

## A. World Economic Outlook: "Recovering from a Deep Downturn"

### Key Economic Highlights

a) The global economy received an abnormal hit in the second quarter, with the US contracting by 9.5% and the Euro area by 12.1%. Similarly India witnessed the steepest decline of 23.9% in the GDP growth in the April- June Quarter. Further, among the larger countries of Euro Area, the decline in output ranged from 10.1% in Germany to 18.5% in Spain. With Spain heavily dependent on summer tourism and signs emerging that the virus is picking up steam there more quickly than in other countries, this gap in economic performance is likely to widen. It's no coincidence that the pace of growth in Europe, where the virus is largely under control, has not flattened as much as the US. The achievement of these trajectory largely dependent on policy decisions rather than economic variables.



b) China's second-quarter GDP stunned to the upset with a 3.2% year-over-year advance. This is on the back of China's "first in first out" economy amid the COVID-19 crisis, which allows for a faster-than-expected bounce back.

#### c) **US Job Growth Decelerates: the employment rate fall below 10%**

The US government releases two reports on employment: one based on a survey of establishments, the other based on a survey of households. To put things in context, it is helpful to step back a few months. Recall that 20.8 million jobs were lost in April. In May, the economy added 2.7 million jobs. In June, it added 4.8 million. Now we learn that, in July, the economy added 1.76 million jobs. Thus, the pace of jobs growth has clearly slowed. Moreover, total payroll employment remains 12.9 million jobs below the level in February, which was when the crisis was beginning.

#### d) **The Global Service Sector Rebounds**

The US service PMI increased from 48.0 in June to 50.5 in July, a 13-month high, indicating very modest growth after several months of decline. While output and new orders were up slightly, export orders and employment continued to decline. The industry grew strongly in Europe and China, failed to grow in the United States, and declined in Japan and India.

#### e) **Popular videoconferencing app Zoom has seen its revenues skyrocket as second quarter profits more than doubled due to the coronavirus crisis.**

Revenues bounced 355% to \$663.5m for the three months ending 31 July, beating analysts' expectations of \$500.5m. Profit increased to \$186m, while customer growth rose 458%, compared with the same period in 2019.



#### f) **UK Government debt transcend £ 2 trillion for the first time**

As per the Office for National Statistics of UK, the total accumulated debt at the end of July has hit £2.004 trillion.

## B. Nepal Economic Outlook

### Key Economic News

1. Nepal lost around **NPR 7 Billion** in exports of High value products in the last fiscal year in light of the ongoing pandemic. Shipments of leather dropped by 65.6%, carpet by 17.32%, teas exports by 13.14%, ginger exports by 14.94%, pashmina by 9.79% , large cardamom by 6.19% and textile, fabrics , yarn and rope shipments by 25%.
2. The GCF had decided to provide the funding of **USD 27.4 million (nearly NPR 3.2 billion)** to the project entitled "Improving Climate Resilience of Vulnerable Communities and Ecosystems in the Gandaki River Basin, Nepal" during the 26th board meeting on 19 August 2020.
3. As per a survey done by Nepal Rastra Bank, 61% of the industries in Nepal were shut down in the four month-long lockdown period while 22% of the workforce lost their jobs.
4. Despite dire predictions about a drastic dropdown in remittances that Nepal gets from its workers abroad due to the Covid-19 induced economic downturn, money transfers have hit **NPR 875.03 billion** which is only 0.5% less than the preceding year.
5. The COVID 19 pandemic has caused a drop of NPR 8.68 Billion in the profits made by a commercial banks in Nepal. The total profit is 12 % lower than the previous year fiscal year.

### Macroeconomic Snapshot



Y-o-Y as on 13 May 2020

External Trade  
(In NPR Billion)

Import	Export
1196.80	97.71
15.6% ↓	0.6% ↑
Trade Balance	
1099.09	
16.8% ↓	

Y-o-Y Changes Mid July

Remittance Inflow  
875.03 Billion  
0.5% ↓



Y-o-Y

CPI 4.78% in mid July 2020 compared to 6.02% a year ago

Foreign Exchange Reserve: 1401.84 Billion

In US Dollar terms, the gross foreign exchange reserves, increased to 11.65 billion in mid-July 2020 from 9.50 billion in mid-July 2019



Source: MoF, NRB

## C. Notices and Updates

### 1. Inland Revenue Department (IRD)

- a) Inland Revenue Department (IRD) vide a notice dated 31 August 2020 has asked the taxpayers who are required to submit excise details are to submit brand details of their products before submitting the monthly excise details. The producers of liquor and tobacco-related products are required to upload their brand through the Brand Registration menu under Excise of Taxpayers' Portal, and then verify it from the IRD taxpayer's office. The producers of products other than liquor and tobacco-related products shall at the time of filing excise return upload details of products ready at that time, and also verify it from the IRD taxpayer's office.

For more information: Please [click here](#)

#### b) Extension of time limit for excise license renewal

IRD by a notice dated Aug 16, 2020 has extended the time-limit of renewing excise license till end of Ashwin 2077 (16 October 2020). The time-limit as per Section 9(5) of Excise Act, 2058 is Shrawan end (16 August 2020) of every year, but to cope-up with this difficult situation brought by COVID pandemic, the time limit has been extended.

For more information: Please [click here](#)

#### c) Extension of time limit for attesting Purchase and Sale book by VAT registered entities:

Taxpayers registered in VAT needs purchase and sales book attested by tax officer as per Section 16(3) of VAT Act, 2052. The time limit for attesting is by Shrawan end (16 August 2020) for taxpayers filing monthly return and by Karthik end (15 November 2020) for taxpayers filing four-monthly return.



आन्तरिक राजस्व विभाग

Likewise, to cope-up with this difficult situation brought by COVID pandemic for all kinds of taxpayers i.e. who submits monthly/ two-monthly/ four-monthly return, the time limit for attesting purchase and sale book has been extended till Poush end of 2077 (13 January 2020). Further, taxpayers who are registered under large taxpayer offices and medium level taxpayer offices and having their office or place of business outside the valley can get their purchase and sale book attested for FY 2076.77 (2019.20) through the taxpayer offices present in their place of business or where their office is situated.

For more information: Please [click here](#)

## 2. Office of the Company Registrar (OCR):

By its notice dated 10 August 2020, to bring efficiency in the work and help companies to get thing done smoother, OCR has agreed to accept the documents submitted online via their web portal and doesn't require to submit any additional paper documents. This is also expected to reduce the role of intermediaries who were charging unnecessarily high fees to help companies registered or ensure compliance and also, bring the level of corruption down. This new arrangement was effective from 17 August 2020. Some of the highlights from the notice are:



- New companies should only submit the proposed Memorandum of Association (MOA) and Article of Association (AOA) for registration.
- All the companies will have to submit their Annual reports, audit reports, and all other reports online, and they need to maintain the original copies of such reports at their registered offices.
- Share detail record shall also be submitted online. OCR shall certify such record and keep a scan copy of it. The responsibility of maintaining share register is of the company, so the company itself has to ensure that the share details as per register match with those certified.
- In case of the difference between data entered and scan copy, the company must contact the Company Registrar Office with the board's decision to correct such errors and update data in Company Registrar records

For more information: Please [click here](#)

## 3. Nepal Rastra Bank

Nepal Rastra Bank for the first time in the history of Nepal, has introduced new NPR 1,000 notes that can be identified by the visually impaired.

### NRB Invites Application for Refinancing

Issuing a notice on 17 August 2020, the monetary, regulatory and supervisory authority of banks and financial institutions in Nepal, NRB has invited applications from the banks and financial institutions that have been licensed as 'A', 'B', and 'C' category for refinancing facility.



The deadline for the application is set for 30 September 2020. The invitation is deemed special as it offers loans in low-interest-rate up to NPR 100 billion.

### Eventual beneficiaries of refinancing

The refinancing facility NRB aims to provide this time belongs to the second category of refinancing or Special Refinancing and is aimed to revive the COVID-19 struck entrepreneurs. NRB has listed tourism, air service, recreation parks, cinema hall, party palace, the agro-based industries like the ones related with the production of vegetable, fruit, meat and fodder industry, hosiery industry, foreign employment, manpower industry etc. in the most affected areas eligible for applying for refinancing.

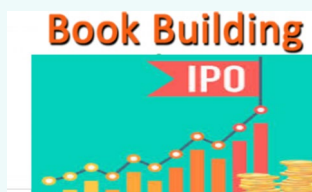


Similarly, the school, college, university, public transportation, hair-salons, hospitals, health and fitness centre, publication houses, forest and mine-based industry, construction- related industries etc under medium-affected industries for refinancing purpose. However, NRB has made it clear that the refinancing facility will not be provided to those who have taken new loans. Further, regarding Refinancing facility work procedure, we have briefly highlighted in our previous newsletter.

For more information, [click here](#)

## 4. SEBON- News/Notices

**Book Building Method:** Securities Board of Nepal has implemented the Book Building method. It is basically a process used in Initial Public Offer (IPO) for efficient price discovery. It is a mechanism where, during the period for which the IPO is open, bids are collected from investors at various prices, which are above or equal to the floor price.



Under this method, a public institution willing to float its ordinary shares in an IPO will first need to fix a base rate of the stock after having a detailed consultation with interested institutional investors. The price range can then be determined within 20% upper and lower limit of the base rate. The interested institutional investors will then be asked to submit their bids with the bid amount not exceeding the 20% upper limit mark. On the other hand, General investors will receive 10% discount in the cut-off amount and can apply for minimum 50 unit shares.

In order to issue IPO at a premium, the company has to meet the standard guidelines set up by the Board. Some of the requirements include:

1. Company should operate at a profit for the last 3 years
2. Approval from the AGM of the company to issue IPO through "Book Building"
3. Per Share Net worth should be 1.5 times of the face value of shares to be issued.

For more information, [click here](#)

## 5. Ministry of Industry, Commerce and Supplies

A press release released on 10 August 2020 on Identification, Classification, Reconstruction and Management of Sick Industries put lights on the mandate set by the decision of Council of Ministers of the government to a committee formed with the head as Deepak Subedi, former secretary to the government:

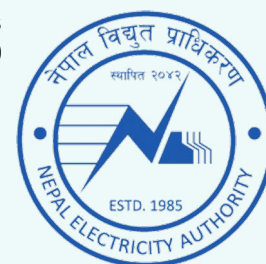


- a) Due Diligence Audit (DDA) of the physical, financial, technical, managerial and other aspects of the industries both private sectors and those having investment of the government.
- b) To study separately the sick condition of the government invested fully sick, sick and sick-oriented industries and prepare the modalities to be adopted for the revival, strengthening, operation and management of those industries.
- c) In case of private sector industries, to identify such invested fully sick, sick and sick-oriented industries and recommend the government the steps to be taken for their revival, reconstruction and management initiatives.
- d) To recommend reforms in policy, legal and managerial matters related to additional exemptions, facilities or concessions to be given to fully sick, sick and sick-oriented industries.

For more information, [click here](#)

## 6. Nepal Electricity Authority (NEA)

NEA has initiated the Digital NEA Campaign by the installation of smart meters at domestic households. Currently, there are over 5 million traditional single-phase meters at domestic households. In the first phase, the NEA is set to replace around 100,000 traditional meters in the houses at the Ratna Park and Maharajgunj Distribution Centers. With smart meters:



- a) The NEA can cut the lines of those consumers who do not pay tariffs
- b) The leakage caused by the traditional meter readers can be stopped
- c) Electricity theft can be reduced drastically
- d) The consumer will get meter reading without human intervention

Meanwhile, the NEA has already started the tender process to replace 400,000 traditional electricity meters with smart meters in Kathmandu Valley.



## 7. ICAN-News and Notices

### Change in Compulsory Applicability Date of Various Financial Reporting Standards

The Institute of Chartered Accountants of Nepal (ICAN) has clarified the effective date of mandatory applicability of Nepal Financial Reporting Standards for Small and Medium Sized Entities (NFRS for SMEs), Nepal Accounting Standards for Not for Profit Organizations (NAS for NPOs) and Nepal Accounting Standards for Micro Entities (NAS for MEs) will be deferred to annual reporting periods beginning on Shrawan 01, 2078 (16 July 2020).

### Certain carve-outs regarding the application of certain NFRS/ NAS provided to banks & financial institutions –

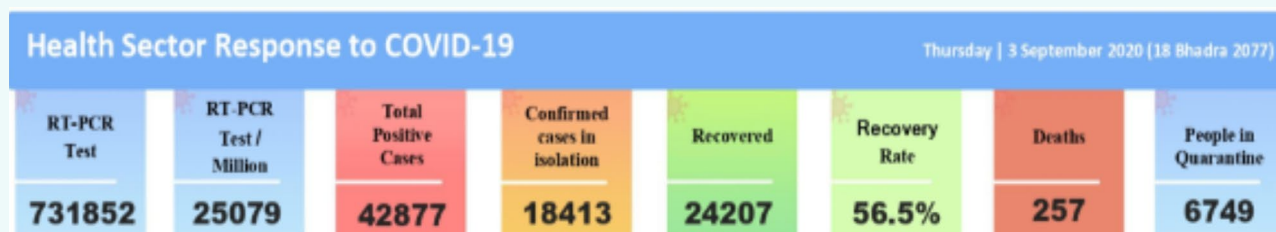
To address the problems faced during application of certain provisions of certain NFRS/ NAS by banks & financial institutions while preparing their financial statements, on the recommendation of Accounting Standards Board (ASB), Nepal, ICAN has agreed to 3 more carve-outs. Further, other entities can also apply those carve-outs by giving proper disclosures.

- NFRS-1: First-time adoption of NFRS  
Exceptions to the retrospective application of effective-interest method to recognize interest income
- NFRS-1: First-time adoption of NFRS  
Exemptions to accounting methods for business combinations
- NAS-39: Financial Instruments: Recognition and Measurement  
Impracticability to determine transaction cost of all previous years which is the part of effective interest rate

For more information: Please [click here](#)

## D) COVID 19 Information

### “COVID-19 Situation Update as on 3 September 2020”



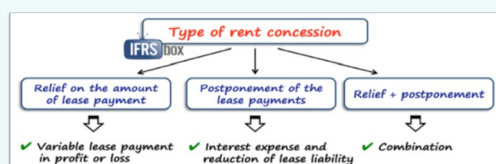
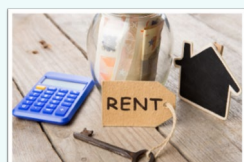
**Government Extends Valley Lockdown:** On September 2 Government of Nepal officials announced the extension of the lockdown for Kathmandu Valley for one week through 9 September 2020. The government announced an easing of the limited time during which the public is able to purchase food items and other essentials until 11:00 am.



**Lifting of Flight Suspension:** Limited commercial flights began operating 2 September 2020. The schedule for the month of September contains 60 international flights to be operated by eight foreign air carriers and two domestic carriers. Additional information on flights may be available through the Civil Aviation Authority of Nepal.

## E. International Accounting –News

### a) Rent Concession



IASB issues IFRS Taxonomy Update for COVID-19 Related Rent Concessions – 18 August 2020

The International Accounting Standards Board (IASB) has issued an update to the IFRS Taxonomy 2020 for COVID-19 Related Rent Concessions, which amended IFRS 16 Leases. The Update includes IFRS Taxonomy elements to reflect the new disclosure requirements introduced by the amendments issued by the IASB to the aforesaid standard in May 2020.

For more information: Please [click here](#)

#### **b) FASB improves Convertible Instruments and Contracts in an Entity's Own Equity – 5 August 2020**

The Financial Accounting Standards Board (FASB) has issued a new Accounting Standards Update (ASU), which is expected to improve financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The ASU will make the accounting for convertible instruments easier by removing major separation models under current Generally Accepted Accounting Principles.

For more information: Please [click here](#)

## **F. Reanda Biz Serve – Activity/Journal**

When the 1st phase of lockdown was loosened on 7 Shrawan 2077 (22 July 2020) and private sectors were allowed to operate physically at their locations, we, very safely, cautiously and at priority visited client places to smoothen the undergoing assignments somewhat resuming our old-style work modality. When government decided to impose injunction, which people like to call "Lockdown 2.0" starting from 7 Bhadra 2077 (23 August 2020), which has been extended and continuing even now, we went back to our work from home modality and are continuing to provide services to our valuable clients. Our team actively engaged in developing the materials and research activities during working from home.

We congratulate our Information Security experts, Mr. Sunil Kuamr Das & Mr. Nabin KC for being qualified as Certified Payment Card Industry Security Implementer (CPISI) Version 3.2.1.

CA. Sitesh Bhattarai joined our team. He has experience working with one of the big four accounting firm.



## OUR SERVICES

We provide following Business Advisory and Consulting Services to our clients.

Foreign Direct Investment (FDI) Support  
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 Transaction Advisory  
 Business Valuation  
 Accounting and Back Office Support  
 Financial Reporting Compliance

Borrower Consulting  
 Business Risk Advisory  
 Merger and Acquisitions (M&A)  
 Revenue Assurance  
 Legal & Compliance  
 Information Systems Security



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