

General Assessment trade related procedures and requirements with specific reference to trade between Nepal and the EU partner

Hand book for import / export compliance, procedures and documentation

Compiled By:

1. European Economic Chamber of Trade, Commerce and Industry (EEC) - Nepal
2. The Danish Federation of Small and Medium-Sized Enterprises (DFSME), Denmark
3. London Chamber of Commerce and Industry (LCCI), Great Britain
4. Federation of National Cottage and Small Industries Nepal (FNCSIN), Nepal
(Now known as Federation of Small and Medium Enterprises – Nepal) FSME-Nepal

In Coordination with 15 Direct Beneficiaries

1. District Committee Dolkha - (FNCSIN)
2. District Committee Dhading - (FNCSIN)
3. District Committee Bhaktapur - (FNCSIN)
4. District Committee Kathmandu - (FNCSIN)
5. District Committee Makwanpur - (FNCSIN)
6. Itahari Chamber of Commerce and Industry
7. Baglung Chamber of Commerce and Industry
8. Nuwakot Chamber of Commerce and Industry
9. Darchula Chamber of Commerce and Industry
10. Nepalgunj Chamber of Commerce and Industry
11. Floriculture Association Nepal
12. Lalitpur Handicraft Association
13. Rupandehi Industry Association
14. Nepal Carpet Exporters Association
15. Nepal Coffee Producers Association

Enhancing the Capacity of Intermediary Business Organizations in Nepal
(ECIBON PROJECT)

Funded by the European Union
Implemented by European Economic Chamber (EEC) – Nepal

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MESSAGE

Export trade is a major source of national economic growth for any nation contributing to generate foreign exchange and employment. The intermediary business organizations (IBOs) of Nepal have been complaining over the years of not finding proper information on export procedures and documentation process.

Trade overseas needs the support of export documents. Both sellers and buyers must explain what they are selling and must know what they are buying. Thereafter they bring in foreign currency to the country. Marketing and salesmanship are important components of trade. When export trade increases, the exporter makes profits as well as lending support to the country's economy. The export trade therefore helps the overall development of the country. This is only possible with the support of export documents. This book has been compiled for an easy reference and quick understanding of exporters.

We are optimistic that this publication will come in handy for all those who wish to export.

We sincerely acknowledge the valuable cooperation extended by the European Union by providing necessary grants for the success of ECIBON Project. On the same note would like to express my special thanks to project partners: London Chamber of Commerce & Industry (LCCI), The Danish Federation of Small and Medium – Sized Enterprises (DFSME) and Federation of National Cottage and Small Industries (FNCSIN) who have provided valuable guidance and support in compiling this publication.

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FOREWORD

This handbook has been put together by EEC – Nepal as part of the ECIBON project and is designed to enable Intermediary Business Organizations to help their members better understand the many technical aspects of buying and selling goods and services beyond Nepal's borders. In my experience with Nepalese businesses and their potentially exportable products over the past two years I have been convinced that there is great scope for development. There is enthusiasm and expertise in evidence in private companies, government departments, chambers of commerce and trade associations and this handbook will support their activities in trade promotion.

In the fullness of time I would encourage Nepal to become a part of the ATA Carnet network to further facilitate business and send out a message that the country is open for, and serious about, international business. For now I welcome this addition to international trade literature and commend it to Nepalese businesses keen to engage in export and import.

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ECIBON PROJECT: An Introduction

ECIBON Project was established to enhance the capacity of the Intermediate Business Organizations (IBOs) in order to help the small and medium enterprises (SMEs) from Nepal by undertaking certain activities. The project is funded by the European Union under Asia Invest program of the European Commission.

Aim

To make Nepalese IBOs better equipped to service local SMEs and European intermediary counterparts to facilitate trade between Europe and Asia (Nepal).

Overall objectives:

In Nepal, the business development services provided by the government institutions are found to be supply-driven. Even government service providers are not aware about the present business needs and reality. They follow traditional approaches and methods and their services are more theoretical than practical. Furthermore, lengthy procedure and bureaucratic hassles create a negative impression of their business development services. Therefore, recently some of the IBOs started to provide business development services, which found to be effective compared to services provided by the government institutions. However, this is a new role for IBOs and their capacity needs to be developed in this respect. They need to be furnished with additional expertise on trade with foreign markets, exposure within and outside Nepal, strengthened networks within and outside Nepal and information provision.

This has resulted in the following overall objectives: 'Enhancing the capacity of Intermediary Business Organizations within the private sector of Nepal and reinforce new business development opportunities between Nepal and Europe'

Project purpose:

To make Nepalese Intermediary Business Organizations better equipped to service local businesses as well as their European intermediary counterparts in order to facilitate trade between Europe and Asia by:

- 1) Capacity-building
- 2) Policy analyses & information provision
- 3) The development of new business opportunities through networking.

Target group

At least 15 Nepalese business IBOs whose capacity can be strengthened through training, information provision and a strengthened and broadened network.

Activities

Courses / seminars on different subjects related to trade between Nepal and Europe of which 6 in Nepal and one in London; an assessment of opportunities for potential trade and trade-related procedures and requirements with reference to trade between Nepal and the EU. The establishment of a Nepalese and international IBO-network.

- *Capacity-building:*

SMEs in LDCs, producing products and services with applying -to great extent- outdated technologies, have been facing tough competition due to imported products. The situation may further be worsened in the days to come because they have to compete with international competitors due to further globalization, the widening free trade and phasing out of tariff barriers. The changes that have been taking place in the international economic scenario have definitely brought challenges for the SMEs in LDCs. The problems faced by these SMEs are more or less similar in nature. The major constraints faced by them are in the fields of trade promotion / marketing services; opportunities and legislation as well as procedures related to foreign markets; international networking & match-making, management & administration and technology.

However, the changes that have taken place, have also opened up tremendous business and market opportunities for the SME-sector of LDCs. Therefore, institutional capacity building is key to the sustainable development of SMEs. To meet the challenges of the contemporary global economy SMEs should be strengthened in the fields as mentioned above. IBOs play a crucial role in facilitating a sustainable manner of capacity building of these SMEs.

- *Policy analyses & information provision:*

Situated in between the world's two largest growing economies of India and China, Nepal offers good economic prospects especially in the field of manufacturing and export, mining, tourism, IT and service industries. Hence, Nepal offers an attractive economy with favorable conditions for the global trade arena. However, due to the rather limited information flow to Nepal over the decades as well as the lack of financial resources to promote Nepal's market opportunities on a global scale, Nepal has not been able to take advantage of its strategic location and its available resources. Due to the developments in IT over the last decade, such as the availability of internet and e-mail, these two restrictions have clearly become opportunities for Nepal. Through the use of e-mail and internet information between Nepal and other countries in the world can be exchanged easily, rapidly and without major financial impacts. It has now become important to use new technologies to make existing knowledge on foreign trade easily available in Nepal and to make Europe aware of the trade opportunities that Nepal offers and vice versa. This task is one of the major current challenges of Nepalese IBOs.

- *The development of new business opportunities through networking:*

Over the past decade the economies of South Asia, particularly, India and China, have been opening up their markets and in the process have achieved significant gains in exports and economic growth. In conjunction with this increased economic integration there has been increased recognition by regional governments of the potential for a substantial increase in the participation of SMEs in the generation of regional income, employment, exports, investment and economic growth. In addition, developing economies are especially seeing SMEs as potential instruments for the alleviation of poverty.

As the world is becoming a global economy there has been a growing recognition of the need for the Asian economies to engage in comprehensive restructuring of their corporate

sectors, with the objective of developing transparent and globally competitive enterprises. The SME-sector of Nepal can play a key role in the attainment of this objective since it is one of the most important sectors of Nepal that contributes significantly to the gross domestic product (GDP), creates employment and earns foreign currency through export. As representatives of Nepalese SMEs the IBOs are excellent representatives of the numerous Nepalese SMEs at the international stage.

The partnership composition

1. European Economic Chamber of Trade, Commerce and Industry (EEC)-Nepal
2. Federation of National Cottage and Small Industries Nepal (FNCSIN), Nepal
3. London Chamber of Commerce and Industry (LCCI), Great Britain
4. The Danish Federation of Small and Medium-Sized Enterprises (DFSME), Denmark

The duration of the project

This Project would be implemented within the duration of 30 months (October 2007 – January 2010)

Direct Project Beneficiaries

1. District Committee Dolkha - (FNCSIN)
2. District Committee Dhading - (FNCSIN)
3. District Committee Bhaktapur - (FNCSIN)
4. District Committee Kathmandu - (FNCSIN)
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About ASIA INVEST

The Asia-Invest II Program is an initiative by the European Commission to promote and support business co-operation between the EU and Asia. The Program provides assistance to intermediary business organizations to facilitate mutually beneficial partnerships between companies, in particular small and medium-sized enterprises (SMEs), in the EU and South and South-East Asia and China; as well as to strengthen the business environment to increase trade and investment flows between the two regions. The Asia-Invest Program commenced in 1997, and has since entered a second phase of implementation from 2003 to 2007, with a Commission contribution of €35 million.

The Asia-Invest II Program is designed to help companies, in particular SMEs, internationalize their business strategies and to facilitate business co-operation between companies in the European Union (EU) and Asia.

The objectives of the Asia-Invest II Program are:

- Strengthening the EU's political and economic presence across Asia,
- Raising awareness of Europe in Asia and vice versa,
- Strengthening mutual trade and investment flows between the regions,
- Reinforcing the private sector and new business development opportunities,
- Enhancing the export capabilities and foreign direct investment prospects of the less developed countries in Asia (LDCs),
- Promoting integration of Asian countries into the Information Society,
- Promote the program in Mongolia and North Korea, which have become eligible to participate under Asia-Invest II,

PRIORITY ISSUES FOR THIS CALL

This Call for Proposals seeks proposals for economic co-operation projects that carry out the following types of activities:

- Matchmaking Activities between European and Asian SMEs, including the business preparation and follow-up that improve the quality of activities and facilitate the conclusion of partnership agreements.
- Asian Private Sector Development, in the form of technical assistance to Asian enterprises with strong potential for partnership with European companies.
- Institutional Reinforcement consisting of capacity building of Asian intermediary business organizations and enhanced networking with European counterparts including EU chambers of commerce in Asia.

The program comprises the following four components for which grant support may be offered:

VENTURE, INTERPRISE, TECHNICAL ASSISTANCE & ALLIANCE

Eligible countries are the 25 Member States of the European Union and 19 Asian countries:

EU: Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, United Kingdom

Asia: Afghanistan, Bangladesh, Bhutan, Cambodia, China, East Timor, India, Indonesia, Laos, Malaysia, Maldives, Mongolia, Nepal, North Korea, Pakistan, Philippines, Sri Lanka, Thailand, Vietnam

About EEC-Nepal

European Economic Chamber of Trade, Commerce and Industry – Nepal (EEC-Nepal) established in Kathmandu, Nepal was formally registered with the Government of Nepal, Central District Office, Kathmandu on 7 March 2005 (2061/11/24), registration number 455/061/062.

EEC-Nepal's strength as an organization mirrors the endeavors in bringing together diverse skills, experiences, culture, and perspectives in pursuit of a greater goal.

The chamber has also been registered with Social Welfare Council to give due status of NGO to support social activities in the country.

Objectives

To strengthen socio-economic ties between Nepal and the member states of the European Union. The Chamber endeavors to be a mediator between partners in the Internal Market and the Member States of the European Union and other European countries to enhance the business and social interactions between Nepal and European countries.

Goal

EEC-Nepal is optimistic in providing realistic solutions and information to develop human, natural and cultural resources to support health care provisions, safe environment, sustainable development and economic growth in the context of national priorities, making our visions of a better tomorrow come alive.

Mission Statement

Be Nepal's key business forum for information

- Contact with the European Union.
- Networking between European and Nepalese business and people.

Vision Statement

To become the most widely recognized organization between EU and Nepal

- For the promotion of commercial activities between Nepal and the European Union.

Services

- Organizing workshops
- Export / Import matchmaking
- Arranging visits of delegations of Nepalese companies to EU
- Inviting and hosting delegations of companies from the EU
- Coordinating information exchange between companies for technology transfers
- Providing statistical data on Nepal - European Union trade
- Conducting training programs
- Disseminating information on EU legislations such as anti - dumping, safety requirements, and other compliances
- Organising and / or helping Nepalese companies participate in International exhibitions

Role of EEC-Nepal

- Working as a business information pull for Nepalese and European SMEs.
- Arrange matchmaking event Between Nepalese and European SMEs
- Encourage and motivate Nepalese SMEs to participate in European Trade fair and Business conference.
- Promote Nepalese SMEs and their product in EU market.
- EEC-N recognize and appreciate the concept of fair trade.
- Promote joint Investment. (In comparative advantages sector for joint investment)

General Background: Executive Summary

What do you mean by export trade? What are its advantages?

The selling of goods, services and human skills in the international market and thereby, earning foreign currency is known as export trade.

The traders of each country compete among themselves on product, services, skills etc and export them in another country to earn profit. There after they bring in foreign currency to the country. Marketing and salesmanship are an important component of trade. When export trade increases, the exporter makes profit, parallelly lending support to the country's economy. Export trade helps overall development of the country.

What are the products which are in demand abroad and what are the products Nepal can comply with the cost and importing countries requirement?

Products in demand in the international market: Readymade Garments, Hand Knitted Woolen Carpets, Pashmina, leather and leather products, Silver jewellery, Nepali paper, handcrafted items, Pulses, Spices, tea, Coffee purified butter (Vegetable Ghee) Medicinal Herbs and essential oils, floriculture products, honey, Nepali Lokta paper and paper products, Raising turpentine etc:

Who can become an exporter?

Any firm that is registered as export firm with the government of Nepal can become an exporting firm. The firm could be a Private firm, joint venture firm, cooperation organization, Industry, SME's Medium or large Industry and companies.

How & Where do companies need to be registered in order to start business?

- The person or people willing to register their company should present the following documents in the office of the company registrar.
- An application in the format as per the 'ANUSUCHI 1' (Company Registration Form) along with a 5 rupees stamp attached to it. [Annex 01](#)
- Two copies of 'PRABANDHA PATRA' (Article of Association) in the format as per 'ANUSUCHI 2'. [Annex 02](#)
- Two copies of 'NIYAMAWALI' (Article of Memorandum) in the format as per 'ANUSUCHI 3'. [Annex 03](#)
- Attested copies of the citizenship certificates of the founder shareholders.
- In case of a public company, a copy of the agreement made among the founder members before the establishment of the company.
- In case of a private company, a copy of the mutual agreement (if any).
- If the founder company is a Nepali registered company, a copy of the company registration certificate, and a copy of the decision of the managing committee regarding details of the investment to be made upon the aspiring company, as well as the name and a copy of the citizenship certificate of the person representing the founding company.

Additional documents required for Company Registration by foreigner: A foreigner can also establish a company by receiving permission according to the act for establishing a company by investing within Nepal with the aim of profit making such a foreigner should present the following additional documents besides the ones mentioned above.

- A copy of the permit received from the concerned body to invest within Nepal according to the existing rules.
- In case of Industrial Company with joint investment, a copy of the joint-investment agreement issued and registered by the department of industries.
- In case of the foreigner being a single person, an attested copy of his passport, and in case of the foreigner being a company (legal body), an attested copy of the company registration certificate and a copy of the decision regarding details of the investment to be made upon the aspiring company by the founder and an attested copy of the passport of the person representing the founder company.
- Things to be considered while presenting the documents for company registration: While presenting the above mentioned documents to the office of the company registrar for the registration of the company, the following things should be considered:
- In case of a private company, there can be at least one and at most 50 founders. In case of a public company, there should be at least seven founder shareholders. But if a public company is establishing another public company, there is no need of seven founders.
- The 'PRABHANDA PATRA' (Article of Memorandum) and the 'NIYAMAWALI' (Article of Association) should be prepared in clear and correct Nepali language.
- All the founder shareholders should sign at the bottom of each page of the 'PRABHANDA PATRA' and 'NIYAMAWALI'. In the last page of the 'PRABHANDA PATRA' and the 'NIYAMAWALI', the full name, address, number of shares agreed upon for buying and the signature of the founder shareholders as well as the full name, address and signature of one witness each for a shareholder should be included. In the end page of the 'PRABHANDA PATRA' and the 'NIYAMAWALI', the name, registration number and signature of the legal-professional or chartered accountant preparing the 'PRABHANDA PATRA' and the 'NIYAMAWALI' should be included along with the date of preparation.
- Company registration: If circumstances to reject the company registration do not exist, the registrar decides to register the company. Then, the founders are notified to pay the registration charge and collect the certificate. If the company registration fee, which depends on the company's registered capital is up to Rs.5,000 the payment is made in the accounts section of the office itself. Otherwise the amount should be deposited at the Nepal Rastra Bank, Banking Office, Thapathali, Kathmandu or in a branch of the commercial bank permitted by Nepal Rastra Bank, in the 'RAJASWA' account number 1-1-05-10.
- Then two copies of the voucher should be submitted in the accounts section of the office of the company registrar, and the receipt should be presented in the registration section. After this, the company registration certificate and one copy of each (approved and signed by CRO Officer) of the 'PRABHANDA PATRA' and the 'NIYAMAWALI' presented by the founders are provided to the founders. After the company has been so registered, the company comes into existence and it can carry out the necessary activities to achieve the goals mentioned in the 'PRABHANDA PATRA' by staying within the conditions of registration.

Source: www.cro.gov.np (Ministry of Industry, Government of Nepal)

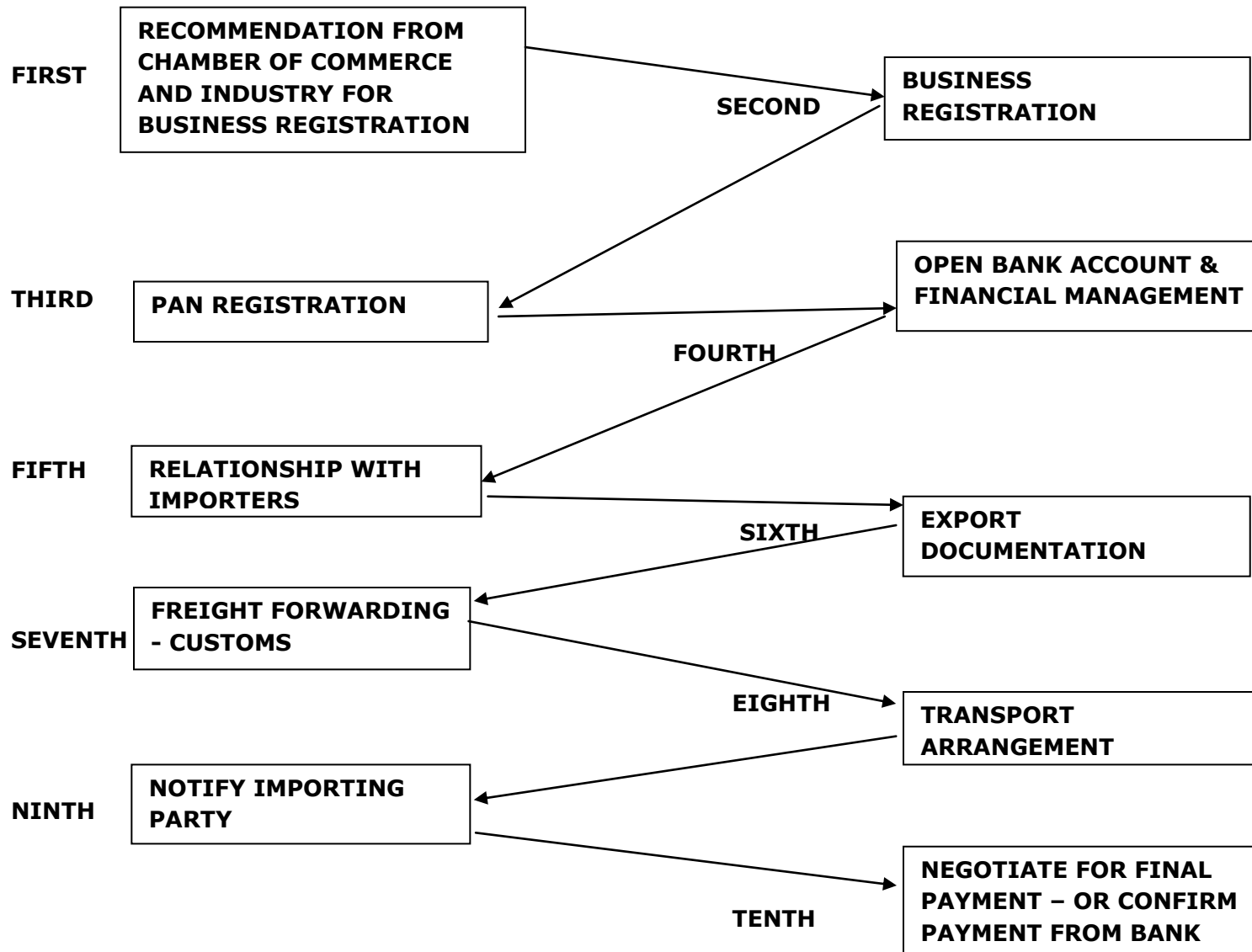
Abbreviation:

Advance Cargo Information System	(ACIS)
Asian Productivity Organization	(APO)
Asian Trade Promotion Forum	(ATPF)
Assistant Commissioner of Customs	(AC)
Automated System for Customs Data	(ASYCUDA)
Beneficiary Statement	(BS)
British Trade International	(BTI)
Calcutta Port Trust	(CPT)
Carpet and Wool Development Board	(CWDB)
Center for the Promotion of Imports from Developing Countries	(CBI)
Certificate of Origin	(COO)
Check one-time-lock	(OTL)
Clearing Agent	(CA)
Company Registrar's Office	(CRO)
Confederation of Asia Chamber of Commerce & Industry	(CACCI)
Confederation of Asia-Pacific Chambers of Commerce & Industry	(CACCI)
Cottage & Small Industries Department	(CSID)
Cottage and Small Industries Development Board	(CSIDB)
Customs Transit Declaration	(CTD)
Delivery Order	(DO)
Department of Archeology	(DOA)
Department of Plant Resources	(DOPR)
District Administration Office	(DAO)
District Forest Office	(DFO)
Double or Multiple Country Declaration	(DCD or MCD)
Electronic Data Interchange	(EDI)
European Commission	(EC)
European Economic Chamber of Trade, Commerce and Industry	(EEC)
Examining Officer	(EO)
Export Council of Nepal	(ECON)
Export Promotion Zone	(EPZ)
Federation of National Cottage and Small Industries Nepal	(FNCSIN)
Federation of Nepalese Chambers of Commerce and Industry	(FNCCI)
Free Zones	(FZ)
Garment Association of Nepal	(GAN)
General Agreement on Tariff and Trade	(GATT)
General Agreement on Tariff and Trade	(GATT)
Generalized System of Preferences	(GSP)
Germany Foreign Trade Information Office	(BFAI)
Gross domestic product	(GDP)
Handicraft Association of Nepal	(HAN)
Import General Manifest	(IGM)
Industrial Estates	(IE)
Initial Environmental Examination	(IEE)
Inland Clearance Depots	(ICDs)
Inland Revenue Office	(IRO)
Intermodal Transport Development Board	(NITDB)
International Chamber of Commerce	(ICC)
International Organisation of Employers'	(IOE)
International Trade Forum	(ITF)

Less than Container Load	(LCL)
Letter of Credit	(L/C)
London Chamber of Commerce and Industry	(LCCI)
Multimodal Transit and Trade Facilitation Project	(NMTTFP)
Multinational corporation	(MNC)
Multiple Country Declaration	(MCD)
National Insurance Company Ltd.	(NICL)
National Insurance Company Ltd.	(NICL)
National Productivity and Economic Development Centre Limited	(NPEDC)
Natural Resource Institute	(NRI)
Nepal Chambers of Commerce	(NCC)
Nepal Cotton Towel Exporters Association	(NCTEA)
Nepal Multimodal Transit and Trade Facilitation Project	(NMTTFP)
Nepal Rastra Bank	(NRB)
Nepal Transit and Warehousing Company Limited	(NTWCL)
Norwegian Agency for Development Cooperation	(NORAD)
Open General Licence	(OGL)
One-time-Lock	(OTL)
Permanent Account Number	(PAN)
Phytosanitary Certificate	(PC)
Plant Quarantine Section	(PQS)
Preventive Officer	(PO)
Processing Zones	(EPZ)
Quota charge Statement	(QCS)
SAARC Chamber of Commerce & Industry	(SCCI)
Small and Medium Enterprises	(SME's)
South Asian Free Trade Area	(SAFTA)
Special Customs Invoice	(SCI)
Special Economic Zone	(SEZ)
Swedish International Development Cooperation Agency	(SIDA)
Swiss Import Promotion Programme	(SIPPO)
System of Pre-Shipment Inspection	(PSI)
The Danish Federation of Small and Medium-Sized Enterprises	(DFSME)
The Finish Import Promotion Organization	(FINIPRO)
Trade and Export Promotion Center	(TEPC)
Transit Pass	(TP)
Tribhuvan International Airport	(TIA)
Value Added Tax	(VAT)
World Assembly of Small and Medium Enterprises	(WASME)

EXPORT PROCEDURES – STEPS

FLOW CHART



Source: Export Procedures and Documentation, Published by:
Export Council of Nepal (ECON)
and Lalitpur Chamber of Commerce and Industry

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Chapter I Trade Policies

1.1 Import Procedures

1.1.1. Purchasing Procedures

Purchases from India

1. Purchases from India are normally paid for in Indian Rupees since the currency is fully convertible in Nepal. When Indian suppliers sell their products to Nepalese importers, Indian excise duty must be paid and included in the sale price by the supplier. The rate of excise duty varies widely from product to product. However, if payment is made in hard currency, the goods are exempted from payment of excise duty in India, i. e. the supplier does not have to charge it.
2. The Government of Nepal also allows imports of specified products from India with payment in foreign currency. The Nepal Rastra Bank (NRB) currently enlists 29 such products ([Annex 4](#)) for importation from India by Nepalese industries against payment in foreign currency.

Purchases from Third Countries

3. All 13 commercial banks deal in foreign exchange transactions in accordance with the Foreign Exchange (Regulation) Act 1962, Foreign Exchange (Regulation) Rules 1963 and directives issued from time to time by NRB. The policy of liberalization allows open imports without a license. NRB issues general directives with modifications from time to time to the commercial banks on the opening of Letters of Credit (documentary credits-L/C, [Annex 5](#)) and the release of payments for imports accordingly.
4. Advance payments for goods and separate payments for freight are not allowed. Therefore, the normal type of purchase is CIF/C&F Calcutta for sea and CIF/C&F Kathmandu for air. [Project cargo](#) and public sector purchases by sea are imported also on CIF Nepal basis. Only by opening an L/C through an authorized bank can payment be made in hard currency. The banks at the both ends normally mention in most L/C documents that the credit is subject to the ICC Uniform Customs and Practice for Documentary Credits-[UCP 500 \(1993\)](#).
5. With the exception of prohibited and quantitatively restricted goods ([Annex 6](#)), there is no restriction on the release of foreign currency for importing any type and quantity of goods. But to obtain foreign currency from the commercial bank the importer has to open a documentary credit (L/C) by fulfilling the requirements of the bank. Irrevocable L/C is the commonly used documentary credit for the settlement of payment in imports from third countries. Under the usual terms of

L/C, the correspondent bank normally releases payment to an exporter or beneficiary on production of shipment documents.

Procedures for Opening and Paying L/C in a Commercial Bank

6. An importer has first to open an account with a commercial bank.
7. It is customary for a bank to sanction total amount of credit limit to the importer on different headings/transactions like loan, overdraft and L/C payments on an annual basis. For other type of customers/importers requiring only casual transactions, the bank fixes a credit limit on ad-hoc basis for L/C purpose.
8. An importer fills in a foreign exchange control form BBN 3 (**Annex 7**) requesting the bank to open a L/C in the name of a nominated overseas exporter. Then the BBN 3 is submitted along with an undertaking of the importer indemnifying the bank against any liability, and other supporting documents like pro-forma invoice, Registration Certificate of Department of Commerce or Department of Industry or Department of Cottage and Small Industry or Company Registrar Office, Registration Certificate of Department of Income Tax and Registration Certificate of Department of Value Added Tax. Since November 1999, Kathmandu Tax Payers Service Centre is issuing computer-based Permanent Account Number (PAN) Card to all the tax payers of Kathmandu valley for gradual extension later to other districts. PAN is issued with a new tax certificate (annex for identification of all taxes including VAT & Customs. For importing raw wool, the Carpet and Wool Development Board (CWDB) issues a recommendation letter specifying the quantity and standard of wool to be imported by an applicant/importer in the name of the concerned bank.
9. Depending upon the credit limit sanctioned by the bank for L/C purpose and the relation with the bank, the importer is generally required to deposit an amount ranging from 10 to 100 percent of the L/C value at the bank.
10. As negotiated with the importer, the bank contacts its corresponding bank located at the exporter's place for opening L/C based on sight payment or deferred payment terms.
11. Under the widely used 'Sight L/C', full payment is made to the exporter by the correspondent bank at the time of submission of shipment documents as specified in L/C. Similarly, the Nepalese importer is also required to make full payment to his bank at the time of release of shipment documents.
12. Another type of L/C payment is called 'Usance or Time L/C' under which terms the payment is deferred for a certain period of time as specified in the L/C. Under the term the correspondent bank is required to release payment to the exporter only after 30 days or 60 days or 90 days from the date of receiving shipment documents. This L/C is also named as 30/60/90 days Sight L/C.

13. The customs entry point in Nepal has to be stated in the L/C. The bank can make necessary agreed amendments in L/C clauses except the customs entry point. In order to change the customs entry point in L/C, the importer has to apply substantiating reasons for the change to the Department of Commerce, which then issues a letter to the concerned bank with copies to the applicant and the concerned Customs. The process for changing the customs entry point costs NPR 5 as postage stamp and NPR 10 as application fee to apply to the Department.
14. After the overseas exporter sends documents through the correspondent bank on the completion of shipment of goods, the importer collects the documents from his bank and confirms that the documents are complete and free of any discrepancies. When the importer had not made full payment at the time of opening L/C, the bank instructs its correspondent bank through stipulation in the L/C a clause to consign shipment documents particularly the air waybill or bill of lading (B/L, [Annex 8](#)) in the bank's name or to show the bank as consignee in the documents. In such case the importer obtains the bank's endorsement on the documents or a delivery order to the concerned agencies at the time of releasing the documents from the bank.

1.1.2. Import Licensing, Permits and Pre Shipment Inspection (PSI)

15. Except for prohibited and quantitatively restricted items, no license is required for imports.
16. In order to maintain export quality of hand knotted woolen carpets, the Government of Nepal has specified that the imported wool is required to have a minimum length of 4" with a thickness of not more than 38 microns for which a test certificate from an authorized agency is to be produced at the time of customs clearance. Only suspicious cases as and when reported and observed by the concerned Customs become subject to detention, inspection and test by a team from the concerned agencies including the Department of Quality Standards and Measurement. Restrictions on old vehicles, including three wheelers and two stroke motorcycles, in terms of the permissible level of smoke emission are also in application. In most cases, a test certificate issued by the manufacturer/producer/certifying authority at the place of origin is required for customs clearance purposes.
17. Under the Plant Protection Act 1972 and the Plant Protection Rules 1975, an import permit is required for plant and plant products including fruits, leaves, and seeds. However, no permit is required for the import of processed food, packed and tinned food, dried fruits and vegetables, cocoa, tea and tobacco.
18. For importation of plant and plant products, an importer has to apply to the Plant Quarantine office for import permit. The application form ([Annex 9](#)) is to be filled in with details of the plant and purpose of importation. Documents like income tax registration and enterprise registration, and recommendation letter of a

concerned institute, if imported for research purposes, are also submitted along with the application. After examining the application, an import permit is issued to the importer. A fee of NPR 10 per application is charged for issuing an import permit. If imported plant and plant products require treatment, the quarantine office levies a charge of NPR 2 per cubic feet fumigation chamber space and NPR 1 per kg for seed treatment.

19. The Department of Agriculture has a separate Plant Quarantine Section (PQS) at its Harihar Bhawan premises in Pulchowk in addition to seven quarantine checkpoints at the customs posts of Kakarvita, Biratnagar, Jaleswar, Birgunj, Bhairahwa, Nepalgunj and Tribhuvan International Airport. All these eight offices conduct quarantine examination and issue import permits and phytosanitary certificates. Normally the phytosanitary certificate is issued abroad at the place of origin and produced at the Customs for the clearance of imported plants. Only doubtful cases are examined at the quarantine customs checkpoints.
20. There is no generalized system of pre-shipment inspection (PSI). A few commodities like wool, pharmaceuticals and industrial chemicals may need pre-shipment quality inspection certificates to maintain certain standards in Nepal.

1.1.3. Procedures at the seaport of entry

21. Most imports by sea arrive at Calcutta Port or Haldia Port. Both the ports fall under the administrative control of the Calcutta Port Trust (CPT). The port of Haldia is about 120km southwest of Calcutta. For cargo clearance from Haldia port, the customs processing of documents is completed at the Customs House, Calcutta. The bilateral Treaty of Transit and its Protocol and Memorandum prescribe in detail the cargo clearance procedures, customs processing of documents, mode of transport, transit route, border entry points and duty insurance requirements. The Treaty of Transit as renewed on 5 January 1999 for a period of seven years has incorporated 'an important provision for its automatic renewal thereafter for periods of seven years.
22. The system of insuring import goods against the payment of import duty accruing from the loss and pilferage of transit cargo while in transit in India is called duty insurance.

Duty insurance

23. Under the Treaty of Transit, three types of duty insurance policy coverage depending on the means and ownership of transport are required as follows:

<u>Mode of Transport</u>	<u>Insured Value</u>
1. Rail	Customs Duty.

2. Road-trucks belonging to NTWCL/NTC	Customs duty plus an Undertaking by NTWCL to pay the difference of MV- (GIF + Customs Duty).
3. Goods moving by road other than two above	MV- CIF

(NTWCL-Nepal Transit and Warehousing Company Limited, NTC-Nepal Transport Corporation, MV- Market value of goods in India, normally calculated as 250% of the CIF value, CIF- Cost, insurance and freight.)

24. The cost of duty insurance is 0.30 percent of insured value as premium plus 5 percent of the premium amount as service tax plus INR I as stamp duty.
25. The requirement of duty insurance is waived on goods imported by public sector agencies in Nepal provided an undertaking is given by NTWCL. NTWCL's charge for issuing the letter of undertaking to the Indian Customs is 0.07 % for cement and fertilizer, and 0.15 % for other products on GIF imports. There is also a provision for making Indian Railways, where liable as carriers under the Indian Railways Act, liable to pay the GIF price to the importer in the event of loss.
26. The duty insurance policy is assigned to the Commissioner of Customs, Calcutta and the insured amount becomes payable if the goods do not reach Nepal.
27. Under the 1999 Treaty of Transit duty insurance is required only on those goods which are specified as sensitive by the Government of India with prior intimation to the Government of Nepal and that the importer will have the option of giving a bank guarantee in lieu of such insurance subject to the satisfaction of the Commissioner of Customs. For goods other than the specified sensitive ones, the importer is required to furnish, to the Commissioner of Customs, Calcutta, a legally binding undertaking that the amount equal to the difference between the market value of the goods in India and their GIF value shall be paid, on demand, to the Commissioner in the event of the goods not reaching Nepal.
28. At present only the Calcutta office of the Indian National Insurance Company Ltd. (NICL) is issuing the duty insurance policy to the satisfaction of the Commissioner of Customs, Calcutta.
29. Processing of documents at Calcutta Customs can proceed only after the filing of an import general manifest (IGM) by the shipping line or ship's agent because the ship's rotation number and manifest line number have to be shown on the customs transit declaration. Normally the IGM is filed before the arrival of a vessel.
30. The importer has to send all original shipment documents with a letter of authority to a clearing agent (CA) who is licensed by the Indian Customs for cargo

clearance in Calcutta. Calcutta Customs require that the signature on the letter of authority must be certified by the importer's bank that issued the L/C. The importer is required to endorse B/L in the name of the nominated CA.

31. After receiving documents from the importer, the CA obtains 'Delivery Order' (DO) against B/L from the concerned Shipping Line. If any payment is to be made to the Shipping Line, the CA pays the dues for obtaining the delivery order. CA also has to obtain a document of duty insurance policy from NACL for private sector imports or a letter of undertaking from the NTWC L for public sector imports. Then CA prepares six copies of CTD and files to the Nepal Section of the Customs House, Calcutta with the following documents:

- CTD (Red color for Private imports and Green color for Government imports).
- Duty insurance policy for specified sensitive goods or legally binding undertakings for other imports, or letter of undertaking from NTWCL for Government imports.
- Delivery order or B/L-original.
- Letter of authority of CA-original.
- Invoice-original.
- Packing list-original.
- Copy of L/C (certified by the L/C operating bank or by the Royal Nepalese Consulate in Calcutta).
- Certificate of origin (COO).
- Import license, if required-original.
- Duty insurance or NTWCL's undertaking letter for container.
- Additional documents for specific cargo such as health certificate for raw wool (required by Calcutta Port Trust), phytosanitary certificate for plants and veterinary certificate for animals etc.

32. For moving containerized cargo some additional procedures need to be complied with. CA has to submit a cash deposit or bank guarantee or a bond equivalent to the value of the container (the container valuation differs also with Shipping Lines) to the Shipping Line to obtain permission to take container to Nepal and bring it back. Some of the Shipping Lines also ask for insurance of the container against any damage or loss. Permission of the Customs is also obtained by submitting the permission of the Shipping Line and a duty insurance of an insured value of INR 100,000 for a TEU. For the Government cargo a letter of undertaking for the Value of only INR 30,000 per TEU and INR 60,000 per FEU from NTWCL in lieu of duty insurance is submitted to the Calcutta Customs.

33. The 1999 Treaty of Transit has clearly specified that only four documents, namely B/L, invoice, packing list and a copy of the L/C authenticated by the Nepalese Consulate in Calcutta or the issuing bank will be required for submission along with CTD to the Calcutta Customs and that no other additional document may be asked for, except where considered necessary for clearance of specific goods.

34. When documents are filed at Calcutta Customs, the CTD is stamped as a receipt of the document. An Assistant Commissioner of Customs (AC) heads the Nepal

Section of Calcutta Customs, which also deals in the Bhutanese cargo. The customs clearance of documents normally takes two to four days. The appraiser and AC put their signatures on originals including the certificate of origin for recognition by the Port Customs before returning these to CA. The Calcutta Customs retains three copies of invoice, 5th and 6th copies of the CTD, and one copy each of other documents.

35. Depending upon the request made in CTD by CA, the CTD is stamped on its back with a rubber stamp instruction in the name of a Shed Appraiser/Preventive Officer (PO) to **check one-time-lock (OTL)** for taking containers to Nepal, or for allowing loading of the cargo into an open truck/container. AC and appraiser at the Calcutta Customs jointly sign the rubber stamp instruction on CTD. Then CA approaches the Customs shed appraiser and Examining Officer (EO) at the concerned shed with documents cleared by the Calcutta Customs. At the same time CA obtains a bill for port dues from the port shed, and makes payment at the Calcutta Port Trust (CPT) payment counter, which is also located close to the Calcutta Customs in the city area. CA again goes back with the payment receipts to the concerned shed and the staff/stevedore of the Shipping Line, and obtains their clearance.
36. At the dock shed both the appraiser and EO normally examine only the seal number and condition of OTLs of containers. If the goods are to be de-stuffed, about 5 % of the total packages are checked to ensure that the contents are in accordance with the declaration in CTD. The Treaty of Transit contains a specific provision to facilitate the movement of containerized cargo sealed with OTL whereby the Indian customs officer posted at the seaport will merely check OTL and if found intact, allow onward transportation of container without examination of the contents unless there are valid reasons to do otherwise. In case OTL is damaged or tampered with, the Customs will allow CA or Shipping Line to put a fresh OTL by endorsing OTL number in CTD. After checking, the appraiser and EO issue 'Pass Out' order on the back of CTD. Normally PO works during office hours, and EO works before and after office hours; both perform the same job. After booking of port workers and mobile crane of the private operator or Port, and lock & key from the Customs for non-containerized cargo, the container is allowed loading onto a flat truck or loading of break bulk from shed or containers to trucks, as the case may be, in the presence EO or PO. After the loading is completed, PO makes necessary endorsements on the back of CTD by mentioning the seal number of OTL and, in case of the break bulk, the lock and key numbers. The Port Customs does not write anything on other documents except some markings, for instance, a circle on the OTL number in B/L or DO and on the invoice value. The fourth copy also called as queen copy of CTD and DO, and one photocopy each of invoice and packing list are retained by the port shed for record purposes.
37. After completion of the loading at the dock shed, PO issues a temporary permit called Transit Pass (TP) to CA or driver of the vehicle for allowing clearance at

border pending the issuance of the sealed cover containing the second and third copies of CTD especially for those cases where full consignment could not be cleared in one day. Recently due to objections raised by the *Raxaul* Border Customs, TP is almost abandoned except for bulk cargo, which requires a number of days to clear from the port. Generally after the final endorsement on CTD by the Port Customs, a photocopy is made and signed by the Port Customs for carriage along with the cargo by the driver. This is used as a replacement of TP and accepted by the Border Customs for clearance.

38. When the Port is open but the Customs closed on some holidays, CA has to book the Customs to work overtime at port by paying a fee of INR 600 per 8 hour-shift. No other Indian customs fees are payable in respect of transit goods. As the cargo is subject to heavy port demurrage charge after a lapse of 7 days free time, which is allowed only to Nepal and Bhutan transit cargo in comparison to 3 days to local cargo, cargo clearance at holidays is not an uncommon practice.
39. After the delivery of cargo and endorsements on documents by the Port Customs, which normally takes one full working day, CA goes to the Calcutta Customs in the following working day for obtaining a sealed cover (an envelope closed with customs seal). Another section of the Calcutta Customs, after recording details of cargo delivery and CTD number, hands over the original CTD to CA and makes' a sealed cover containing a key of customs lock put on the transport, the duplicate and triplicate copies of CTD, and the Railway Receipt for cargo dispatched by rail. In most cases, CA supplies locks used as a customs seal for conventional transportation of cargo. The sealed cover is sent to the concerned Border Customs by post. But as an option to avoid delay in postal transmission, the sealed cover is handed over to CA. This facility is not allowed to the importer or the authorized representative who defaults in the production of these documents within a reasonable period to the Indian Border Customs Office.
40. CA dispatches the sealed cover with other documents by courier to his authorized agent or to the importer's nominated agent stationed at the Indian border customs post or sometimes to the importer in Nepal.

1.1.4. Procedures at the Indian border

41. When the goods arrive at the Indian Border Customs, the importer or his authorized CA presents the original CTD and the sealed cover to the Customs at the Indian border. In case the original CTD or the sealed cover is not available or where part shipments done by breaking CTD in different lots, TP or the photocopy of CTD endorsed by the dock customs is produced to the Customs. The Indian customs officer compares the original CTD with the duplicate and triplicate copies received in the sealed cover. The officer examines OTL of containerized cargo, and the lock and seal of other conventional transport. In cases where seals and/or locks on the wagons or containers and on packages are intact, the customs officer identifies the consignment against CTD, and if satisfied, endorses all copies of

CTD without examining the goods. The officer permits onward transportation or unloading or breaking bulk as the case may be under the customs supervision. If the seals and locks on wagons or on containers or on the packages are not intact, or there is otherwise suspicion, the officer examines the goods to ensure that they correspond with the information contained on CTD before endorsing it.

42. After checking at the border, the goods are allowed to move onward by road. As per the provisions of the Transit Treaty, the Indian customs officer will provide necessary escorts or supervision to ensure that the goods cross the border and reach Nepal, and certify on the copies of CTD that the goods have crossed into Nepal. Then the original CTD is given to the importer, the duplicate CTD is sent to the Indian customs house of entry-Calcutta Customs and the triplicate CTD to the corresponding Nepalese Border Customs, which is then retained at the Indian Border Customs after it is received back duly endorsed by the corresponding Nepalese customs officer.
43. If a consignment in transit particularly bulk cargo is received at the border in more than one lot, the Indian border customs officer releases the goods in lots after necessary examination, and makes endorsement on the relevant documents only after release of the entire consignment as covered by CTD and sends the triplicate copy of CTD to the Nepalese Border Customs.
44. If duplicate and triplicate copies of CTD are not received at the time of arrival of the goods at the Indian border, the Border Customs will contact, by telephonic or other quick means of communication with the Calcutta Customs to seek confirmation to prevent delay, and on the basis of confirmation so received allow dispatch of goods.

1.1.5. Entry into Nepal

45. The Customs valuation provides a basis for declaration of value by an importer in the Nepalese Customs Declaration Form (**Annex 10**) for the calculation of applicable duty and tax. After following the set customs valuation system for a long period in the past, the Customs has been assessing customs duty on the basis of the transaction price declared by the owner of the goods for the last two years as per the amendments to the Customs Act of 1962 in July 1997.
46. The customs duty on imported goods is assessed on the basis of their transaction price. The owner of the goods is required to submit to the Customs bills and invoices showing their price, as well as such other necessary documents relating to imports as demanded by the Customs for the purpose of verifying their transaction price. If such quoted price does not conform to the procedure of fixing the actual transaction price, the Chief Customs Authority, or a Customs Officer designated by him, shall fix the price of the goods on the basis of the recorded price, price-list or the prices of the goods of the same nature, and assess customs duty accordingly. While fixing the price of goods for the purpose of assessing

customs duty, the Chief Customs Authority, or a Customs Officer designated by him, may do so on the basis of the recorded price or the price-list submitted by the manufacturer of distributor, or the available data or information, or the suggestions of an expert or the concerned agency or institution. No demurrage is charged on the imported goods until they are valued for the purpose of assessing customs duty. In case the price declared by the owner is found under- invoiced up to 20% of the actual value, the customs duty will be assessed on the full value by adding the differential value to the price of the goods. Similarly, if the under-invoice is in the scale of between 20% and 50% of the actual value, it will be subject to full customs valuation by adjusting the differences and also an additional payment of 50% duty as penalty. If the declared value is found under-invoiced by more than 50%, the Chief Customs Authority may decide to purchase, by the Customs itself or others, the imported goods at the price declared by the owner.

- Industrial machinery and parts,
- Imports by hotel industries under duty preference as allowed by the Act,
- Surgical and medical equipment,
- Readymade life saving drugs, and
- Heavy equipment and parts imported by construction companies.

47. After the cargo reaches Nepal border, the importer or CA goes to the Nepalese Customs with the following documents:

1. Nepal Customs import declaration (white color),
2. Letter of authority of the clearing agent to act on behalf of the importer,
3. Bill of lading,
4. Invoice,
5. Packing list,
6. Certificate of origin (this is not strictly required except where imported goods are subject to a special tariff concession on account of their place of origin such as Tibet Autonomous Region of People's Republic of China, SAPTA- member countries and MFN rates for countries having bilateral agreements with Nepal),
7. Certificate of insurance,
8. Original CTD,
9. BBN 4 form issued by bank,
10. Certified copy of L/C,
11. Enterprise registration certificate,
12. VAT registration certificate/PAN,
13. Income tax registration certificate/PAN.

Note:

1. The documents numbered 11, 12 and 13 bear the renewal date for every fiscal year as certified by the concerned Departments. Therefore, the production of these documents to the Customs for cargo clearance implies that they have been renewed to date with payment of all the dues to the concerned authority.
2. The documents numbered 10 to 13 are not normally required for clearance of duty free goods or imports by the Government. For duty free project/aided

goods only main documents including duty free certificate and related project documents are required by the Customs.

3. The above documents do not include the copy of BBN 3 received earlier by the Customs from a L/C opening bank.
48. The requirement of certificate of insurance by the Customs is only for customs valuation, which is calculated on GIF Nepal/border basis. In the absence of such insurance document the cargo clearance is not stopped but the Customs adds 2 % of C&F invoice value as insurance cost for customs valuation. But if a document showing insurance only up to Calcutta is produced, no extra valuation is added to the invoice value in order to cover insurance from Calcutta to border for the purpose of customs valuation. Therefore, any insurance document submitted by the importer is acceptable to the Customs for valuation purposes. Regarding the transportation charge from Calcutta to Nepal border to convert the GIF Calcutta value to GIF border value, the Customs adds NPR 1.03 per kg on the basis of weight of the cargo.
49. The Customs verifies BBN 4 document issued by a commercial bank with BBN 3 received previously from the same bank at the time of opening L/C. After the goods are cleared, the Customs certifies BBN 4 (**Annex 11**) and hands over to the importer for delivering to the issuing bank. If the commercial bank is not located in the same place or city area, the certified copy of BBN 4 is sent by post to the bank.
50. After the documents have been checked, Customs assess the applicable duty and VAT for payment by the importer before releasing the cargo. When the goods are cleared after the payment of customs dues, the Nepalese customs officer endorses the original and triplicate copy of CTD, and the original is returned to the importer and sends back the triplicate copy in lots of about 7 days with a covering letter for delivery to the corresponding Indian Border Customs.
51. The importer is required to submit the original CTD to the corresponding Indian Border Customs within 15 days of the date on which the goods were released at the Indian port of entry or such extended time as the concerned Assistant Commissioner of Customs House may allow. A penalty of INR 1.00 for every INR 1,000 of the Indian market price of the goods per week is payable by the importer for delay in presenting the original CTD.

1.2 Export Procedures

1.2.1. Payment Arrangements

52. Under the Foreign Exchange (Control) Act and Rules, exports are permitted only against advance payment or documentary credit (L/C) to ensure that the payment for the goods is received in Nepal. Therefore, Nepalese Customs releases export shipments only after verifying the bank certificate of advance payment or L/C

copy certified by a commercial bank. The exporter has to declare in form BBN I (Annex 12) at the time of export that the export earnings will be repatriated within six months in case of transactions under L/C. If payment is not received within 6 months or such extended time as authorized by NRB, the commercial bank has to inform NRB for inquiry into the matter.

53. There is no limit on advance payment but the buyer has to remit the foreign exchange through a bank or has to exchange foreign currency with a bank while visiting Nepal. The bank issues a certificate of advance payment in a specified format (Annex 13) to the seller or exporter as nominated by the foreign buyer at the time of exchanging the currency. This certificate has to be produced to the Customs at the time of export. However, foreign nationals can carry out as accompanied or unaccompanied baggage Nepalese products up to a value of US \$ 1000 without producing foreign exchange certificate of a bank.
54. When using the other payment method, the L/C specifies the terms and conditions for shipment. After the L/C is received from its correspondent bank, the bank sends a copy to the exporter. It is the responsibility of commercial banks to see that L/C terms and conditions are fully met before accepting shipment documents and releasing payments to an exporter. Nepalese exporters prefer the irrevocable L/C, as it is normally withdrawn only when the exporter does not meet the terms and conditions of shipment leading to the rejection of documents for negotiation by the bank. Therefore, this type of L/C ensures safety of payment to the exporter. Currently banks at the both ends normally mention in most L/C documents that the credit is subject to the UCP 500 (1993).
55. The commercial banks experience on average 4 shipments out of 1000 that exceed the shipment date specified by the L/C, and most of the documents are subject to discrepancies. Therefore, it has become a normal practice to accept such documents on exporter's risk for negotiation with the correspondent bank. Depending upon the credit status of an exporter, the bank may or may not release payment to the exporter against discrepant documents before confirmation of acceptance of such documents from the correspondent bank. If the payment received from the correspondent bank is not more than USD 500 less than the stipulated L/C amount, the bank can accept the payment with information to NRB. But if the discrepancy in payment is more than USD 500, the bank has to obtain prior permission of NRB to accept the payment. Partial shipment and part payments are allowable only as per the terms of L/C. While releasing payment to the exporter before realizing payments from the correspondent bank, the bank deducts some amount as interest. The interest rate may vary from bank to bank. For instance, one of the commercial banks is charging 12 days interest at 14%. Another commercial bank levies 15 days interest at 12% assuming that the payment will be received within 14-15 days. Most exports are on FOB Kathmandu Airport or Calcutta although a separate payment for freight is allowed subject to the submission of documentary evidence including quotation for freight rates.

1.2.2. Certificates for Exports

56. As the export of specific products like readymade garments takes place regularly in sizable lots requiring timely delivery, uniform quality and tailoring, overseas buyers tend to either permanently station their own staff in Nepal or send experts from India to inspect quality whenever shipments are ready for export. The L/C specifically provides for the production of quality certificate from a nominated agency/person in garment exports.
57. Certificate of Origin. There are two private sector associations called Federation of Nepalese Chambers of Commerce and Industry (FNCCI) and Nepal Chambers of Commerce (NCC) which issue Certificate of Origin (COO) required by Nepalese Customs on all exports.
58. FNCCI- A seven-copy set of COO ([Annex 14](#)) is printed and issued at a cost of NPR 5 per set. Then a charge of 12 paisa per NPR 100 (0.12%) of FOB invoice value is levied at the time of putting stamp and signature on COO when it is filled by an exporter. An exporter needs to apply with an invoice and sometimes L/C copy to verify the value of goods by the concerned district chamber of commerce to obtain the COO.
59. FNCCI does not itself issue COO but arranges its printing in the name of the each district chamber by allocating a separate code number on the COO. FNCCI has delegated its authority of issuing COO to the following district Chamber of Commerce offices, which are its members:
 1. Nepal Chamber of Commerce, Kantipath, Kathmandu.
 2. Lalitpur Chamber of Commerce and Industry, Lalitpur.
 3. Birgunj Chamber of Commerce and Industry, Parsa
 4. Bhaktapur Chamber of Commerce and Industry, Bhaktapur
 5. Morang Merchants' Association, Morang
 6. Makwanpur Chamber of Commerce and Industry, Makwanpur
 7. Pokhara Chamber of Commerce and Industry, Kaski
 8. Siddharthanagar Chamber of Commerce and Industry, Rupandehi
 9. Morang Chamber of Industries, Morang
 10. Butwal Chamber of Commerce and Industry, Butwal
 11. Janakpur Chamber of Commerce and Industry, Janakpur
 12. Narayangarh Chamber of Commerce and Industry, Chitwan
 13. Nepalgunj Chamber of Commerce and Industry, Bankey
 14. Kailali Chamber of Commerce and Industry, Dhangarhi
 15. Gorkha Chamber of Commerce and Industry, Gorkha
 16. Nawalparasi Chamber of Commerce and Industry, Nawalparasi
 17. Krishnanagar Chamber of Commerce and Industry, Kapilbastu
60. FNCCI also arranges issuance of COO for exports to SAPTA (SAARC Preferential Trading Arrangement) member countries under the similar arrangements for

certification and charges. The format as specified by the SAPTA agreement is very similar to GSP Form A. The color of COO used for export to SAPTA countries is different from that used for overseas exports.

61. Under the terms of the bilateral Treaty of Trade signed between Nepal and India on December 1996, the export of Nepalese manufactured products is given duty free preferential market access in India. Such product must be manufactured in Nepal and accompanied with a certificate of origin issued by authorized district chambers of FNCCI in the format prescribed by the Treaty. A technical committee headed by the Director General of Department of Industry and consisting of public and private sectors representatives examines in detail the application form and supporting documents submitted by an exporter of manufactured products to confirm the manufacturing process of the product intended for export to India. Examination is usually made of a new product for exporting first time to India. For export of products other than manufactured goods under the preferential market access this prescribed format of COO is not required.
62. NCC-NCC has also been issuing its own COO ([Annex 14](#)) for a long time in Kathmandu. An exporter is required to submit following documents to obtain COO from NCC:
 - > Invoice,
 - > Payment Certificate (L/C or advance payment),
 - > Archeological and valuation certificates for handicrafts,
 - > Other certificates like phytosanitary, royalty payment for herbs etc where applicable.
63. NCC takes a charge of NPR 4 per set at the time of issuing and 12-paisa (0.12 %) per NPR 100 of invoice value at the time of certifying the COO. If FOB value is declared, then the charge will be based on FOB value.
64. NCC also issues COO for exports to India for preferential market access as per the format prescribed by the Treaty of Trade with India. It is issued against a charge of NPR 3 per set. Then for certification a fixed rate of NPR 11 per consignment is charged from the exporter.
65. NCC has also been operating a separate branch office at Sinamangal near the Tribhuvan International Airport to issue COO for third country exports for the last two years.
66. Issuance of Generalized System of Preferences Form A (GSP). An exporter has to fill in a separate standard document called as GSP Form A for stamping and certifying by the Nepalese Customs at the time of export provided the product is eligible for the tariff preference under the GSP scheme of the destined preference giving country. GSP Form A is printed in a special format and color approved by

UNCTAD for acceptance by preference giving countries. The original GSP Form A ([Annex 15](#)) is stamped and certified by the Customs at the time of export. On the strength of this certified original GSP the overseas buyer obtains tariff reduction facility while releasing goods from the Customs in the importing country. GSP Form in Nepal is distributed by two agencies.

67. A carpet exporter first has to request the Carpet and Wool Development Board (CWDB) for the issuance of GSP. Then a three-member team consisting of representatives from the Ministry of Commerce, Central Carpet Industries Association and CWDB makes field inspection at the applicant's production site to verify whether carpets intended for exports are produced locally. On the recommendation of the team CWDB issues GSP Form A to the exporter who submits an application form with a copy of advance payment certificate or L/C copy. CWDB issues GSP form for the export of Nepalese hand knotted woolen carpets at a cost of NPR 2 per square meter.
68. For export of products other than woolen carpets, Trade Promotion Centre (TPC) issues the GSP Form A to exporters who apply in a covering letter enclosing copies of certificates of enterprise registration and income tax registration. The charge for each four copies GSP set Form is NPR 15.
69. Letter of recommendation for export visa for readymade garments. The Government of Nepal has constituted a Readymade Garments Export Promotion Committee under the chairmanship of Commerce Secretary and represented by various public and private sector organizations to frame visa issue procedures including documentation and inspection. In this respect Garment Association-Nepal (GAN) provides various services as explained in paragraphs 70-75 below.
70. The European Union allows, under the GSP rules of origin, tariff preference on readymade garments manufactured in Nepal from woven fabrics or yarn originating in an ASEAN member country (except Myanmar), SAARC or Lome Convention country, and imported into Nepal for manufacturing garments. As per the recent protocol concluded between Nepal Government and European Union, a new system is introduced since 1 March, 2000. According to it, for exporting textiles products of five categories - (a) Knitted Shirts, (b) Knitted Pullovers (T-Shirts), (c) Men's or Boys Woven Breeches, Shorts, (d) Women's or Girl's Blouses, Shirts and Shirt Blouses, (e) Women's or Girl's Dress, exporters need to obtain export license from the Department of Commerce. Separate type of Certificate of Origin is also being issued from Chamber of Commerce. The EU has fixed a quota for different types of garments to be imported from Nepal. This quota is applicable only for the purpose of tariff preference under GSP Scheme in the EU market. For exporting to EU market, exporters need to apply to GAN in a covering letter by enclosing the following documents:

- > Invoice,
- > Documents to prove manufacture in Nepal, i.e. customs import declaration to

verify the import of fabrics, or documents issued by the Cottage and Handicraft Emporium showing locally manufactured fabrics,

> COO issued in the country from where the fabrics were imported,

> L/C copy,

> Packing list (required normally for large quantity exports).

71. After receiving the application, an inspection team of GAN is sent to the applicant's factory to verify the garment production. Thereafter, GAN issues a letter of recommendation to the concerned Customs stating that the garments in question are produced from the fabrics imported from abroad or manufactured locally, and requesting issue of a GSP certificate. On the strength of this recommendation letter the Customs makes endorsement by putting its stamp and signature on GSP Form A at the time of export.
72. For export to the USA and Canada where quota has been fixed for specific categories of garments, GAN is required to issue a recommendation letter to the Readymade Garments Visa Cell (RGVC) of National Productivity and Economic Development Centre Limited (NPEDC). RGVC is located at the same premises of GAN at New Baneswor, Kathmandu.
73. A Visa is required on all readymade garments exported to the USA whether a quota has been fixed or not except for garments made of 100 percent silk or woolen garments. The visa, which is also called 'Special Customs Invoice', is issued by the RGVC in the format approved by the US Government.
74. Exporters intending to export garments under quota to Canada or the USA need to apply to GAN with the following documents:
 - > Application in specified format,
 - > Invoice,
 - > Documents to prove manufacturing in Nepal, i.e. customs import declaration to verify the import of fabrics, or documents issued by the Cottage and Handicraft Emporium showing locally manufactured fabrics,
 - > Copy of certification by the concerned customs along with swatches, i.e. sample piece of fabrics imported for use in the production of garment intended for exports,
 - > L/C copy,
 - > Customs export declaration for previous exports,
 - > A copy of fabrics consumption form which is prepared for submission to the Customs.
75. On receiving the documents, GAN may send a team to inspect the factory of the applicant, but the factory may not be inspected depending upon the credit status of the applicant, in which case the recommendation letter states that inspection is not required. Then a letter of recommendation is issued in a printed or computerized format in the name of RGVC and handed over to the applicant.

However, such inspection is not required for the issue of a Visa for exporting to Canada. GAN levies following charges for issuing recommendation letters to the Customs for certifying GSP Form A on garment exports to EU and to RGVC for issuing Visa on garment exports to the USA and Canada:

- > 20 paisa per piece- for all type of tailored garments exported on piece basis
- > 10 paisa per piece- for knitted garments,
- > 20 paisa per kg - for all garments exported on weight basis.

76. For the USA categories numbers 363 (Cotton Terry Towel) and 369-S (Cotton Shop Towel) as well as for non-quota category number 369-0 (other types of cotton towel like dust towel), there is another agency called Nepal Cotton Towel Exporter Association (NCTEA) that issues a recommendation letter to the RGVC by following almost the same procedures and documentation as applied by GAN. An exporter needs to apply to NCTEA with the following documents:

- > Application in a specified format,
- > Income tax certificate/PAN,
- > Industry registration certificate,
- > Documents to prove manufacture in Nepal, i.e. customs import declaration to verify import of yarn, or documents showing locally procured yarn,
- > Customs declarations showing previous export, required for second time exporter,
- > L/C,
- > Invoice.

77. After verification of the documents, NCTEA issues a letter of recommendation to RGVC for the issuance of a visa to the applicant against a fee of 20 paisa per kg. Of the two copies of the recommendation letter, one copy is handed over to the applicant for submission to RGVC and one copy is kept for official record. If an applicant requests a recommendation letter for more than the stipulated quantity, NCTEA inspects the applicant's industry to verify the production capacity and the stock of garments ready for shipment before issuing the letter. In the case of new applicants also NCTEA issues recommendation letter only after inspecting their production sites. The garment and towel manufacturers are required to use temporarily admitted or locally produced fabrics/yarn.

78. Issuance of visa for export of readymade garments. Exporters of garments and towel to the USA and Canada apply for visa to RGVC of NPEDC with the following documents:

- > Application in a specified format,
- > Letter of recommendation of GAN or NCTEA,
- > Invoice copy,
- > L/C copy,
- > Copy of the customs export declaration as evidence of previous shipments,
- > Certificate of inspection, if GAN or NCTEA has inspected the factory.

79. After the documents are verified, RGVC issues four copies of visa form certified with a visa number stamp and authorized signature. The form is entitled Special Customs Invoice.

The four copies of the set used are as follows:

- > White copy to the exporter for transmission to the buyer,
- > White copy retained for RGVC records,
- > Yellow copy to the exporter for surrendering to Customs,
- > Blue copy to the exporter for records.

For the issuance of visa, RGVC makes a charge of 0.2% of the invoice value on all garment exports to the USA and Canada. Overseas buyers require the original visa for releasing the consignments from their Customs; it is not endorsed by Nepal Customs.; the visa remains valid for only five days, and the exporter must ship consignments within that time.

80. Additional documents for the export of readymade garments. For the export of garments to the US market the documents described in paragraphs 81-84 are also prepared by the exporter.

81. **Special Customs Invoice (SCI):-** A visa is itself an SCI, but some American buyers continue to demand a separate SCI in addition to a visa. It does not have to be certified.

82. **Multiple country declaration (MCD):-** MCD is a requirement of the US Customs and without it the garment consignment is not permitted entry into the USA. The main purpose of this document is reportedly to verify the value addition and manufacturing process in Nepal as a precautionary measure against possible transshipment of garments of another country of origin.

83. **Beneficiary statement (BS):-** This extra document is prepared only at the request of the buyer. BS is simply a statement of actual details on the shipment of cargo and transmission of documents as specified by L/C.

84. **Quota charge statement (QCS):-** QCS is an extra document prepared only at the request of the buyer and contains a declaration as to the inclusion of all manufacturing charges in the FOB price.

85. **Valuation certificates for handicraft products:-** Nepalese Customs assesses customs export valuation of different handicraft products on the basis of recommendations of the Handicraft Association of Nepal (HAN). The documentary requirements are described below in paragraphs 86-89.

86. **Valuation certificate for handicrafts.** Handicraft exporters take export samples and five invoice copies to HAN. Except for the suspicious and doubtful cases for

which all export quantity are brought to HAN for detailed examination, an authorized official of HAN puts stamp and signature on all copies of the invoice and writes a letter of recommendation addressing the concerned Customs mentioning the certified total value of the particular consignment. HAN makes a fixed charge of NPR 50 up to the export value of NPR 10,000 and NPR 100 for more than NPR 10,000 value.

87. **Certification for handicrafts produced from domestic animal bone, leather and horn.** For the export of handicrafts like buttons, tie-pins and other articles produced from bone, leather and horn of domestic animals, HAN examines samples brought to it by an exporter and certifies the invoice by issuing a no-objection letter certifying that the goods are made from domestic animals. The fee charged for this purpose is NPR 20 up to the value of NPR 4,000 as minimum charge and then 0.5 percent of invoice for any excess value.
88. **Valuation certificate for silver handicrafts.** Under the regulations of NRB, a minimum value addition of 3.5 percent to the market value based on the international price of silver is required for exporting silver based handicraft products like jewelry, decorative articles and utensils. NRB sends a copy of international price list transmitted periodically to the Department of Mint. After checking the value addition in the invoice value, GAN puts its stamp and signature on the back of the invoice, which is made in seven copies as per the approved format of NRB. A letter of value recommendation is also issued. HAN makes a fixed charge of NPR 50 up to the export value of NPR 10,000 and NPR 100 for more than NPR 10,000 value.
89. **Certification for gold handicrafts.** For the export of gold handicrafts a valuation certificate is not required. Under the NRB regulations, only the Customs is required to check the minimum value addition of 10 percent in the invoice value for permitting exports. As in silver handicrafts, the invoice has to be made for exporting gold handicrafts in the approved format of NRB for checking by the Customs. The main function of HAN is to issue a Passbook to an applicant-exporter by charging NPR 700 to HAN members and NPR 1,000 to others. The Passbook is to be produced to the Customs at the time of export. The Passbook contains detail entries made by NRB at the time of selling gold to the exporter who is required to submit all export documents as an evidence of utilization of gold purchased previously. Export of silver and gold based handicraft products are at present shipped only through Tribhuvan International Airport and Foreign Post Office, both located at Kathmandu.
90. **Archeological Certificates:** - The export products of archeological importance and artistic values, which generally include idols, curios and *thanka* paintings of more than 100 years old is prohibited. Only ordinary products do not require such examination by the Department of Archeology (DOA). Exporters intending to sell such items need to fill in an application form giving detailed particulars about the size, weight, quantity and making date, and then submit to DOA by affixing a

postage stamp of NPR 5. The application form is available in the printed format at DOA office. Then the exporter is also required to affix postage stamp of NPR 3 on the second copy of a certificate, which is also printed in an approved format of DOA. The total cost for completing the examination by DOA is thus NPR 8. On the basis of the application details, experts at DOA examine each and every item depending upon the nature of the product. The DOA staff put a *lac* seal on each and, if the pieces are small, put a joint seal on the mouth of the plastic/paper bag containing a number of pieces. Then it issues a certificate in two copies giving details of the products examined by them. Out of the two copy certificate the original is handed to the exporter and the second copy containing the postage stamp of NPR 3 is retained at DOA office for record purposes.

91. **Certification for exports of plants and forest products.** Approval has to be obtained from the concerned department for the export of plant and forest products, which are not prohibited for export in raw or unprocessed form.
92. **First, a release letter has to be obtained from the District Forest Office (DFO).** An application containing details on the type of herbs to be collected, collection area, expected collection quantity and purpose (export or domestic-uses) is to be submitted to the DFO located in all districts except Mustang. The DFO issues a written permission letter to the applicant. After collecting, storing and weighing, stipulated quantity of the herb on the strength of this letter, the exporter has to approach the DFO, which, after any necessary examination, charges the stipulated royalty payment and issues a release letter. The release letter as a proof of royalty payment allows domestic transportation and uses of the herb. In addition, if the product is intended for export, the exporter also has to apply to the DFO for a recommendation letter to the concerned Customs. All the procedures along with the royalty rate are prescribed in the Forest Rules 2051 BS (1995).
93. For the export of extracts and by-products of plants and herbs, permission from the Department of Plant Resources (DOPR) has to be obtained. DOPR has prescribed a format of application for submission by an exporter in two copies by affixing NPR 5 postage stamps. For forest based products like herbs the release letter of DFO also is to be submitted. After receiving an application, DOPR deutes its staff, if necessary for large lots, to the manufacturing/storage sites to draw samples from each box/container. These samples are tested in the lab of DOPR and if found satisfactory all boxes/containers are sealed. Thereafter, DOPR issues a recommendation letter to the concerned Customs to allow exports of the consignment. DOPR also issues permit letter to export waste and by-products after verifying whether such products can be farther processed or put for better utilization inside the country. DOPR levies a fixed charge of NPR 150 per sample for lab test.
94. Most countries permit imports of plants and plant products only on the basis of a Phytosanitary Certificate (PC). Nepal's Plant Protection Act 1972 and Plant

Protection Rules 1975 have made it mandatory to obtain PC for exporting plants and plant products. An exporter has to submit an application to Plant Quarantine Section (PQS) of Department of Agriculture along with supporting documents like income tax certificate, enterprise registration certificate, copy of customer's order, and, if products are forest based, a release letter of DFO. PQS has made arrangements to send its staff to the production site if it is necessary for examination of plants and plant products. If plants are found in healthy conditions, PC is issued by PQS. This service is also available from the seven plant quarantine offices located at the Customs Posts of Kakarvita, Biratnagar, Jaleswar, Birgunj, Bhairahwa, Nepalgunj and Tribhuvan International Airport. No charge is levied for the issue of PC on export.

1.2.3. Clearance at Nepalese Customs

95. An exporter or CA has to submit the following documents to the Nepalese Border Customs:

- > CTD (yellow copy),
- > Nepal customs export declaration,
- > Authority letter of CA,
- > Invoice,
- > Packing list,
- > L/C or certificate of advance payment,
- > Certificate of origin,
- > Foreign exchange declaration form No.1 of NRB,
- > Enterprise registration certificate,
- > Income tax registration certificate/PAN,
- > VAT certificate for beer, spirits and cigarettes,
- > Visa certificate for readymade garments, as applicable,
- > Valuation certificate for handicrafts,
- > Value addition certificate for silver handicrafts,
- > Passbook for gold handicrafts
- > No-objection letter for domestic animal bone, leather and horn based handicrafts,
- > GSP Form A, if applicable,
- > Clearance certificate of Department of Archeology for certain handicrafts,
- > Clearance certificate of Department of Plant Resources for forest and plant based products,
- > Phytosanitary certificate of PQS, Department of Agriculture for plants,
- > Clearance certificate of Department of Drug Management for medicines,
- > Clearance certificate of Department of Mines and Geology for mineral products.

96. After the consignment is checked and verified with related documents, the Nepalese customs officer endorses the CTD.

97. After the payment of customs charges, CA is given clearance to export and move the cargo to the Indian border. If a container was booked with prior arrangement with a shipping line, the cargo is loaded into the container at the customs premises. Containers are also brought to Kathmandu and other factory sites for the loading of export consignments, but the goods are subject to customs check at the border.

1.2.4. Entry into India

98. The exporter or CA approaches the corresponding Indian Border Customs with the cargo and submits the following documents:

- > CTD duly endorsed by the Nepal Customs,
- > Invoice-original,
- > Packing list-original,
- > Certified copy of L/C or Certificate of advance payment,
- > Certificate of origin-original,
- > Duty insurance or legally binding undertaking in the name of the concerned Commissioner of Customs,
- > Authority letter of CA.

In the 1999 Treaty of Transit it has been stated that no additional documents other than invoice, packing list and certified copy of L/C will be asked for by the Indian Customs except when considered necessary for the clearance of any specific goods.

99. The Indian Border Customs check OTL of containerized cargo and, if found intact, allow onward transportation without physical examination of cargo unless there are valid reasons to do otherwise. If OTL is found broken or defective, the goods are checked to see that they are in accordance with CTD. Then a fresh OTL is put on the container with its serial number endorsed on CTD before allowing onward transportation to the seaport of exit. The Indian Border Customs make a selective examination of non-containerized goods to check that they are as per the CTD. As with imports, specified sensitive goods must be transported in closed railway wagons or pilfer-proof containers, which can be securely locked. Containers or wagons are locked and duly sealed after examination by the Customs.

100. After examining the cargo, documents and seals, the Indian Border Customs endorses all four copies of CTD and hands the original to the CA, and retains the fourth copy for its record. The duplicate and triplicate copies are to be sent by post to the Calcutta Customs, but to avoid delay in postal transmissions; they are handed to the CA in a sealed envelope. However, this facility will not be allowed for any exporter who defaults in the timely production of these documents.

101. Duty Insurance. As with import cargo, duty insurance for export cargo is required only for specified sensitive goods, and a legally binding undertaking is required for other goods.
102. CA sends documents including the original CTD and seal cover generally with the driver of the vehicle carrying the cargo or by courier service or send a personal carrier for delivering to the authorized agent in Calcutta. Normally it takes two to four days for containers to reach Calcutta port.

1.2.5. Procedures at the Port of Exit

103. When documents reach Calcutta, CA files documents at the Customs House. The Customs House compares the original CTD with the duplicate and triplicate copies received separately in a sealed envelope from CA. Documents are cleared permitting exports by Calcutta Customs normally within 24 hours of filing. After documents are cleared by the Calcutta Customs, CPT approval is obtained for taking the cargo inside the port. At the same time booking of container with a shipping line is also confirmed. The export cargo is then taken inside the port where the Customs EO or PO checks seals and locks on the wagons or containers and packages, and compares with the declaration made on CTD.
104. If seals and locks are found intact, EO endorses all copies of CTD. In cases where seals and locks are not intact or there is otherwise suspicion, the goods are checked on percentage basis to ensure that they correspond with the information on CTD before endorsing all copies. Then the cargo is loaded onto a vessel or handed over to the ship's agent inside the port. After necessary endorsements, EO gives back the original, duplicate and triplicate copies of CTD to CA who takes them again to the Calcutta Customs. After the Calcutta Customs makes necessary entries on all copies, the original is handed back to CA for submission to the Border Customs, the triplicate copy is sent to the Border Customs and the duplicate copy retained for records.

1.3 Procedures on Imports and Exports by Air

1. Tribhuvan International Airport (TIA), Kathmandu, is the only international gateway for passenger and goods traffic by air in Nepal.
2. TIA Customs has three godowns of which first is used for the storage of uncleared and seized cargo and for the clearance of personal effects. Second is used for the storage of import cargo, and third for export cargo.
3. A new air cargo complex with an area of about 7,700 m² on ground level and a two storey office of 2,500 m² is planned for completion by April 2001 under the Tribhuvan International Airport Improvement Project. The new cargo complex has a cargo area of 3,500 to 4,000 m² each for export and import.

Import procedures

4. Nepal Transit and Warehousing Company Limited (NTWCL) receives import cargo from the airline in accordance with the cargo manifest and air waybill copies. For release of cargo, an importer or CA has to submit an application in the prescribed form to NTWCL with a delivery order issued by the airline. NTWCL makes the following storage charges:

- Paisa per kg/day for the first 7 days,
- Paisa per kg/day for 8 to 30 days,
- Paisa per kg/day for 31 to 60 days, and
- Paisa per kg/day for above 60 days.

In addition to the storage charge, NTWCL also levies handling charges as follows:

- NPR 30 per package on Government cargo,
- NPR 31 per package on personal effects, and
- NPR 50 per package or 55 paisa per kg, whichever higher, on commercial cargo.

5. After receiving information from the exporter or airline about the arrival of the cargo, the importer or CA approaches the TIA Customs with the following documents:

1. Nepal customs import declaration,
2. Letter of authority for CA to act on behalf of the importer,
3. Air waybill,
4. Invoice,
5. Packing list,
6. Certificate of origin (this is required only for tariff concession for goods originating in Tibet Autonomous Region of People's Republic of China, SAPTA-member countries and MFN rates for countries having bilateral agreements with Nepal),
7. Certificate of insurance,
8. BBN 4 form issued by the bank,
9. Certified copy of L/C, Enterprise registration certificate,
10. VAT registration certificate,
11. Income tax registration certificate

6. Customs use the transaction value as the basis for customs valuation. The chief customs officer is authorized to approve variation from reference values up to 10%. In addition the chief customs officer is fully authorized to approve valuation of the following five products:

- Industrial machinery and parts,
- Imports by hotel industries under duty preference as allowed by the Act,
- Surgical and medical equipment,
- Readymade life saving drugs, and
- Heavy equipment and parts imported by construction companies.

The requirement by Customs for a certificate of insurance is for customs valuation

purposes. In the absence of an insurance certificate, Customs add 2% of the C&F (CFR) invoice value to obtain the CIF Kathmandu value on which duty is assessed.

7. After the documents have been checked. Customs assess their charges for payment by the importer before releasing the cargo. Customs certify form BBN4 and hand it to the importer for delivery to the issuing bank.
8. The importer or CA pays the customs dues and approaches NTWCL with the customs declaration and payment receipt to obtain release of the cargo. The importer arranges loading and transportation of cargo from airport godown to his warehouse.

Export Procedures

9. An exporter or CA has to bring cargo with complete documents for customs examination and clearance. The following documents are required for submission to TIA Customs:
 - Nepalese customs export declaration,
 - Authority letter of CA,
 - Invoice,
 - Packing list,
 - Certified copy of L/C or certificate of advance payment,
 - Certificate of origin,
 - BBN 1 of NRB,
 - Enterprise registration certificate,
 - Income tax registration certificate/PAN,
 - VAT certificate for beer, spirits and cigarettes/PAN,
 - Visa certificate for readymade garments, if applicable,
 - Valuation certificate for handicrafts,
 - Value addition certificate for silver handicrafts,
 - Passbook for gold handicrafts,
 - No objection letter for domestic animal bone, leather and horn based handicrafts,
 - GSP form A, if applicable,
 - Clearance certificate of Department of Archeology for certain handicrafts,
 - Clearance certificate of Department of Plant Resources for forest and plant based products,
 - Phytosanitary certificate of PQS, Department of Agriculture for plants,
 - Clearance certificate of Department of Drug Management for medicines,
 - Clearance certificate of Department of Mines and Geology for mineral products.
10. After the export cargo has been examined against documents, the checked packages are sealed and cleared for storage by Customs. NTWCL accepts cargo for storage only after customs clearance. The godown run by NTWCL has a separate cabin that can be locked and an iron safe for the storage of valuable exports like gold and silver handicrafts. There are private loaders at the godown to load and unload cargo at the expense of the exporter, but only airline workers load and unload at the apron area. After the exporter produces the air waybill for the cargo confirming space booking with the concerned airline, NTWCL allows loading of the cargo into a container truck, which is jointly managed by NTWCL and TIA Customs. After checking and sealing of the container truck by the

Customs, the cargo is transported to the apron area. After the seals of the container truck have been opened by the Customs, the cargo is unloaded at the apron area.

11. NTWCL allows 7 days free time on rental charges but goods are still liable to the handling fee. The handling fee is based on weight of the cargo as follows:

- NPR 050 up to 50 kg on general cargo,
- NPR 100 51 to 500 kg
- NPR 150 501 to 1000 kg, and
- NPR 200 1001 kg and above.

For gold and silver handicrafts, a different rate has been fixed as NPR 100 up to 5 kg, NPR 150 for 5-1000 kg and NPR 200 for above 1000 kg.

Similarly NTWCL levies cargo rent charges after 7 days free time as per the following tariffs:

- 18 Paisa per kg/day 8-30 days,
- 30 Paisa per kg/day 31-60 days, and
- 54 Paisa per kg/day 61 days and above.

A separate form as prescribed by NTWCL is to be submitted by an exporter or CA to obtain permission for the storage of cargo.

Source: www.tepc.gov.np

2.1 Land Transport

Land transport: (using trucks/trailers) is the most popular option for shipping goods depending upon the extensive road system. Rates vary according to whether a shipment is a full-truck load or less-than-full-truck load.

Nepal is linked by a system of roads totaling some 10,000 kilometers in length. Some of the major roads are in good condition but others are barely passable. During the monsoon season, many roads are damaged by flooding. Nepal is a land-locked country and having no sea-ports in her territory, The Trade and Transit treaty between Nepal and India has allowed the ports of Kolkata and Haldia as a gateway ports for Nepal's third country cargo. The port of Calcutta is about 1150 kilometers from the Nepalese border and is connected to Kathmandu by hard surface road. The average transit time from Kathmandu to the gateway port ranges from three to six days. To ease Transportation between Kolkata port and Nepal three 'dry ports' (**Inland Clearance Depots, ICDs**) have been constructed at Biratnagar, Bhairahawa and Birgunj and are under operation. One more ICD at Kakarbhitta is under construction which will come into operation by early 2010. Among them Birgunj has railway connectivity with Indian Cargo Railway system.

2.2 Railway Transport

Railway Transport: The railway transport is another principal means of cargo transportation, particularly where roads are in poor condition. Nepal has very limited Rail route and the government of Nepal has come up with various plan for linking the Rail for easy and economic transportation of goods. Rates for rail transportation vary according to whether a shipment is a full-wagon load or less-than-full-wagon load and also according to volume and density of goods. Currently, container trains come up to Birgunj ICD thrice a week.

2.3 Air Transport

Air transport is the most expensive option. However, it boasts advantages such as speed, reduced insurance and storage costs, and better inventory control. Nepal has one International Airport. The government of Nepal has initiated to increase the standard and facilities.

Nepal being landlocked, considerable attention is paid to the development of air transportation to support the growth of trade and the fast expanding tourist industry. Nepal's only international airport in Kathmandu, the capital, and is connected by regular air services to London, Frankfurt, Moscow, Dubai, Doha, Karachi, New Delhi, Calcutta, Varanasi, Dhaka, Bangkok, Singapore, Kuala Lumpur, Lhasa and Hong Kong.

Tribhuvan International Airport (TIA), Kathmandu, is the only international gateway for passenger and goods traffic by air in Nepal.

TIA Customs has three godowns of which No. 1 is used for the storage of uncleared and seized cargo and for the clearance of personal effects. Godown No. 2 is used for the storage of import cargo, and godown No. 3 for export cargo.

The hilly and inaccessible areas and the Terai region are linked by domestic air services operated by Nepal Airlines (domestic) and other private airlines in 44 districts

of the Nepal. Recently, Nepal has adopted an open-sky policy allowing private airlines to step in the domestic air service front. Emphasis is given to strengthen these services to promote balanced development in trade, commerce and tourism. The transit time for an export shipment ex Katmandu to Europe or America is minimum 4 days to 7 days Airport to Airport.

2.4 Marine Transport

Marine transport is used primarily for heavy or bulky goods, given the more generous requirements for cargo weight. As a rule, it is the slowest form of transportation. Rates vary according to the number of containers required for a shipment and also on the less than container load (LCL). Shipment below 3 CBM (Cubic Meter, 1 CBM = 1m long x 1 meter wide x 1 meter high = 35.3 Cubic Feet, Technically cubic meter could be any combination of lengths as long as all three dimensions multiplied together equals 1) is not recommended to move by Road and sea via Kolkata port.

Land/Sea Transportation

Although landlocked, Nepal has access to the sea through the ports of Kolkata and Haldia in India. The port of Kolkata is about 1150 Kilometers from the Nepalese border close to Biratnagar. The average transit time through India could be 3 to 6 days. Transfer of freight by containers from Kolkata is becoming increasingly important. This tends to reduce the transit time and logistic cost as well. Registered Clearing Agents (CA) with good reputation could assist in the smooth and speedy clearance of goods through the port of Kolkata.

However, the cost of custom clearance and port fees are very high and the cost of inland transportation from and to the port of Kolkata is still too high. During a program, the Nepalese government was recommended by the ECIBON project to speak to Indian counterpart on special facilities for Nepalese Cargo movement.

Normally the sea transportation inclusive of the inland haulage ex Kathmandu to Kolkata takes approximately 45 days inclusive of transshipment time at Kolkata and Singapore or Colombo for a shipment to European port.

Air/ Sea Transport

The Nepalese Export is also made under the Air/ Sea mode of Transport. The first leg is by flight to the nearest destination like Bangkok, Hongkong and Singapore. From this transit point the cargo is transferred to sea port from where the goods move via ocean vessel. This mode is very important as an alternative for land/Sea mode of shipment.

2.5 Multi-Modal Transport System: An effort of the Nepal Government

The concept of international multimodal transport covers the door-to-door movement of goods under the responsibility of a single transport operator. Although the concept might not be new, it developed with the container revolution initiated in the late 50's by Malcom McLean and his trucking operations.

The emergence of the container technology and of the multimodal transport concept came from and facilitated growing international trade. Trade and transport are inextricably linked: efficient transport services are a prerequisite to successful trading.

International transport generally implies the use of various transport links (interfaces and modes), each link corresponding to a transfer, storage or transport operation either in the country of origin, in a transit country, or in the country of final destination.

This situation has created a number of problems over the years, as more and more shippers are realizing that this new concept is involving the effective participation of various transport mode operators but does not always make clear who is responsible for delivering cargo at destination in safe conditions, according to agreed schedules.

Considering the variety of cultures, languages and commercial practices at both ends of a trade, and the resulting complexity of assembling such an international transport operation, it would appear reasonable to a trader to let one qualified operator organize and be responsible and accountable for the entire transport chain.

Beginning from the present uni-modal transport conditions and legal environment, transport operators have developed transport systems to fulfill customers' requirements, offering competitive services and thereby making trade more efficient by offering multimodal transport services to their clients. Since the introduction of containerization and the later development of Electronic Data Interchange (EDI), international trade has increasingly demanded efficient commercial transactions. To take advantage of the potential offered by the new technologies, the international trading community updated its uniform commercial practices regarding trading terms, letters of credit, and multimodal transport documents.

Multimodal transport implies the safe and efficient movement of goods, where the MTO accepts the corresponding responsibility from door-to-door. With technological development of transport means and operations, as well as in communications, coupled with liberalization in the provision of services, more and more transport operators are able to provide such safe and efficient transport. These services are increasingly market-segment oriented rather than transport mode oriented.

Government of Nepal launched the Nepal Multimodal Transit and Trade Facilitation Project (NMTTFP) with an estimated total cost of US\$ 28.5 million which included funding of US\$ 23.5 million credit from the World Bank and US\$ 5.0 million from the Government. The Project was initiated in 1998 to construct rail based ICD in Birgunj and road based ICDs in Biratnagar and Bhairahawa, procure four Reach Stackers for Birgunj ICD, operation of **Automated System for Customs Data (ASYCUDA)** and **Advance Cargo Information System (ACIS)**, trade and transport facilitation, reform and introduction of transport and multimodal legislation. Railway lines from Raxaul, India to ICD Birgunj, Nepal were constructed under the grant assistance of the Government of India.

After completion of the project, NMTTFP handed over all the three ICDs to Nepal **Intermodal Transport Development Board (NITDB)**, the regulatory body of Government of Nepal, to oversee the economical and efficient management of Inland Clearance Depots (ICDs) for facilitation of Nepal's foreign trade.

"Multi-modal Transportation of Goods Act" was proclaimed by the House of Representative on November 5, 2006. Multimodal Transport Regulation was formulated and is under the process of approval from the cabinet.

Source: Schedule of Services Charges (Users' Fees) of the three ICDs: www.nitdb.org

2.6 Incoterms 2000

International sales where the buyer and the seller deal with each other from a distance through verbal and written communications can lead to misunderstandings and disputes because of different interpretation of the terms used in the sale contract.

In order to avoid such situations, which hinder the smooth flow of international trade, the International Chamber of Commerce has evolved standardized trade terms known as the "Inco-terms" (International rules for the interpretation of trade terms).

The Inco-terms were first published in 1936. Amendments and additions were later made in 1953, 1967, 1976, 1980, 1990, and more recently in 2000. Many importers and exporters worldwide are accustomed to and may still use the INCOTERMS 1980, the predecessor of INCOTERMS 1990 and INCOTERMS 2000.

These terms deal with delivery conditions between the buyer and seller, and their main purpose is to apportion the costs and risks of the transport movement and related operations between the two parties. In an international sale contract it is necessary for the seller and the buyer to clearly determine what elements of costs would be included in the price quoted by the seller. Either the buyer or the seller must bear the cost of transport from the sellers' point of origin to the buyers' point of destination. The Inco-terms are not international rules applicable to the sale transaction. They become operative only when the parties to the contract agree to apply them.

Under the INCOTERMS 2000 ([Annex 16](#)), the international commercial terms are grouped into E, F, C and D, designated by the first letter of the term (acronym), as follows:

Group	Term	Use	Mode of Transport
The "E"	EXW	Ex works	All modes
The "F"s	FCA	Free carrier	All modes
	FAS	Free alongside ship	Maritime
	FOB	Free on board	Maritime
The "C"s	CFR	Cost and freight	Maritime
	CIF	Cost insurance & freight	Maritime
	CPT	Carriage paid to	All modes
	CIP	Carriage insurance paid to	All modes
The "D"s	DAF	Delivered at frontier	Land
	DES	Delivered ex ship	Maritime
	DEQ	Delivered ex quay	Maritime
	DDU	Delivered duty unpaid	All modes
	DDP	Delivered duty paid	All modes

References

www.unescap.org

www.unctad.org

Chapter III Trade: Tax Law, Taxation Policy and Labour Policies

3.1 Trade, Industry and Tax Policy Highlights

3.1.1 Trade Policy

Public sector works as a catalyst and facilitator to expand the role of private sector.

No Licenses required for exports and import of any products other than banned or quantitatively restricted items, Banned and quantitatively restricted items.

The duty drawback scheme available for the refund of import duty paid on imported raw materials and intermediate goods required for the production of exportable products.

Export Promotion Zone (EPZ) and **Special Economic Zone (SEZ)** are being established in different location.

No Duty levied on raw materials and auxiliaries imported by industries in EPZ./SEZ

Industries exporting more than 40 percent of the production to be granted similar facilities as given to industries in EPZ.

Foreign currency required for import will be made available by the commercial banks at the market rate.

Exporters allowed retaining their export earnings in their own foreign currency account.

No quantitative restrictions on the exportable products carried by tourists while returning from Nepal.

3.1.2 Import Policy

Almost all goods are in **OGL (Open General Licence)**

The customs value is calculated on **CIF basis (Cost Insurance and Freight)** on import.

Nepal has adopted **General Agreement on Tariff and Trade (GATT)** valuation system

Principle of lower rate of customs duty on the import of raw materials compared to finished goods is in use.

Prevailing custom duty rates are 80%, 40%, 35%, 25%, 15%, 10%, 5%.and 0 %.

Goods imported from India into Nepal are granted a rebate in the chargeable ad valorem (except specific) rate of customs duty by 5% ad valorem duty in above than 25 percent custom duty and 7 % below than 25 percent.

Goods produced in China and imported from Tibet are granted a rebate in the chargeable ad valorem (except specific) rate of customs duty by 4%.

The **ASYCUDA (Automated system for Customs Data)** system is in use at seven major custom points and plan to add in two major points.

3.1.3 Fees on import

1. One and half percent local development fee is levied on import at custom point
2. Agriculture Development fee of 8% is levied on import value on imported agricultural goods.
3. NRs.600 as customs service fee is charged per custom declaration form on export and Rs 500 on import at custom point

3.1.4 Fees on export

1. Export is generally free of custom duty.
2. Some industrial items such as vegetable ghee is liable to pay export duty. Export duty rates range from 0.5 to 8%.
3. Custom duty on export is levied on the basis of FOB price determined by calculating the cost incurred including in transporting the goods up to custom point when exporting the goods.
4. No licensees required for exports of any product other than banned or quantitatively restricted items
5. **Generalized System of Preferences (GSP)** is available to Nepal's export as a Least Developed Country.

3.1.5 Industries Requiring Permission

Industries producing explosives including arms, ammunition and gunpowder, security printing, bank notes and coin industries.

Cigarettes, *bidi* (raw cigarettes), cigar, *khaini* (chewing tobacco) industries and industries producing goods of a similar nature utilizing tobacco as the basic raw material and alcohol or beer producing industries.

3.1.6 Foreign Investment

- Permission will not be granted for foreign investment to the industries specified ([Annex 17](#)) Rest of the industries a permission is required.
- Foreign investments will be permitted up to 100 percent except the negative list.
- Repatriation of capital & profits is allowed.
- No intervention will be made in fixing prices of the products of any industry.

- Business visas shall be granted to foreign investors or their dependent family members or authorized representatives and their dependent family members to stay in Nepal so long as they maintain their foreign investment. Provided that a Foreign Investor, who makes a lump sum investment of at least US\$ 100,000
- or an equivalent amount in any convertible foreign currency, and his dependent family members shall be granted residential visas so long as he maintains his investment.

3.1.7 Incentives and Facilities

- After an industry comes into operation, 10 percent of the gross profit shall be allowed as a deduction against taxable income on account of expenses related with technology, product development and efficiency improvement.
- If any other industry utilizes locally available raw materials, chemicals and packing materials, etc. on which excise duty is already imposed, the excise duty shall be reimbursed to the industry utilizing such raw materials chemicals and packing materials. The amount to be so reimbursed shall be refunded within sixty days after an application to that effect has been duly submitted.
- The customs duty & excise duty on raw materials and auxiliary raw materials, etc. utilized by any industry in connection with its product during its production shall be reimbursed on the basis of the quantity of the export.
- Any industry sells its products in the Export Promotion House, the customs duties levied on the raw materials imported for producing the products and the excise duty levied on the products shall be reimbursed for concerned industry on the basis of the quantity of sale and export.
- If an industry sells its product within the country in any foreign currency, the excise duty and custom duty on such product and customs duty, excise duty levied on the raw materials and auxiliary raw materials, etc. utilized in such product shall be reimbursed.
- The customs duties and excise duty on the production materials of intermediate goods to be utilized for the production of exportable industrial goods and excise duty levied on the product shall be reimbursed to the concerned industry producing the intermediate goods, on the basis of the quantity of export.
- If an industry producing intermediate goods sells its products to any other industry producing finished goods, the custom duty and excise duty to be levied on such products will be allowed to be adjusted on the basis of the quantity utilized by the industry producing the finished goods.
- No royalty shall be imposed if any industry generates electricity for its use.

Value Added Tax (VAT)

1. A firm whose annual turnover of goods and services is less than Rs.2 million needs not be registered with the VAT office and collect VAT on sales. But they can register voluntarily.

2. VAT is levied at a single rate of 13 percent. In certain cases, the rate may be zero and certain goods and services are exempted from VAT.
3. Value Added Tax is collected at every (manufacturing, distribution, wholesale and retail) stage of selling goods and services.
4. Exports of taxable goods are zero rated.
5. A firm registered with the VAT Office may claim credit on tax paid on inputs /purchases.
6. VAT paid on inputs can be adjusted while collecting the VAT on finished products.
7. Industries that exported more than 80 percent of total sales in past twelve months and which have a minimum of twenty percent of value addition can import raw materials providing bank guarantee on account of the payable VAT.
8. Certain products such as primary food stuffs, primary agricultural products, and industrial machineries are exempted from VAT.

VAT Exempted Goods and Services

- a. Basic Agricultural Products
- b. Goods of Basic needs
- c. Live animals, animal product, animals feed and feed supplements
- d. Agricultural inputs
- e. Education services
- f. Transport service
- g. Health Services
- h. Raw materials for pharmaceutical industries
- i. Books, Newspapers and Publications
- j. Industrial machinery
- k. Cultural and Artistic goods and Services
- l. Specified personal & Professional Services
- m. Others goods and services such as postal service, financial & insurance service, buying & selling of real estate.

Zero Rated goods and services

- a. Goods exported or services provided abroad
- b. Goods & Services imported by accredited diplomats

Excise duty

Excise duty is levied on certain goods (tobacco, alcohol, plastic, cement, vehicles, marble) produced in and imported to Nepal. The rates may be ad valorem as well as specific

Source: [Federation of Nepalese Chambers of Commerce and Industry \[FNCCI\]](#)

3.2 Labor Policies

3.2.1 Labor Force

Nepal has an easily trainable and keen work force. Unskilled labor is cheap and abundant. Semiskilled and skilled labour is available in sufficient numbers. The government has established technical institutions to develop skills at the technical level in civil and electrical engineering, electronics, air conditioning/refrigeration, general mechanics and auto mechanics. Training programs are also geared to industrial and vocational training in wood working, metal working, leather working, general fitters, tailoring and so on. The programs on entrepreneurial and management development and the colleges of higher learning provide educated persons to be groomed for managerial positions on both public and private sector industries.

3.2.2 Industrial Relations

Nepal has a history of maintaining good industrial relations during the past few decades when industrial activity gradually expanded in the country. Labor unrest, lockouts and strikes do not occur as frequently as they do in other developing countries. The Labor Act lays down guidelines and procedures for the settlement of disputes between employers and employees. These guidelines and procedures provide a favorable environment for the harmonious development of industrial relations.

3.2.3 Legal Framework

The Labor Act, 1992 lays down the legal framework and the basis for the rules, regulations and guidance on the proper management of any establishment employing 10 persons or more. It deals with matters relating to employment and security of employment, working hours and minimum wages, welfare of employees, employer employee relations and the settlement of labor disputes. Labor Regulation, 1993 complements the Labor Act with further clarification in issues such as security of profession and service, remuneration and welfare provision, health, cleanliness and safety, etc. The Bonus Act of 1974, as amended subsequently, provides a legal basis for the payment of bonus to the workers and employees of factories and commercial establishments.

3.2.4 Wages and Salaries

The minimum wage rates set by the government are comparatively lower than the going wage rates for workers in SAARC and other countries of the region. Salaries of middle management executives, technical grade officers, engineers and other professionals are generally lower than in other developing countries. Permanent employees of a factory should contribute 10 percent of the monthly salary to a provident fund and the management should make a matching contribution. Gratuities are payable to workers who have worked for over 3 years.

3.2.5 Working Hours / Holidays

Normal working hours are fixed at 48 hours per week, 8 hours a day. Continuous working hours should not exceed 5 hours. There should be a break of half an hour. Overtime work is remunerated at one and a half times the normal wage.

In addition to 13 public holidays, permanent workers are entitled to one day's home leave for every 20 days, 15 days medical leave with half pay and one month special leave without pay every year. Female employees are entitled to 52 days maternity leave with full pay. Such maternity leave shall be granted only twice during the entire period of service. The compulsory retiring age for workers is 55. However, in the case of a skilled worker whose service is indispensable, the retirement age could be extended upto 60 years.

Source: [Federation of Nepalese Chambers of Commerce and Industry \[FNCCI\]](#)

Chapter IV Trade Treaties / Special Economic Zones

4.1. The [Agreement on South Asian Free Trade Area \(SAFTA\)](#): was signed on 6 January 2004 during the Twelfth SAARC Summit in Islamabad. The Agreement came into force from 1 January 2006.

Under the Trade Liberalization Program scheduled for completion in ten years by 2016, the customs duties on products from the region will be progressively reduced. However, under an early harvest program for the Least Developed Member States, India, Pakistan and Sri Lanka are to bring down their customs duties to 0-5 % by 1 January 2009 for the products from such Member States. The Least Developed Member States are expected to benefit from additional measures under the special and differential treatment accorded to them under the Agreement.

4.2. BIMSTEC: On 6 June 1997, a new sub-regional grouping was formed in Bangkok and given the name BIST-EC (Bangladesh, India, Sri Lanka, and Thailand Economic Cooperation). Myanmar attended the inaugural June Meeting as an observer and joined the organization as a full member at a Special Ministerial Meeting held in Bangkok on 22 December 1997, upon which the name of the grouping was changed to BIMST-EC. Nepal was granted observer status by the second Ministerial Meeting in Dhaka in December 1998. Subsequently, full membership has been granted to Nepal and Bhutan in 2003.

In the first Summit on 31 July 2004, leaders of the group agreed that the name of the grouping should be known as BIMSTEC or the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation.

Aims and Purposes

According to the Bangkok Declaration on the Establishment of BIST-EC, the aims and purposes of BIST-EC/BIMST-EC are to create an enabling environment for rapid economic development, accelerate social progress in the sub-region, promote active collaboration and mutual assistance on matters of common interest, provide assistance to each other in the form of training and research facilities, cooperate more effectively in joint efforts that are supportive of, and complementary to national development plans of member states, maintain close and beneficial cooperation with existing international and regional organizations, and cooperate in projects that can be dealt with most productively on a sub-regional basis and which make best use of available synergies.

BIMSTEC was initiated with the goal to combine the 'Look West' policy of Thailand and ASEAN with the 'Look East' policy of India and South Asia. So it could be explained that BIMSTEC is a link between ASEAN and SARRC. Seven members of BIMSTEC covers 13 Priority Sectors lead by member countries in a voluntary manner namely, Trade & Investment, Technology, Energy, Transport & Communication, Tourism, Fisheries, Agriculture, Cultural Cooperation, Environment and Disaster Management, Public Health, People-to-People Contract, Poverty Alleviation and Counter-Terrorism and Transnational Crimes.

Source: www.bimstec.org

4.3. List of various Bi-Lateral Treaties and Agreements

- Trade and Payments and Transit Agreements with the People's Republic of Bangladesh, April 2, 1976.
 - Trade and Payment Agreement
 - Transit agreement
- Trade and Payments Agreement with the People's Republic of Bulgaria, July 4, 1980.
- Trade and Payments Agreement with the People's Republic of China, November 22, 1981.
- Trade and Payments Agreement with Czechoslovak Socialist Republic, December 12, 1982.
- Trade Agreement with the Arab Republic of Egypt, December 23, 1975.
- Trade Agreement with the Republic of India
 - Treaty of Trade, 2002
 - Agreement of Co-operation, 1991
 - Treaty of Transit, 1999
- Trade Agreement with the Democratic People's Republic of Korea, December 11, 1970.
- Trade Agreement with the Republic of Korea, May 6, 1971.
- Trade Agreement with Mongolia, January 29, 1992.
- Trade Agreement with the Islamic Republic of Pakistan, July 28, 1982.
- Trade Agreement with the Republic of Poland, May 12, 1992.
- Trade Agreement with the Republic of Romania,
- Trade Agreement with the Democratic Socialist Republic of Sri-Lanka, April 3, 1979.
- Trade Agreement with the United Kingdom of Great Britain and Northern Ireland, 1965.
- Trade Agreement with United States of America, April 25, 1947.
- Trade Agreement with the Union of Soviet Socialist Republic, August 6, 1970.
- Trade Agreement with the Socialist Federal Republic of Yugoslavia, September 5, 1965.

Source: www.tepc.gov.np/tradeagreement

4.4. Special Arrangement for Trade between EC (European Commission) and Nepal:

The European Commission signed an agreement with the Government of Nepal in the year 1996, since then EC has played an important role in the development of Nepal in all sectors needing attention including Promotion of Trade.

Nepal's Accession to WTO (World Trade Organization) supports Trade Promotion between the EU (European Union) which makes Nepal a beneficiary to the preferential trade treatment with the EU under the EBA (Everything but Arms) Regulation, adopted by the EU council in 2001. EBA Regulation grants duty-free access to imports of all products from LDCs (Least Developed Countries) with any quantitative restrictions, except for Arms and Ammunitions.

4.5. Special Economic Zones

A **Special Economic Zone (SEZ)** is a geographical region that has economic laws that are more liberal than a country's typical economic laws. The category 'SEZ' covers a broad range of more specific zone types, including **Free Trade Zones (FTZ)**, **Export Processing Zones (EPZ)**, **Free Zones (FZ)**, **Industrial Estates (IE)**, Free Ports, Urban Enterprise Zones and others. Usually the goal of a structure is to increase foreign direct investment by foreign investors, typically an international business or a multinational corporation (MNC).

SEZ in Nepal

Nepal, as a part of its substantial and continuing efforts to boost the economic activities in the country, has recently announced the establishment of Special Economical Zones in 3 different locations in Nepal. Though the Law is yet to be passed in the parliament, SEZ Bhairawa is on its way to completion. For the successful implementation of SEZ the following steps must be taken immediately:

- Enactment of SEZ law and relevant rules and regulations
- Allocation of sufficient budget for speedy completions of declared EPZ and SEZs

In view of low national investment sources, significant expansion of the export industry depends on the attraction of foreign investment bringing in technology, marketing expertise and capital. As a member of WTO, Nepal requires to give a lift to its capacity building in economic fronts to sustain and move forward through the highly competitive world economic mainstream.

Production and supply of raw materials to industrial units in the Special Economic Zones can further boost the rural economy. Both SEZ and EPZ will generate direct employment for skilled and semi-skilled man-power, thus contributing to poverty alleviation in both rural and urban areas. The export and economic growth will help enhance economic activities, promote employment, reduce poverty, which ultimately put in to the sustainable development of the country.

Government of Nepal has forwarded the idea of SEZ and EPZ to attract foreign and national entrepreneurs to invest and establish industrial and business units, which will contribute conclusively to the elimination of poverty and to the sustainable development of Nepal.

Foreign export oriented investment will be possible only if the conditions in a country are at par or better than those in the neighboring countries. One way to create such an environment is the creation of SEZ and EPZ, which will be operation outside the traditional administrative arrangements and hence will be a policy response towards immediately overcoming the bureaucratic and procedural difficulties associated with export business. Furthermore, the operations of the SEZ and EPZ will have a multiple effect on traditional business operation practices and associated productive as well as service sectors leading to progressive development in the International Business Sector.

Source: www.seznepal.gov.np

Chapter V International and Local Organizations and Facilitating Export / Import in Nepal

5.1. Local Organizations promoting trade

Local Organizations promoting trade

1. Canadian Cooperation Officer-Nepal: Website: www.cconepal.org.np/trade
2. Federation of Nepalese Chambers of Commerce and Industry: Website: www.fncci.org
3. Nepal Chamber of Commerce and Industry: Website: www.nepalchamber.org/
4. Lalitpur Chamber of Commerce and Industry: Website: www.lcci.org.np
5. Birgunj Chamber of Commerce and Industry, Parsa.
6. Bhaktapur Chamber of Commerce and Industry: Website: www.bccinepal.org
7. Morang Merchants' Association, Morang.: Website: www.mma.org.np
8. Makwanpur Chamber of Commerce and Industry, Makwanpur. : Website: www.mcci.org.np
9. Pokhara Chamber of Commerce and Industry, Kaski.: Website: www.pokharachamber.org.np
10. Siddharthanagar Chamber of Commerce and Industry,: Website: www.sccionline.org
11. Morang Chamber of Industries, Morang.
12. Butwal Chamber of Commerce and Industry, Butwal.: Website: www.bcci.org.np
13. Janakpur Chamber of Commerce and Industry, Janakpur.
14. Narayangarh Chamber of Commerce and Industry, Chitwan.: Website: www.ncci.org.np
15. Nepalgunj Chamber of Commerce and Industry, Bankey.: Website: www.ngcci.org.np
16. Kailali Chamber of Commerce and Industry, Dhangarhi.: Website: www.kccifarwest.org
17. Gorkha Chamber of Commerce and Industry, Gorkha.: Website: www.visitgorkha.com
18. Nawalparasi Chamber of Commerce and Industry, Nawalparasi.
19. Krishnanagar Chamber of Commerce and Industry. : Websites: www.nepalhomepage.com
20. European Economic Chamber of Trade, Commerce and Industry: Website: www.eec-nepal.org.np
21. Nepal-German Chamber of Trade, Commerce and Industry.: Website: www.ngcci.org
22. Nepal-Britain Chamber of Trade, Commerce and Industry.: Website: www.nbcci.org
23. Nepal-India Chamber of Trade, Commerce and Industry.: Website: www.nicci.org
24. Nepal-Spain Chamber of Trade, Commerce and Industry.:
25. Trade and Export Promotion Center: Website: www.tepc.gov.np
26. Export Council of Nepal: Website: www.nepalexport.com
27. Nepal-France Chamber of Commerce & Industry.: Website: www.nfcci.com.np
28. Rupandehi Industry Association.: Website: www.rianepal.org.np
29. Nepal Carpet Exporter's Association.: Website: www.nepalcarpetexport.org

30. Floriculture Association of Nepal. : Website: www.fannepal.org.np
31. Baglung Chamber of Commerce & Industry. : Website: www.baglungchamber.org.np
32. Taplejung Chamber of Commerce .: Website: www.tcci.tpi.org.np
33. Tanahu Chamber of commerce .: Website: tanahuchamber.org.np
34. Nepal Handmade Paper Association. : Website: www.nepallokta.de
35. Sumeru Art Village Sumeru Kalagram.: Website: www.sumeruvillage.org
36. Federation of Handicraft Association of Nepal. : Website: www.nepalhandicraft.org.np
37. Wean Multiple Cooperative Limited. : Website: www.wencop.org
38. Nepalashmina Industries Association. : Website: www.pashminaassociation.org.np
39. Nepal traditional Handicraft training Centre. : Website: www.trainhimalayanart.com
40. *Jadibuti Association of Nepal (JABAN)*. :Website: www.jaban.com
41. Nepal Freight Forwarders Association (NEFFA). : Website: www.neffa.org.np
42. Ilam chamber of Commerce & Industry. : Website: www.ilamchamber.com
43. Rantanagar Chamber of Commerce & Industry. : Website: www.rcci.org.np

Note:

Addresses and telephone numbers might change frequently. Please contact Trade Promotion Centre and Federation of Nepal Chamber of Commerce and Industry for the up-dated addresses of the above mentioned organizations.

5.2. International Organizations involved in Promotion of Trade

1. Asian Trade Promotion Forum (ATPF) (Website: www.atpf.org)
2. Confederation of Asia-Pacific Chambers of Commerce & Industry (CACCI) (Website: www.cacci.org.tw)
3. International Chamber of Commerce (ICC) (Website: www.iccbwo.org)
4. International Organisation of Employers' (IOE) (Website: www.ioe-emp.org)
5. SAARC Chamber of Commerce & Industry (SCCI) (Website: www.saarcchamber.com)
6. World Assembly of Small and Medium Enterprises (WASME) (Website: www.wasmeinfo.org)
7. CBI (Center for the Promotion of Imports from Developing Countries) (Website: www.cbi.nl)
8. Asian Productivity Organization (APO) (Website: www.aponet.org)
9. International Trade Forum (Website: www.tradeforum.org)
10. Confederation of Asia Chamber of Commerce & Industry (CACCI) (Website: www.cacci.org.tw)

Addresses of Diplomatic missions in Nepal

1. EMBASSY OF AUSTRALIA, Bansbari, Tel: 4371678/4371466, Fax: 4371533, Website: www.nepal.embassy.gov.au
2. EMBASSY OF THE PEOPLE'S REPUBLIC OF BANGLADESH, Maharajung, Ring Road, Tel: 4372843/4370438 Fax: 4373265, Website: www.embassiesabroad.com/embassies-in/Nepal

3. EMBASSY OF THE PEOPLE'S REPUBLIC CHINA, Baluwatar, Tel: 4411740/4415383/4411958, Fax: 4414045, Website: www.chinaembassy.org.np
4. ROYAL DANISH EMBASSY, Baluwatar, Tel: 4413010/4413020, Fax: 4411409, Website: www.ambkathmandu.um.dk
5. EMBASSY OF THE ARAB REPUBLIC OF EGYPT, Pulchowk, Lalitpur, Tel: 5514812/5520083, Fax: 5522975, Website: www.egypt.visahq.com/embassy/Nepal/
6. EMBASSY OF FINLAND, Lazimpat, Tel: 4416636/4417221 Fax: 4416703, Website: www.finland.org.np
7. EMBASSY OF REPUBLIC OF FRANCE, Lazimpat, Tel: 4412332, Fax: 4419968, Website: www.ambfrance-np.org
8. EMBASSY OF FEDERAL REPUBLIC OF GERMANY, Gyaneswor, Tel: 4412786/4416527, Fax: 4416899, Website: www.kathmandu.diplo.de
9. EMBASSY OF THE REPUBLIC OF INDIA, Lainchaur, Tel: 4410900/4414990/4411699, Fax: 4428279 Website: www.indianembassy.org.np
10. EMBASSY OF THE STATE OF ISRAEL, Lazimpat, Ktm, Tel: 4411811/4413419, Fax: 4413920 Website: www.kathmandu.mfa.gov.il
11. EMBASSY OF JAPAN, Panipokhari, Tel: 4426680, Fax: 4414101 Website: www.np.emb-japan.go.jp
12. EMBASSY OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA, Jhamsikhel, Lalitpur, Tel: 5521855/5535871/5535925, Fax: 5525394 Website: www.embassiesabroad.com/embassies-in/Nepal
13. EMBASSY OF THE REPUBLIC OF KOREA, Rabi Bhawan, Tel: 4270172/4270417/4277391, Fax: 4272041 Website: www.mofat.go.kr/nepal
14. EMBASSY OF MALAYSIA, Pulchowk, lalitpur, Tel: 5010004/5010005, Fax: 5010492 Website: www.kln.gov.my/perwakilan/kathmandu
15. EMBASSY OF THE UNION OF MYANMAR, Pulchowk, Krishna Galli, Lalitpur, Tel: 5521788/5555469/5534766 Fax: 5523402, Website: www.embassiesabroad.com/embassies-in/Nepal
16. ROYAL NORWEGIAN EMBASSY, Pulchowk, Lalitpur, Tel: 5545307, Fax: 5545226, Website: www.norway.org.np
17. EMBASSY OF THE RUSSIAN FEDERATION, Baluwatar, Tel: 4412155, Fax: 4416571, Website: www.nepal.mid.ru
18. EMBASSY OF THE ISLAMIC REPUBLIC OF PAKISTAN, Maharajjung, Tel: 4374024/4374011, Fax: 4374012, Website: www.pakistan.visahq.com/embassy/Nepal

19. BRITISH EMBASSY, Lainchaur, Tel: 4410583/4411281/4411590 Fax: 4411789/4416723, Website: www.ukinnepal.fco.gov.uk
20. EMBASSY OF THE DEMOCRATIC SOCIALIST OF SRI LANKA, Baluwatar, Tel: 4720623/4721389, Fax: 4720128, Website: www.slembktm.com
21. ROYAL THAI EMBASSY, Maharajjung, Tel: 4371410/4371411, Fax: 4371408/4371409, Website: www.thaiembassy.org/kathmandu
22. EMBASSY OF THE UNITED STATES OF AMERICA, Maharajgunj, Tel: 4007200, Fax: 4007272, Website: www.nepal.usembassy.gov

Honorary Consulates in Kathmandu (Nepal)

1. AUSTRIA, Hattisar, Tel: 4434690/4434648/4434860, Fax: 4434515, autconktm@wlink.com.np
2. BELGIUM, Lal Durbar, Tel: 4418922, Fax: 4410330, diplobel@wlink.com.np
3. BRAZIL, Jhamsikhel, Lalitpur Tel: 5527223/5527261, Fax: 5523746
4. CANADA, Lazimpat, Tel: 4415193/4415389, Fax: 4410422, cco@canadanepal.org
5. CHILE, Kamaladi, Ktm, Tel: 4221637/4231041, Fax: 4220178, temtig@mos.com.np
6. CYPRUS, Jyoti Bhawan, Kantipath, Tel: 4225490, Fax: 4226314, pjyoti@mail.com.np
7. CZECH REPUBLIC, Jawalakhel, Lalitpur, Tel: 5521730/5524741, Fax: 5521730, Kathmandu@honorary.mzv.cz
8. GREECE, Bag Durbar, Ktm, Tel: 4222050, Fax: 4261960/4261192, bonne@naag.htp.com.np
9. HUNGARY, Patan Dhoka, Lalitpur, Tel: 5522871/5526894, Fax: 5524139/5521219, info@nbe.mos.co.np
10. ICELAND, Putalisadak, Ktm, Tel: 4431814/4430525/4431525, Fax: 4430413
11. ITALY, Durbar Marg, Tel: 4252801-4, Fax: 4255218, negroup@mos.com.np
12. LITHUANIA, Nurshing Chowk, Thamel, Ktm, Tel: 4700275/6/4701135, Fax: 4700045/4355074
13. LUXEMBOURG, Lal Durbar, Ktm, Tel: 4242567/4242620, Fax: 4226121
14. THE MALDIVES, Durbar Marg, Tel: 4411818, Fax: 4422330
15. MALTA, Ramshah Path, Ktm, Tel: 4430525/4430609, Fax: 4430413
16. MEXICO, Hadigaun, Ktm, Tel: 4412971/4420018, Fax: 4418182

17. MONGOLIA, Bouddha, Tinchuli, Ktm, Tel: 4496532/4471534, Fax: 4470525
18. MOROCCO, Khichapokhari, Ktm, Tel: 4221260, Fax: 4226293
19. THE NETHERLANDS, Bakhundole, Lalitpur, Tel: 5523444/5522915, Fax: 5523155, Website: www.netherlandsconsulate.org.np
20. NEW ZEALAND, Dilli Bazar, Tel: 4412436, Fax: 4414750
21. THE PHILIPPINES, Sinamangal, Tel: 4478301/4487546, Fax: 4486243/4493920, voith@mos.com.np, phicongen@voith.com.np
22. POLAND, Ganabahal, Tel: 4250004/4249114, Fax: 4249723
23. PORTUGAL, Hattisar, Ktm, Tel: 4446400, Fax: 4446405
24. SLOVAKIA, Jawalakhel, Lalitpur, Tel: 5521730, Fax: 5521730, cdkarky@wlink.com.np
25. SOUTH AFRICA, Pulchowk, Krishna Galli, Lalitpur, Tel: 5523957/5549876, Fax: 5526529
26. SPAIN, Battisputali, Tel: 4470770/4473724, Fax: 4471379/4479488
27. SWEDEN, Khichapokhari, Tel: 4220939, Fax: 4221826, meerahome@wlink.com.np
28. SWITZERLAND, SDC, Jawalakhel, Tel: 5549225, Fax: 5549224, scaktm@wlink.com.np
29. TURKEY, Hattisar, Tel: 4446400/4446001, Fax: 4446405, scaktm@wlink.com.np
30. UKRAINE, Maharajgunj, Shital Marg, Ktm, Tel: 4416544/4416767, Fax: 4421845

Annexes

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