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## Operations of all kind of cargos between ICDs and ICPs on the cards

**Nepal** and India will soon sign letter of exchange (LoE) that will pave way for Nepali traders to send and receive bulk open cargos and refrigerated wagons using the Indian railway service.

To expedite the signing process Nepal forwarded the draft of LoE, a part of the Rail Service Agreement (RSA) signed by the two countries in 2004, to the Indian government last week following a bilateral review meeting of the RSA in Kathmandu in February.

"We are waiting for feedback or confirmation on the draft from the India. I believe

Once the documents signed it is expected to pave the way for Nepali traders to move containers between any of the Inland Containers Depots (ICDs) and Integrated Check Points (ICPs) in Nepal and expected to ease the problems of Nepali traders who have long been pushing for movement of open and refrigerated cargos while conducting trade with third countries as well.

The concerned official at the MoCS said "Nepali business people are longing to make use of the benefit of using any ICD for the movement of open and covered cargos. The RSA, signed in 2004, limits movement of bilateral rail cargo between Birgunj ICD and Indian ports of Kolkata and Haldia. However, the last meeting has paved the way for unhindered movement of railway containers to any ICD."

the LoE, that was prepared on the basis of the agreements during the last review meeting of the RSA, will be okay for India as well," Naindra Prasad Upadhaya, joint secretary of the Ministry of Commerce and Supply (MoCS) said last week.



Currently, Birgunj ICD receives and forwards railway wagons from Kolkata and Haldia ports. Similarly, Birgunj ICP is expected to come into operation this year. Other ICPs in Biratnagar, Bhairahawa and Nepalgunj are under construction.

However, the last review meeting of the RSA failed to allow Nepali traders to acquire services of other railway company besides Containers Corporation (Concor) of India - the Indian partner in the Himalayan Terminal that is managing Birgunj ICD and also responsible for arranging containers.

## Tourist arrivals up 14.3%, South Asian arrivals boost tourist inflow

**Nepal** witnessed a sustained tourist inflow by air in April. The growth was basically propelled by strong and sustained South Asian arrivals.

In aggregate, visitor arrivals by air in April increased by 14.3 per cent — to 59,415 — as compared to the same month last year, according to the figures released by Immigration Office, Tribhuvan International Airport (TIA).

The Inland Revenue Department (IRD) has begun cracking down on land-

lords who have been avoiding paying rental taxes or short-changing the taxman by presenting undervalued rental contracts.

In a bid to bolster revenue collection from rental tax, one of the least observed tax obligations, the IRD has prepared a directive

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## Tourist arrivals up 14.3%, .....

As per the data compiled and revealed by Nepal Tourism Board, arrivals from the South Asian region have shown a positive growth of 35.4 per cent with mixed performance. "Arrivals from India and Pakistan went up by 44.5 per cent and 14.8 per cent, respectively. However, arrivals from Bangladesh and Sri Lanka declined by 12.9 percent and 41.2 percent respectively, adding a sustained growth of 36.8 per cent during the first four months of this year as compared to the same period last year.

Similarly, the Asian segment excluding the South Asia region saw a rise of 16.7 percent with almost all the major markets showing positive trend. Similarly, Asia except South Asian region saw an overall rise of 16.7 per cent. Except for Thailand — that dropped by 14.7 per cent. — almost all the markets have shown a positive trend including arrivals from China recorded a robust growth of 42.9 percent, Malaysia (up by 16.8 per cent), Singapore (up by 5.7 per cent) and Japan (up by 13.1 per cent) as compared to the same month last year.

"Between January and April, arrivals from Asia rose by 21.1 per cent as compared to the same period last year," it added.

Regarding long haul markets, Europe registered an overall positive growth of 3.2 per cent as compared to the same month last year with total visitor arrivals of 19,286. "Arrivals from Denmark, Germany, Italy, Russia and Sweden were up by 4.9 per cent, 5.5 per cent, 115.8 per cent, 83.1 per cent and 4.7 per cent, respectively," it said, add-

ing that the Netherlands, France, UK were some of the major markets to register negative growth in April.

The figures show an increasing trend in visitor arrivals from Australia (up by 4.7 per cent) whereas arrivals from New Zealand dropped by 9.5 per cent. However, US and Canada have registered a positive growth of 9.8 per cent and 39.1 per cent, respectively.

Overall, in the four-month period of January-April, arrivals from India grew at an average of 43.9 per cent, China (up by 38.3 per cent), Germany (40.3 per cent), France (up by 8.4 per cent), UK (up by four per cent) and US (up by 10.7 per cent).

Visitor arrivals totalled 207,961 between January and April, up by 23.1 per cent as compared to the same period last year as the country received a total of 39,003 more tourists between January and April this year in comparison to the same period last year.

**Meanwhile,** The Nepal Tourism Board plans to organise a three-city road show to increase awareness and educate Indian travellers on the country's tourism offerings. The road show will target prominent cities of Eastern India like Guwahati, Kolkata and Bhubaneshwar. The tourism board is also looking to promote its Adventure Tourism offerings. "Nepal currently attracts a majority of the Indian travellers for Religious Tourism. We are looking at promoting our Adventure Tourism offerings with a special focus on the Himalayas and adventurous activities like bungee jumping, paragliding and others," Rameswar Paudel, Counsel General, Nepal said, as per a report by The Hindu Business Line.

## IRD, CRO joins to ease registration for tax net

The Inland Revenue Department (IRD) and the Company Registrar's Office (CRO) are jointly working on a system that will bring new companies registered at CRO automatically under the tax net. The two sides have signed a memorandum of understanding (MoU) on this system. The US' aid agency, USAID, is assisting installation of the software and link at CRO for the purpose.

The new system will reduce the hassle of travelling to tax offices to register a business as every new company registered at CRO automatically comes under the tax net. "The new system is being developed so as to reduce the cost of doing business," said Tankamani Sharma, Director General at IRD. Under the new system, CRO sends a copy of company registration electronically to IRD and also issues an electronic copy of permanent account number (PAN) registration to the company at the time of registration. "The company concerned should then visit the tax office to get the original PAN number once it starts business," said Bishnu Nepal, spokesperson for IRD.

According to Nepal, IRD has allocated a certain PAN numbers to CRO and new firms receive the same numbers.

IRD plans to implement this system within this fiscal year after the necessary software is installed. IRD has also sought documents of old firms in electronic version to bring the businesses that have registered at CRO, but not at the tax office, under the tax net. The business community has termed the IRD's move positive, further suggesting that the government should focus on reducing paper works in import-export business.

Besides, IRD is also working on establishing a similar mechanism with other agencies such as the Department of Cooperatives, Kathmandu Metropolitan City, Department of Cottage and Small Industries that register firms. "We are holding discussions with them," said Sharma.

## IRD strict on rental tax

The Inland Revenue Department (IRD) has begun cracking down on landlords who have been avoiding paying rental taxes or short-changing the taxman by presenting undervalued rental contracts.

In a bid to bolster revenue collection from rental tax, one of the least observed tax obligations, the IRD has prepared a directive on rental tax and a simplified passbook for landlords.

As per the guideline, rental taxes have been categorized into three sections — house tax or non-professional tax, commercial rental tax and residential apartment tax.

The IRD has fixed the tax rate at 10 percent of the rental as non-professional tax and 25 percent as commercial and residential apartment taxes.

"We have introduced the directive to make it mandatory to pay rental taxes," said Tanka Mani Sharma, IRD director general. "A passbook will



be provided to landlords to keep a record of the taxes by themselves," said Sharma, "This way, taxpayers will depend less on tax officers to keep an account of their tax payments." According to him, payment of rental taxes by government agencies and the public sector has been honest, while collection from the private sector has been less than expected. Officials have estimated that only around 10 percent of the house owners have been paying taxes, and among them many have been undervaluing the rental contract and paying less than what is due. Officials added that as the number of apartment complexes and shopping malls has been growing continually, rental tax collections would swell significantly if they were brought under the tax net.

The IRD has also brought 3,217 house owners under the rental tax net during its on-site monitoring conducted during the period mid-January to March-end. The department is now targeting bringing 25,000 house owners under the rental tax net. According to the IRD, rental tax collection reached Rs 850 million during the eighth month of the fiscal year. The annual target stands at Rs 1.35 billion. "If these owners are brought under the net, the contribution of rental tax to the total revenue collection would exceed Rs 4 billion," said Sharma.

The IRD has planned to fix the reference rate for rental space by using the rentals being paid by banks and government offices as a guide. Under this provision, the rental tax for any business will be charged as per the rate fixed for banks.

## Govt bans import of unregistered hybrid seeds

**Following** complains of no yields and contradictory views on Monsanto's entry to Nepal, the Natural Resources and Means Committee of the parliament has directed the government to strictly enforce ban imposed on import of unregistered hybrid seeds and also regulate import and sale of hybrid seeds.

Nepal imports more than 200 types of hybrid seeds from 30 international seed production companies through 13 domestic importers. Although existing law bans import of seeds that are not registered with Nepal Agriculture Research Council (NARC), substandard seeds have been finding way into the Nepali market, inflicting huge loss to the farmers.

The committee issued the instruction after holding discussion on a concept paper on enhancing traditional seeds referred as seed sovereignty - submitted by the Ministry of Agriculture and Cooperatives (MoAC).

In its decision, the committee has even instructed that NARC should conduct two years of field experiments before registering any hybrid seeds. "In order to enable NARC perform

its duty efficiently, the government should immediately enhance its capacity by provisioning more human resources and additional capital," the committee has said in a letter written to the MoAC.

The committee had conducted a detailed study on hybrid seeds and even grilled the MoAC officials in this connection the attempt of Monsanto - a multinational agricultural company - to enter into Nepali market with its hybrid maize seeds through a program of United State Agency for International Development (USAID) in last September drew controversy.

Following series of interactions and demanding a clear concept paper from the MoAC on traditional and hybrid seeds, the committee issued a 7-point directive to the ministry and asked the ministry to submit the action plan along with cost estimates for implementing them within 15 days. "The Ministry should work to protect and promote locally produced hybrid seeds," the committee has said.

## 'Nepal holds big prospects for investment'

US special representative for commerce and business affairs under the US Department of Business Affairs has said that entrepreneurship development is essential for sustainable economic development of any country.

"More American investments will come to Nepal after concluding the peace process and promulgation of the new constituent in the country," special representative Ms. Lorraine Hariton said.

Speaking at an interaction organized by the Federation of Nepalese Chambers of Commerce and Industries (FNCCI) in Kathmandu last week, she said that the American investors have been waiting for peace to be established in Nepal.

"This country holds a lot of prospects for investment because of the closeness to the two giant markets—India and China," she added. She also called for mobilizing youths for the economic development.

Welcoming the US delegation, Mr. Suraj Vaidya, president of FNCCI, said that the Nepal has needed a lot of foreign investments for creating more

jobs and accelerating the country's economic development process.

He further said "the newly signed Memorandum of Understanding (MoU) between the US Department and FNCCI-TiE Partnership would enhance youth entrepreneurship in the country. It would play a crucial role in linking the network the two parities and creating jobs, attracting more investments and increasing the level of awareness among the people about entrepreneurship."

Stressing the need to enhance women entrepreneurship for the economic development of the country, Ms. Chhaya Sharma, president of Women Entrepreneurship Committee at FNCCI said that the women entrepreneurship would help rural and urban development because more women were involved in small and medium enterprises.

## India's Business confidence improves, but concerns about stagnant reforms linger: CII Survey

India's business leaders are more confident today than in the previous quarter, but they remain worried about the slow pace of economic reforms and the rising cost of finance and raw materials, a survey conducted by the Confederation of Indian Industry shows.

The survey pegs the CII Business Confidence Index for the first quarter of the current fiscal (April-June) at 55, as against 52.9 in the last quarter of 2011-12. The reading, however, is lower than the 62.5 for the first quarter of the previous fiscal. The 79th Business Outlook Survey, based on a sample size of 200 companies, was released by CII last week.

"Although the index value is showing a moderate recovery for the past two quarters, it remains at a depressed level and far below the levels achieved in the previous year", said CII Director-General Chandrajit Banerjee.

The survey shows that over 40 % of the respondents expect the GDP growth rate in the current fiscal to be between 7% and 7.5%, while over 30% expect it to be higher. More than a quarter of the respondents were optimistic that the inflation rate for the current fiscal would be below 7 %, after coming in at 8.8% for 2011-12.

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Almost 50 % of the respondents are looking at an increase in domestic investments in the current quarter. Of these, 23.6% expect to increase investments by up to 10%, 16.1% by 10%-20%, and 7.5% by more than 20%. Majority of the respondents also expect a rise in international investments in the current quarter.

Capacity utilisation is likely to see an improvement as well. Over 58% of the companies surveyed expect it to be above 75% in the current quarter, as against about 50% respondents whose actual capacity utilisation was above 75% in the fourth quarter of 2011-12.

## India ends cotton export restrictions

India last week ended recent restrictions on cotton exports, six weeks after partially reversing a ban it had imposed on overseas sales, making U turn on cotton export policy.

India, the world's second-largest producer of cotton, last month stopped all exports of the crop, saying it wanted to protect supplies for domestic mills.

After outrage from Indian cotton farmers, the government eased the ban just one

week later but stipulated that no new export registrations would be made to limit shipments.



in the first five months of 2011-12 marketing year that runs from October to September.

Commerce and Textiles Minister Anand Sharma said on Monday the restrictions had now been waived.

"A decision has been taken to remove suspension of cotton exports registration (and) the registration of cotton exports will be allowed by the government," he told reporters in New Delhi.

Experts say India imposed the ban because cotton exports overshot official estimates and the government felt the need to build up buffer stock. India has already shipped a record 9.5 million bales

## Euro-zone unemployment hits record high

Record high unemployment for the 17 countries that use the euro is set to increase the pressure on Europe's leaders to switch from a focus on austerity to a pro-growth strategy to stop the region from moving deeper into recession.

Unemployment across the 17-member eurozone rose by 169,000 in March, official figures showed Wednesday, taking the rate up to 10.9 percent - its highest level since the euro was launched in 1999.

The rate was up from 10.8 percent in February and 9.9 percent a year ago, and reflects the downturn in the eurozone economy as governments pursue tough austerity measures to deal with their debts - nearly half the countries in the eurozone, including Spain and the Netherlands, are now officially in recession.

"The question is how long EU leaders will continue to pursue a deeply flawed strategy in the face of mounting evidence that this is leading us to social, economic and political disaster," said Sony Kapoor, managing director of Re-Define, an economic think-tank.

However, analysts have pointed out that Germany may change its stance as there are already indications that its economy may struggle this year.

April unemployment figures from Germany's statistics office showed a monthly rise of 19,000, only the second increase in the past 25 months.

"There may be a growing consensus on the need for growth in the eurozone but with unemployment rising and industry

slumping, a prolonged recession looks much more likely," said Jonathan Loynes, chief European economist at Capital Economics.

Spain officially entered into recession last week and is expected to face more difficulties in the months ahead as its conservative government pushes its austerity drive.

On top of this, Spain has the highest unemployment rate in the eurozone at 24.1 percent. The rate for the under 25s is an even more alarming 51.1 percent.

Greece was close behind, though its figures date back to January. The country has a general jobless rate of 21.7 percent, with 51.2 percent of young people out of

work.

The lowest unemployment rate in the eurozone was recorded in Austria, which has only 4 percent of its working population out of work. The Netherlands, which saw its government collapse last week over disagreements on austerity measures, was not far behind at 5 percent.

The unemployment rate across the wider 27-country European Union, which includes non-euro members like Britain and Poland, was 10.2 percent, unchanged from February but still higher than the 9.4 percent recorded a year before.



**Nepal-India  
Chamber of Commerce  
&  
Industry**

**GPO Box 13245  
Ace Apartments,  
Narayanchaur, Naxal  
Kathmandu, Nepal.**

**Phone: 977-1-4444607**

**Fax: 977-1-4444608**

**Email:  
secretariat@nicci.org**

**We are on the Web  
www.nicci.org**

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## Malaysia hikes minimum worker wage

Malaysia – one of the prominent job destinations for Nepali overseas job aspirants — has hiked the salary of workers to Malaysian Ringgit (MR) 900 (Rs 24,981) from MR 546 (Rs 15, 154). The increased salary for workers engaged in manufacturing, construction and service sectors is now around \$300.

Malaysian prime minister Najib Razak announced the minimum wage decision late Monday, on the occasion of Workers Day (May 1), official news agency Bernama reported. However, the government set minimum wage MR 800 is only applicable for those in the states of Sabah and Sarawak on the island of Borneo. About 3.2 million workers are expected to benefit from the country's newly announced first minimum wage policy, part of the government's plan to transform Malaysia to a high-income nation.

Malaysia has an aim to increase its per capita income to \$15,000 in 2020. It has increased its per capita income to \$9,700, up from \$6,700 two years back.

"The lowest-paid workers will now be guaranteed an income that lifts them out of poverty and helps ensure that they can meet the rising cost of living," said Razak while announcing the revised wage. According to the rate, a worker will earn MR 4.33 (Rs 120) per hour.

The revision on minimum wage has also encouraged Nepali outsourcing agencies and workers. "The new salary scale will encourage Nepali youth to go to Malaysia," said second vice president of Nepal Association of Foreign Employment Agencies Kumud Khanal. "Migrant workers in Malaysia can earn above Rs 30,000 hereafter," he said.

The Nepali government had introduced a provision on Sunday whereby the salary for Saudi bound workers has to be Rs 22,000. "Now Malaysia has become the destination with the highest salary among major job destinations," he said.

More than 90 per cent Nepali migrant workers join jobs in Saudi Arabia, the United Arab Emirates, Qatar and Malaysia. About 1.2 million Nepalis are believed to be working in the destinations legally including 300,000 in Malaysia.

According to Khanal, the low salary in Sabah and Sarawak will not affect Nepali workers because the states are major job places.

Meanwhile, shortage of foreign job aspirants has forced the government to hike salaries in the destination countries in Gulf; Qatar, Saudi Arabia, the United Arab Emirates and Kuwait. In this connection, Ministry of Labour and Transport Management is revising salary structure upwards for Gulf states to attract potential job aspirants, said spokesperson at the ministry Buddhi Khadka.

This is the first time the Ministry of Labour and Transport Management (MoLTM) has proposed the minimum wage for migrant workers going to Saudi Arabia. A joint meeting of multi-stakeholders (MoLTM, Department of Foreign Employment and the representative of manpower companies) held on Sunday decided to ask the government to fix the basic salary at 1,000 Saudi Arabian riyal.

According to ministry sources, the proposed basic salary for migrant workers will be 800 riyal plus a 200 riyal allowance for meals. The revision of the basic salary is likely to improve the condition of migrant workers. They have often faced difficulties in repaying the massive loans they take to pay their pre-departure costs.

Director General of Department of Foreign Employment Purna Chandra Bhattarai confirmed the decision but yet to be waited for the date of implementation. "The meeting agreed to refer the revised salary to the government. The decision will be sent to the ministry for consideration," he said.