5 per kg
3902.20.00	Polymers of propylene or of other olefins, in primary forms	Rs.5 per kg
3902.30.00	Polymers of propylene or of other olefins, in primary forms	Rs.5 per kg
3902.90.00	Polymers of propylene or of other olefins, in primary forms	Rs.5 per kg
3915.10.00	Waste, parings and scrap, of plastics	Rs.5 per kg
3915.20.00	Waste, parings and scrap, of plastics	Rs.5 per kg
3915.30.00	Waste, parings and scrap, of plastics	Rs.5 per kg
3915.90.00	Waste, parings and scrap, of plastics	Rs.5 per kg
4012.20.00	Used pneumatic tyres, of rubber	Rs.5 per kg
4401.11.00	Fuel wood, in logs, in billets, etc.: coniferous	50%
4401.19.00	Fuel wood, in logs, in billets, etc.: non-coniferous	50%
4401.21.00	Wood in chips or particles: coniferous	50%
4401.22.00	Wood in chips or particles: non-coniferous	50%
4403.11.00	Wood in the rough	50%
4403.12.00	Wood in the rough	50%
4403.21.00	Wood in the rough	50%
4403.22.00	Wood in the rough	50%
4403.23.00	Wood in the rough	50%
4403.24.00	Wood in the rough	50%
4403.25.00	Wood in the rough	50%
4403.26.00	Wood in the rough	50%
4403.41.00	Wood in the rough	50%
4403.42.00	Wood in the rough	50%
4403.49.00	Wood in the rough	50%
4403.91.00	Wood in the rough	50%
4403.93.00	Wood in the rough	50%
4403.94.00	Wood in the rough	50%
4403.95.00	Wood in the rough	50%
4403.96.00	Wood in the rough	50%
4403.97.00	Wood in the rough	50%
4403.98.00	Wood in the rough	50%
4403.99.10	Wood in the rough	50%

Hs code	Description	Export duty
4403.99.90	Wood in the rough	50%
4404.10.00	Certain wood: coniferous	50%
4404.20.00	Certain wood: non-coniferous	50%
4405.00.00	Wood wool; wood flour	50%
4406.11.00	Railway or tramway sleepers of wood	50%
4406.12.00	Railway or tramway sleepers of wood	50%
4406.91.00	Railway or tramway sleepers of wood	50%
4406.92.00	Railway or tramway sleepers of wood	50%
4407.11.00	Wood sawn or chipped lengthwise (...) of a thickness exceeding 6 mm	50%
4407.12.00	Wood sawn or chipped lengthwise (...) of a thickness exceeding 6 mm	50%
4407.13.00	Wood sawn or chipped lengthwise (...) of a thickness exceeding 6 mm	50%
4407.14.00	Wood sawn or chipped lengthwise (...) of a thickness exceeding 6 mm	50%
4407.19.00	Wood sawn or chipped lengthwise (...) of a thickness exceeding 6 mm	50%
4407.21.00	Wood sawn or chipped lengthwise (...) of a thickness exceeding 6 mm	50%
4407.22.00	Wood sawn or chipped lengthwise (...) of a thickness exceeding 6 mm	50%
4407.23.00	Wood sawn or chipped lengthwise (...) of a thickness exceeding 6 mm	50%
4407.25.00	Wood sawn or chipped lengthwise (...) of a thickness exceeding 6 mm	50%
4407.26.00	Wood sawn or chipped lengthwise (...) of a thickness exceeding 6 mm	50%
4407.29.00	Wood sawn or chipped lengthwise (...) of a thickness exceeding 6 mm	50%
4407.91.00	Wood sawn or chipped lengthwise (...) of a thickness exceeding 6 mm	50%
4407.92.00	Wood sawn or chipped lengthwise (...) of a thickness exceeding 6 mm	50%
4407.96.00	Wood sawn or chipped lengthwise (...) of a thickness exceeding 6 mm	50%
4407.97.00	Wood sawn or chipped lengthwise (...) of a thickness exceeding 6 mm	50%
4407.99.00	Wood sawn or chipped lengthwise (...) of a thickness exceeding 6 mm	50%
4408.10.00	Sheets for veneering (...) of a thickness not exceeding 6 mm	Rs.6 per kg
4408.31.00	Sheets for veneering (...) of a thickness not exceeding 6 mm	Rs.6 per kg
4408.39.00	Sheets for veneering (...) of a thickness not exceeding 6 mm	Rs.6 per kg
4408.90.00	Sheets for veneering (...) of a thickness not exceeding 6 mm	Rs.6 per kg
4707.10.00	Recovered (waste and scrap) paper or paperboard	Rs.10 per kg
4707.20.00	Recovered (waste and scrap) paper or paperboard	Rs.10 per kg
4707.30.00	Recovered (waste and scrap) paper or paperboard	Rs.10 per kg
4707.90.00	Recovered (waste and scrap) paper or paperboard	Rs.10 per kg
7204.10.00	Ferrous waste and scrap; remelting scrap ingots of iron or steel	Rs.10 per kg
7204.21.00	Ferrous waste and scrap; remelting scrap ingots of iron or steel	Rs.10 per kg
7204.29.00	Ferrous waste and scrap; remelting scrap ingots of iron or steel	Rs.10 per kg
7204.30.00	Ferrous waste and scrap; remelting scrap ingots of iron or steel	Rs.10 per kg
7204.41.00	Ferrous waste and scrap; remelting scrap ingots of iron or steel	Rs.10 per kg
7204.49.00	Ferrous waste and scrap; remelting scrap ingots of iron or steel	Rs.10 per kg
7204.50.00	Ferrous waste and scrap; remelting scrap ingots of iron or steel	Rs.10 per kg
7404.00.00	Copper waste and scrap	Rs.10 per kg
7602.00.00	Aluminium waste and scrap	Rs.10 per kg
7902.00.00	Zinc waste and scrap	Rs.10 per kg
8002.00.00	Tin waste and scrap	Rs.10 per kg
8545.00.00	Electrical parts of machinery not specified elsewhere in Chapter 85	Rs.10 per kg
8549.11.00	Electrical and electronic waste and scrap	Rs.10 per kg
8549.12.00	Electrical and electronic waste and scrap	Rs.10 per kg
8549.13.00	Electrical and electronic waste and scrap	Rs.10 per kg
8549.14.00	Electrical and electronic waste and scrap	Rs.10 per kg
8549.19.00	Electrical and electronic waste and scrap	Rs.10 per kg
8549.21.00	Electrical and electronic waste and scrap	Rs.10 per kg
8549.29.00	Electrical and electronic waste and scrap	Rs.10 per kg
8549.31.00	Electrical and electronic waste and scrap	Rs.10 per kg
8549.39.00	Electrical and electronic waste and scrap	Rs.10 per kg
8549.91.00	Electrical and electronic waste and scrap	Rs.10 per kg
8549.99.00	Electrical and electronic waste and scrap	Rs.10 per kg

Source: Government of Nepal, Ministry of Finance, Department of Customs, Customs Tariff FY2024/2025.

Table A4.1 Fiscal concessions for different industries under the IEA, 2020

Fiscal concessions for different industries	
A. Income tax concessions	
Industry	Concessions
Manufacturing industries	20% exemption on the rate of tax imposed on the income earned from such industries
Industries investing in construction of roads, bridge, tunnel, ropeway, railway, tram, trolleybus, airport, industrial structure, and infrastructural complex and bringing such constructions into operation	40% exemption on the rate of tax imposed on the income earned from operation of such infrastructures
Manufacturing industries except those producing fruits based cider, brandy or wine established in underdeveloped, undeveloped, and less developed region	90%, 80% and 70% exemption on rate of the income tax for up to 10 years from the date of commencement of commercial production or transaction
Manufacturing industries producing fruit based cider, brandy or wine established in any underdeveloped region	40% exemption on the income tax for up to 10 years from the date of commencement of business
Manufacturing industries set up with the investment of at least NPR1 billion and providing direct employment to more than 500 individuals throughout the year	100% income tax exemption for first 5 years from the date of commencement of business 50% exemption on the income tax for next 3 years Industries already in operation are entitled to the above stated exemption in case such industries enhance their installed capacity by at least 25%, increase investment to 1 billion and provide direct employment to 500 individuals throughout the year
Individuals or entities obtaining approval to commercially generate transmit or distribute Hydroelectricity by mid-April 2024	100% income tax exemption for first 10 years. 50% income tax exemption for next 5 years. Such exemption is entitled to solar, wind and bio mass energy as well. In case of industries that have already begun commercial production at the time of commencement of this Act, the exemptions applicable at the time of receiving approval would be applicable
Industries conducting research and excavation of natural gas and fuel commercially, if commence the commercial transaction by mid-April 2019	100% Income tax exemption for first 7 years from the date of commencement of transaction 50% exemption on the income tax for next 3 years
Industries relating to tourism sector established with the investment of above NPR 2 billion	100% Income tax exemption for the first 5 years from the date of commencement of commercial transaction. 50% exemption on rate of income tax for next 3 years. Such industries already in operation are entitled to the above stated exemption in case such industries enhance their installed capacity by 25%, increase investment to NPR 2 billion
Tourism industry including hotel, resort etc. established outside the metropolitan or sub-metropolitan area with the investment of more than NPR 50 million	100% income tax exemption for the first 5 years from the date of commencement of commercial transaction. 50% exemption on rate of income tax for next 3 years
Industries related to software development, data processing, cyber café and digital mapping established inside technology park, bio-tech park and information technology park specified by the Government and published in the Nepal Gazette	50% exemption on tax imposed on income of such industries
Manufacturing industries and Information and communication technology industries employing 300 or more Nepalese throughout the years	15% exemption on tax imposed on income of such industries on that year (additional 15% exemption on income tax on that year in case the industry has 50% of its employees from among women, scheduled caste, and disabled persons)
Manufacturing industries and information and communication technology industries employing 1,200 or more Nepalese throughout the year	25% exemption on tax imposed on income of such industries on that year (additional 15% exemption on income tax on that year in case the industry has 50% of its employees from among women, scheduled caste, and disabled persons)
Manufacturing Industries exporting goods or commodities produced	25% exemption on the rate of tax imposed on the income earned

Fiscal concessions for different industries	
All industries	<p>Expenses made by industries for long-term welfare and benefit of employees or workers such as housing, life insurance, health facility, education and training, child care, sports etc. can be deducted for purpose of income tax.</p> <p>Expenses made for equipment & technology used to reduce or control the pollution or re-processing or reuse of wastages can be deducted up to 50% of the adjusted taxable income of the same fiscal year.</p> <p>In case the expenses cannot be deducted in full the remaining amount is allowed to capitalize the depreciation on which may be claimed in the subsequent fiscal year.</p> <p>Expenses incurred for the machine or equipment used for reducing power consumption can be deducted for the purpose income tax.</p> <p>The costs incurred for increasing entrepreneurship, research and development and creation of new technology for enhancing the productivity of the industry can be deducted while calculating taxable income for an income year from business provided that such deduction does not exceed 50% of the adjusted taxable income from all business of the industry.</p> <p>In case the expenses cannot be deducted in full the remaining amount is allowed to capitalize the depreciation on which may be claimed in the subsequent fiscal year.</p> <p>Costs incurred in market promotion, survey and advertisement relating to the business can be deducted for the purpose of income tax.</p> <p>Costs incurred for the security of the physical assets as prescribed and actual premium paid for insurance can be deducted for the purpose of income tax.</p> <p>Costs incurred for the protection of industrial property in Nepal which is registered in Nepal can be deducted for the purpose of income tax.</p> <p>25% exemption on the rate of income tax on royalty received from export of Intellectual Property created and registered in Nepal.</p> <p>50% exemption on the rate of income tax on income earned from transfer or sale of intellectual property created by the industry.</p> <p>Government of Nepal may reimburse the registration fee paid to register the intellectual property in foreign country for its protection in the manner as prescribed by Nepal Government.</p> <p>Gifts or donations given to tax exempted organization can be deducted up to NPR 100,000 or 5% of adjusted taxable income of the industry, whichever is less.</p> <p>The Government of Nepal may also provide other exemptions by publishing a notice in the Nepal Gazette.</p>
Industries established inside an Industrial Estate	Local taxes including unified property tax is not levied.
B. VAT Exemptions	
Industry	Benefits
All industries	VAT imposed on production is reimbursed if such goods are exported, based on the quantity of export.
C. Customs Duty Exemption	
Industry	Benefits
Industries not having bonded warehouse or passbook facility	The Government of Nepal may refund the amount of duty draw back in export of goods after determining the aggregate of costs incurred in import as prescribed in the Nepal Gazette.
Industries not having bonded warehouse approval exporting goods through existing banking channel or letter of credit or selling such goods in domestic market in convertible currency	Raw materials or auxiliary raw materials as well as packaging materials that are not produced in Nepal can be imported by furnishing the required guarantees under prescribed conditions and procedures. However, in case of packaging materials not produced in Nepal, a recommendation is required from IRD to enjoy such benefit.
Laboratories for quality assurance	The customs duty levied in the import of such raw materials, auxiliary raw materials and packaging materials required for production shall be one level below the existing custom duty rate in import of finished goods using such materials.
All industries	Customs duty is levied in the minimum rate for the import of machinery and scientific devices that re being imported to ensure quality as well as such machinery and equipment imported by industries for research and development.
All industries	Customs duty is levied in the minimum rate on import of machinery, transformers, generators having a capacity of 10 kilowatt and other industrial devices imported by an industry for commercial purpose.
D. Customs Duty Exemption	
Notwithstanding anything mentioned in existing acts, no fees or charges is levied on registration of micro industry pursuant to this Act.	
Micro – industries already under operation at the time of commencement of this Act are entitled to 100% income tax exemption for at least five years from the date of commencement of this Act.	
Micro-industries registered and operating pursuant to this Act are entitled to 100% income tax exemption for at least 5 years from the date of commencement of commercial transaction.	
E. Additional Benefits for Female Entrepreneurs. Industries registered under the ownership of female entrepreneurs only are entitled to following additional benefits and concessions	
35% exemption in existing industry registration fees.	
20% exemption in existing rate of registration of industrial property used inside the industries.	
Female entrepreneur shall be prioritized while allocating the areas inside industrial estate.	

Fiscal concessions for different industries
In case such industries require loan for exporting produced goods, export loan will be provided to the industry depending upon the financial status of the transaction of the industry.
F. Other Exemptions and Facilities
Industries based on forest products can be given possessory right pursuant to existing laws over forest in any region through lease or other promissory guarantee under prescribed conditions.
No fees or royalty pursuant to the existing laws shall be applicable in electricity produced by industry for its own consumption.
Such industry willing to sell surplus electricity to any other industry, may sell so pursuant to existing laws in the rate agreed upon by both parties.
Government of Nepal may provide additional exemptions and facilities to export based industries and prescribed industries established inside SEZ or inside Government or private industrial estate by publishing notice in the Nepal Gazette.
Government of Nepal may provide additional exemptions and facilities by publishing a notice in the Nepal Gazette to national priority industries or industry making optimum use of domestic raw materials, labour or skill or industries established by inventing new technology or goods inside Nepal upon recommendation of Industries and Investment Promotion Board.
Government of Nepal may provide exemptions in demand charge added in electricity cost under prescribed conditions and procedures.
Government of Nepal may provide aid assistance as seed capital to cooperatives, micro industry, small and cottage industries to establish industries inside under developed region under prescribed conditions.
Industries operating under Foreign Investment may be given approval to import goods produced by the head office located in foreign countries for production, market development and promotion of new goods for a prescribed period under prescribed terms and conditions.

Note: Industries based on tobacco, liquor and kachha or katha are not entitled to any of the exemptions or facilities listed above. However, such industries may deduct actual expenses incurred in business promotion activities including long-term welfare and benefit of employees or workers, in reducing or controlling pollution, re-processing of waste materials, in technologies and devices used reducing environment effects, in machine or equipment used for reducing power consumption, research and development expenses. In case an industry qualifies for more than one exemption in respect to similar income from among those listed above, the industry is only entitled to one exemption. Such industry is entitled to select the applicable exemption.

Source: Information provided by the authorities.
