

BRIEFING NOTE

Economic Recovery and Business Rehabilitation Plan
Government Declares Fiscal and Non-Fiscal
Reliefs to the Affected Private Sectors

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This article explores Nepal's newly announced Economic Recovery and Business Rehabilitation Plan responding to the damage caused by the Gen-Z Movement unrest in September 2025. It details tax exemptions, financial reliefs, and policy measures aimed at reviving affected private sector enterprises and provides analysis of the plan's strengths and gaps.



In the recent events of the Gen-z Movement that took place on Bhadra 23 and 24, 2082 (September 8–9, 2025), the nation suffered significant losses, including human casualties and extensive destruction of the public properties. The unrest also severely impacted the private sectors, with numerous schools, colleges, hotels, supermarkets, business complexes facing vandalism, looting, theft, arson, and destruction of the physical assets and goods. Beyond the destruction of property, preliminary estimates suggest that the incident has adversely affected the employment of approximately 15,000 individuals directly.

In response to the crisis, a formal discussion between the private sector and the Government of Nepal was held on 2082/06/05 (September 21, 2025). A multi-stakeholder task force comprising representatives from Nepal Electricity Authority, National Planning Commission, Ministry of Finance, and the Gen-z group has initiated a Post-Disaster Needs Assessment (PDNA). This task force is responsible for evaluating the quantum of damages sustained by both the public and private sectors and for estimating the costs associated with recovery, reconstruction, and rehabilitation. The final report will provide a comprehensive overview of the actual damages and the financial requirements for rebuilding efforts.

On 2082/06/05 (September 21, 2025), the Council of Ministers approved the “Economic Recovery and Business Rehabilitation Plan” (the “Recovery Plan”) to provide various reliefs to private sector enterprises that suffered damage to their physical infrastructure during the recent unrest.

Pursuant to Section 18(1) of the Finance Act, 2082, the Government of Nepal is empowered to reduce, increase, or grant full or partial exemptions on fees, charges, duties, or taxes levied under other prevailing laws, as necessary. Exercising this power conferred under Section 18(1), the Government has decided to grant reliefs as outlined in the Recovery Plan.

For clarity and ease of reference, the reliefs, exemptions, and facilities granted to private businesses under this Recovery Plan have been categorized as follows:

- a) Provision of tax reliefs, incentives, and exemptions
- b) Reliefs to be provided by Nepal Rastra Bank
- c) Reliefs to be provided by Nepal Insurance Authority
- d) Reliefs to be provided by Ministry of Forests and Environment

A. Provision of Tax Relief, Incentives and Exemptions

The Council of Ministers has decided to provide various exemptions and concessions to the private sector enterprises, particularly on customs duties and loss of stocks. A detailed breakdown of these provisions is presented in the table below:

S.N.	Headings	Regulations	Eligibility and Relief
1.	Exemption on Custom and Excise Duty	Section 18(1) of Finance Act, 2022	<p>Eligibility: Businesses or enterprises adversely impacted by the extraordinary circumstances created during the Gen-Z movement.</p> <p>Relief Provided: Customs duty and excise duty exemption of 50% on the import of goods and materials such as building materials, furniture, machinery, and equipment due to arson and vandalism during the Gen-Z movement.</p> <p>Conditions:</p> <p>a) The exemption shall apply only to businesses entities and industries affected by the circumstances arising from the Gen-z movement.</p> <p>b) The exemption is granted based on the verified list of damaged items as specified in the insurance surveyor's report.</p> <p>c) Exemptions will be granted only for imports made for the purpose of business restoration and resumption.</p>

S.N.	Headings	Regulations	Eligibility and Relief
2.	Custom Duty Exemption	<p>–Clause (f) of Sub-section 3 of Section 6 of Schedule –4 of Custom Tariff Act, 2081</p> <p>– Section 18(1) of Finance Act, 2082</p>	<p>Eligibility: Star-rated hotels that sustained damages during the course of the movement.</p> <p>The provisions of the Custom Tariff Act, 2081 clearly state that the relief measures are applicable to both star-rated hotels and resorts. However, the Recovery Plan refers only to “Star-Rated Hotels.” Despite this, we believe that the exemption on customs duty should also extend to resorts, as covered in the Custom Tariff Act, 2081.</p> <p>Relief Provided: Star-rated hotels are granted a one-time partial customs duty exemption (at a 5% rate) when importing goods during their initial establishment.</p> <p>Now, in response to the damages caused during the recent movement, the government has decided to provide one-time identical customs duty exemption for the import of goods necessary for the reconstruction and reoperation of star-rated hotels and resorts.</p> <p>Conditions: a) This exemption applies only to items verified in the insurance surveyor’s report.</p>
3.	Deductible Expenses	Income Tax Act, 2058 Section 12 and 12B	<p><u>Any person contributing to the Physical Infrastructure Reconstruction Fund</u> established by the Government of Nepal during the fiscal year 2082/083 shall be allowed to <u>deduct the contributed amount from their taxable income</u> for that fiscal year.</p>

S.N.	Headings	Regulations	Eligibility and Relief
4.	Loss of stock	<p>– Section 15 of In–come Tax Act, 2058</p> <p>–Section 17 of Value Added Tax Act, 2052</p>	<p>Eligibility: Uninsured business inventory of the enterprises affected by the Gen–z movement.</p> <p>Relief The concerned taxpayer may, based on an on–site verification report and valuation (Sarjamin Muchulka), notify the relevant tax office and claim:</p> <ul style="list-style-type: none"> • Deduction of the cost of inventory as per the In–come Tax Act, 2058, and • Tax credit as per the Value Added Tax Act, 2052. <p>Conditions:</p> <p>a) The deduction is applicable only in cases involving the loss of uninsured stock.</p> <p>b) The deduction is provided based on the on–site verification report and valuation (सर्जमिन मुचुल्का).</p> <p>c) The taxpayer shall itself notify the concerned Inland Revenue Office (IRO).</p>

B. Reliefs to be provided by the Nepal Rastra Bank

Pursuant to the decision of the Government of Nepal, Nepal Rastra Bank, the Central Bank of Nepal (NRB) is also required to provide certain monetary reliefs. This includes concessions related to loan repayment periods, loan concession, loan-to-value ratio, and the Payroll Protection Scheme. The details in this regard are outlined as follows:table below:

S.N.	Subject	Illustration
1.	Loan Repayment Period	<p>Extension of the repayment period for principal and interest for borrowers from industrial, commercial, and business establishments which are directly affected by the Gen–Z Movement.</p> <p>The specific duration of the <i>extension, its effective period, and the identification of affected parties</i> (eligibility) shall be determined and enforced upon the publication of a notice by NRB.</p>

S.N.	Subject	Illustration
2.	Loan Concession	<p>Provision for concessional loans for the restoration and operation of industrial, commercial, and business establishments affected by the Gen-Z movement, by allowing a <u>maximum premium of only 0.5%</u> above the base rate.</p> <p>At present, banks generally used to charge up to a 5% premium over the base rate while providing loans. However, under the current decision, when obtaining loans for the restoration of businesses and industries, the premium over the base rate shall be limited to maximum of 0.5% only.</p> <p>This provision will effectively reduce the applicable interest rate on such loans, thereby providing financial relief to businesses and industries affected by the movement.</p> <p>However, this decision specifically refers to those “Directly Affected” (as opposed to “Affected” used in other points of decisions). Therefore, a clarity is required regarding the distinction between these terms, as well as the process for determining and identifying the eligible group of individuals. We understand that this clarification shall be made by NRB in further notices.</p>
3.	Loan to Value Ratio	<p>For industries, businesses, and commercial establishments affected by the Gen-Z movement, if their commercial vehicles or transport equipment have been damaged and require replacement, a decision has been made to set the <u>Loan-to-Value (LTV) ratio at a minimum of 80%</u> for such vehicle purchases through bank financing.</p> <p>Previously, banks used to offer an LTV ratio of maximum up to 70%, but with the increased threshold to 80%, this measure is expected to provide relief to entrepreneurs and business operators by enabling them to more easily purchase replacement vehicles and resume their operations.</p>
4.	Payroll Protection Scheme	<p>To ensure the employment of employees working in the enterprises directly affected by the movement, it has been decided to provide loans through the banking system at a concessional rate, with a maximum premium of only 0.5% above the base rate.</p> <p>Furthermore, a 2% grant for a period of six months will be provided on such loans from the Physical Infrastructure Reconstruction Fund. While the Recovery Plan does not explicitly specify the recipient of this grant, we understand that the grant from the Fund is intended to be provided to the banks through NRB.</p>

S.N.	Subject	Illustration
5.	To ensure the regular services of the operation	It has been decided to ensure the regular operation of business facilitation offices, banks and financial institutions, and revenue collection offices during all holidays except for Dashain holiday.

C. Reliefs to be provided by the Nepal Insurance Authority

Based on the preliminary report of losses and damages to buildings, vehicles, goods, and machinery of affected industries, businesses, and enterprises, it has been decided to provide an advance payment of up to 50% of the estimated insurance claim amount as soon as possible. To facilitate this, surveyors will be promptly deployed to assess and verify the damages for processing such claim payments.

Likewise, in cases where an insurance company has requested funds from a reinsurance company to settle claims with the insured, it has been decided to provide up to 50% of the estimated claim amount as an advance payment to the insured without delay.

The provision states that up to 50% payment will be provided. However, this does not guarantee a full 50% of the value of the properties estimated to be damaged/lost. As a result, it appears that insurance companies are granted a certain degree of flexibility, which could potentially lead to situations where the insurance received by businesses may be insufficient or deemed unreasonable.

D. Reliefs to be provided by the Ministry of Forests and Environment

Pursuant to the Government decision, until Mangsir 15, 2082 (December 1, 2025), the Ministry of Forests and Environment shall grant approval for the import of vehicles and vehicle parts intended for assembly or manufacturing in Nepal, provided that they comply with the standards that were in effect prior to the implementation of the Nepal Vehicle Emission Standard, 2082. This approval shall remain valid only until Mangsir 15, 2082, and shall apply exclusively to pro forma invoices issued before the enforcement of the Nepal Vehicle Emission Standard, 2082.

Analysis:

The Recovery Plan has been promptly introduced by the Council of Ministers. These measures such as customs and duty exemptions, extensions of loan repayment periods, reductions in premium rate while providing loans, increases in the Loan-to-Value (LTV) ratio, and the prompt payment of insurance claims have provided initial relief to the affected sectors. However, despite these efforts, businesses remain largely non-operational and are unlikely to resume operations in the immediate future. Moreover, the insurance coverage does not extend to the full extent of the damages suffered. During such circumstances, it was imperative for the government to adopt and implement an appropriate and comprehensive fiscal policy aimed at the revival and restructuring of the private sector. This is not only a policy requirement but responsibility and duty of the state.

Notably, the current recovery plan lacks a specific compensation package from the government. While the plan outlines certain tax exemptions, incentives, and facilitation for access to credit, it does not include direct financial compensation. Furthermore, the Recovery Plan is deficient in terms of detailed implementation procedures and operational guidelines. NRB and the National Insurance Authority have yet to issue the necessary notices or implementation frameworks, which ideally should have been published simultaneously with the announcement of the Recovery Plan.

As the guardian of its citizens, the state bears both a moral and legal obligation to provide financial support to a reasonable extent. While some initiatives such as facilitating loan access at reduced interest rates have been introduced, the government could have assumed a more proactive role. For example, under the Payroll Protection Scheme, the recovery plan made provisions for low-interest loans to be used for employee salary payments. However, instead of relying solely on credit-based mechanisms, the state could have leveraged the Social Security Fund to directly support employees of the affected enterprises.

In conclusion, while the current measures offer preliminary reliefs, they fall short of providing the comprehensive financial support required to ensure the full recovery and reactivation of the private sector. Additional concessions, direct compensation mechanisms, and well-structured support programs from the government are essential to foster reconstruction, resilience, and sustainable economic recovery.

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