

How to Export from Nepal ?

The export of goods from Nepal to other countries is governed by a number of laws and regulations. Exporters have to comply with these rules and have to follow specific procedures. The following outline *Nine Steps of Export Procedures* provides the most essential steps of the exporting process, including the documents that exporters need to make available. In addition, important links are also provided.

Nine Steps of Export Procedures:

1. Registration of the Company

Only registered companies can export their products. The exporter has to obtain a business registration certificate for a single proprietorship firm or a partnership firm from the Department of Commerce, within the Ministry of Commerce. If the exporter is a private or public limited company the exporter addresses the Company Registrar Office to obtain the registration certificate.

2. Income Tax Registration

A registered company is required to be enrolled with a local tax office. The tax office issues an income tax registration certificate. This certificate must be renewed annually within the first three months of every fiscal year. The Inland Revenue Office or Department of Inland Revenue needs to be contacted to receive the Registration Certificate from Permanent Account Number.

3. Opening Current Bank Account

The exporter has to open a current bank account in a commercial bank in the name of exporting company for conducting financial transactions related to export. The exporter can open a separate account for foreign currency. As a result, the exporter will be able to receive earnings directly in convertible currency.

4. VAT Registration

VAT registration is necessary if the exporter wants a duty draw back facility on the import or purchase of raw materials and intermediate goods imported/purchased for the production of export goods. This duty draw back facility will reduce the cost of the export goods and thereby increases competitiveness.

5. Establishing the Contract

The exporter can get assistance from TEPC or FNCCI to arrange meetings and appointments with potential buyers. After successful

negotiations, the importer sends a purchase order which details products, quantity, price, terms of payment, packaging, mode of delivery and scheduled date of the shipment. Once an agreement between exporter and buyer is reached, an export contract can be signed between both parties.

6. Pro-forma Invoice

A Pro-forma invoice indicates the price (specifying FOB, C&F, CIF etc.) and other details allowing the buyer to open a Letter of Credit (L/C) in favor of the exporter or an advance payment. A L/C is produced by a bank and ensures that the exporter will get full payment from buyer after the shipment of products. Under the Nepal Foreign Exchange Act (1962) and Rules (1963), exports are permitted only against advance payment or Letter of credit (L/C) to ensure that the payment for the goods is received in Nepal. Therefore, at the time of export, the exporter, in the foreign exchange control form (BBN 1) of Nepal Rastra Bank, is required to declare that the export earnings will be repatriated to Nepal within six months in the case of a transaction under a L/C. 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 in Nepal. The bank issues a certificate of advance payment to the exporter, which needs to be produced at the customs at the time of export.





At this stage Incoterms may be used. Incoterms is a trade rule of the International Chamber of Commerce regarding responsibilities of the exporter and buyer on shipping, insurance, producing and submitting documents. Using Incoterms will decrease misunderstandings, conflicts and insecurity.

7. Documentation and Customs Clearance

The exporter has to prepare the following documents for custom clearance:

- Copy of firm/company registration certificate
- Registration Certificate from Department of Income Tax
- Registration Certificate from Department of Value Added Tax
- Registration Certificate from Permanent Account Number
- If applicable: Certificate of Origin (CO) or Generalized System of Preferences Form A (GSP)
- Nepal Customs Declaration
- if applicable: Authority of Customs Agent
- Commercial Invoice
- Packaging list
- Foreign exchange declaration form No.1 of NRB (optional)
- L/C or certificate of advance payment
- Recommendation letter from the Inland Revenue Office (IRD), if product is subject to excise duties
- Bill of lading
- SPS/TBT/quarantine certificates
- Customs Transit Declaration (CTD)
- Other product specific document/export license if applicable

The CO can be obtained from the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) and Confederation of Nepalese Industries (CNI). The GSP Form A needs to be filled out by the exporter. The form has to be stamped and certified 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. The Trade and Export Promotion Centre (TEPC) issues the GSP Form A for exporters.

Relevant product specific documents are for example: a) Separate certificates for specified handicraft products like forest based, agricultural, handicrafts items of no archaeological value (Museum

Pass Certificate), readymade garments, bone & horn products; b) No objection letter from Federation of Handicraft Associations of Nepal (FHAN) for products made from the parts of domestic animals; c) Recommendation letter from Department of Mines for some mineral products; d) Recommendation letter from Department of Forestry for some forestry based products; and e) Value certification from the Handicrafts Association of Nepal for handicrafts and silver products. The exporter can hire a custom agent who will take over the entire custom clearance process.

8. Shipment

When goods are consigned by air, booking with a reliable air carrier or agent is required. By this mean of transport, an airway bill is issued. For Sea Cargo, goods are transported through transit routes to the ports in India or Bangladesh. Procedures of transit agreements are observed for smooth and unhindered transportation of the consignment for export. Special documents are prepared and endorsed at customs exit/entry points. Goods are normally transported by closed rail wagons or container trucks. On arrival at the dispatch port, dock customs undertakes clearances before shipment. Shipping agent books cargo space and arrange shipment. After loading of the cargo aboard a vessel (ship), a Bill of Lading is issued.

Export to Tibet and India normally takes place through the land route by truck. When this transport is chosen, the transport company issues



a consignment note. Internal destinations in India are normally served via rail route and a railway's receipt is issued after goods are booked on Indian rail.

Examples of incoterms rules for transport via sea and inland waterways for freight charges are:

For FOB contract the charges are not payable by the exporter while for CPT and CIF contracts they are payable by the exporter. Additionally, CIF contracts also require a suitable insurance policy.

9. Payment

The buyer needs all the export documents from the exporter for clearance and delivery at the entry point of the importing country. These export documents are also the evidence from the exporter that products had been shipped to buyer legally. If shipment is in L/C terms, the bank credits the account of exporter with the amount of export earnings after L/C negotiation between exporter and the bank. Advance Payment terms require dispatch of documents to the buyer directly.

Important Links for Exporters:

1. European Chamber of Commerce in Nepal

The EEC in Nepal provides an exhaustive document on export procedures and necessary documentation for Nepalese exporters. <http://www.eec-nepal.org.np/eec/ecibon/report/212/Publication/General%20Assessment%20trade/Annex%2019.pdf>

2. Office of the Company Registrar

The Company Registrar Office (CRO) provides information on procedures how to register a new company as well as the rules and regulations that a company has to follow after its registration. <http://www.ocr.gov.np/index.php/en/>

3. ITC Trade Map

The International Trade Center (ITC) provides trade statistics for international business development. The ITC trade map is a very useful tool for market research. You can find indicators on export performance, international demand, alternative markets and competitive markets, as well as a directory of importing and exporting companies. Information on 5300 products of the Harmonized System (from the most aggregated level to the tariff line level) in many countries for your market selection process is available. <http://www.trademap.org/Index.aspx?AspxAutoDetectCookieSupport=1>

4. EU Trade Helpdesk

For exporters, who are interested in the European market, the EU help desk offers valuable information on EU tariffs, requirements, preferential arrangements, quotas and statistics related to imports. In the section "my exports", you can simulate exporting a product to a specific European market in order to obtain detailed information on specific requirements, taxes, product-specific tariffs and information on rules of Origin for GSP. <http://exporthelp.europa.eu/thdapp/index.htm>

5. Nepal Rastra Bank

The current currency exchange rates are available at the website of NRB. <https://www.nrb.org.np/fxmexchangerate.php>

6. Nepal Trade Information Portal

The Nepal Trade Information Portal provides information on import into, export from, and transit through Nepal. The trade portal, hosted by the Trade and Export Promotion Centre, provides access to the laws and regulations in place, as well as access to forms that need to be filled out by importers and exporters. <http://www.nepaltradeportal.gov.np/index.php?r=site/index>

7. Incoterms 2010

The Incoterms 2010 rules are standard sets of trading terms and conditions designed to provide rules and guidance to importers, exporters, lawyers, transporters and insurers. The 11 rules detail the obligations of each party (e.g. for as transport; import and export clearance) and at what stage the risk transfers from the seller to the buyer. <https://iccwbo.org/publication/incoterms-rules-2010/>



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Author(s)	Lisa Sophia Zoder	On behalf of	Federal Ministry for Economic Cooperation and Development (BMZ)		
Layout	Ankur Shrestha	Division	Development Cooperation with Asia and South-East Asia		
As at	October 2017	Addresses of the BMZ offices	<table border="0"> <tr> <td style="vertical-align: top;"> <p>BMZ Bonn Dahlmannstraße 4 53113 Bonn, Germany T +49 228 99 535 - 0 F +49 228 99 535 - 3500</p> </td> <td style="vertical-align: top;"> <p>BMZ Berlin Stresemannstraße 94 10963 Berlin, Germany T +49 30 18 535 - 0 F +49 30 18 535 - 2501</p> </td> </tr> </table> <p>poststelle@bmz.bund.de www.bmz.de</p>	<p>BMZ Bonn Dahlmannstraße 4 53113 Bonn, Germany T +49 228 99 535 - 0 F +49 228 99 535 - 3500</p>	<p>BMZ Berlin Stresemannstraße 94 10963 Berlin, Germany T +49 30 18 535 - 0 F +49 30 18 535 - 2501</p>
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