

Nepal

FY24 Progress

Component: Revenue
Module: RM I -Tax Policy
Project Manager: Li Liu

Key Progress in FY24:

An STX CD mission to Nepal took place from February 19 to 27, 2024. The primary objective of the mission was to facilitate the preparation of a domestic revenue mobilization strategy (DRMS) document, which is a structural benchmark of the ECF program for end-April 2024. In addition, the mission discussed data and other inputs required to conduct tax expenditure assessment for major taxes, as initial steps to help the authorities request technical assistance for undertaking this exercise. The Mission held extensive discussions with Revenue Management Division, Inland Revenue Department, Department of Customs, and the High-Level Committee on Tax Reforms on the framework of the DRMS including the sequencing, packaging, timing and the political economy considerations of both tax policy and administration reforms, and the draft tax expenditure report prepared by an external Consultant. The key recommendations were presented during the wrap-up meeting and were broadly well received.

Building on the STX mission, a draft DRMS document was shared with the IMF in late April, outlining proposed actions including review of tax expenditures, income taxes, excise taxes, and property tax. Detailed feedback based on a HQ desk review has been provided with the authorities to support the preparation of the complete draft of the DRMS.

(Note that the DRMS does not follow the MTRS framework as it is focused on short-term measures)

Cross-cutting Priority Activity:

N/A

Coordination/Cooperation:

The mission coordinated with R1 (revenue administration) in providing comments to the DRMS.