

Royalty Fees / License Arrangements

A. Royalty Arrangements:

For Small Hydropower Project 1000KW (One MW) or Less

- No License Required
- No Royalty
- No Corporate Income Tax

B. Hydropower Projects for domestic consumption:

S.N.	Electricity Capacity	Up to 15 years		* After 15 years	
		Capacity Royalty/kW (Rs.)	Energy Royalty/kWh	Capacity Royalty /kW (Rs.)	Energy Royalty/kWh
1.	Up to 1 MW	--	--	--	--
2.	1-10 MW	100.0	1.75 %	1000.0	10 %
3.	10-100 MW	150.0	1.85 %	1200.0	10 %
4.	Above 100 MW	200.0	2.00 %	1500.0	10 %
5.	For Captive use		Rs.1500.0		Rs.3000.0

- The energy royalty shall be charged at a rate fixed for hydropower projects producing electricity more than 100 MW, when the surplus energy produced by captive plant is sold and connected to electrical transmission system.

C. Hydropower Projects for export purposes:

S.N.	Type	Up to 15 years		* After 15 years	
		Capacity Royalty / KW (Rs.)	Energy Royalty/KWh (%)	Capacity Royalty/KW (Rs.)	Energy Royalty/KWh (%)
1.	Exportable, run of river projects	400.0	7.5	1800.0	12
2.	Exportable, water storage projects	500.0	10	2000.0	15

Note: * After the date of commercial production.

- The above royalty rates mentioned in sub-section (b) shall be charged up to 1000 MW capacity hydropower projects built for commercial purposes.
- The energy/capacity royalty of 15% annually shall be charged from the date of production from the Hydropower projects up to 1000 MW capacity built for non-commercial purposes.
- If the energy sold for domestic use and the remaining energy produced is exported to a foreign country, in such case the energy royalty shall be charged as per the projects for export purposes on the exported quantity.
For export projects, the royalty has to be paid in the same currency in which the power is sold.

Note: To calculate the energy royalty and capacity royalty, the formula is as follow:

Energy Royalty = (generated energy-self consumption) x Average selling price x Energy royalty rate

Capacity Royalty = Capacity royalty rate x (1+5/100)^{Year} x Installed capacity (kW).

- ◆ Base Year is 2058 B.S.

D. Terms of License Arrangement:

1	Study / survey license	A maximum of 5 years
2	License for Hydro power generation	
	a. Projects to supply the domestic demand	35 years
	b. Projects for export purposes	30 years
	c. Captive plant (with a minimum of 60 % self consumption)	So long the industry remains in operation
	d. Water storage projects	Extended up to 5 years on the basis of construction period
3	Electricity Transmission and Distribution License:	
	License for Electricity Transmission and Distribution	25 years (renewable for one time for the period of 10 years at a time)

Note: The license period for transmission and distribution of up to 1 MW Capacity shall be valid so long the power station is in operation.

E. Tax and Custom Facilities Arrangements:

1. 15 Years tax holiday. The income tax on hydropower projects production, transmission and distribution systems and its operation shall be imposed as per prevailing income tax rate of 20 %.
2. 1.0 % custom duty is levied on import of industrial machinery, equipments and spare parts which is not manufactured in Nepal. But the amount of machinery, equipments and spare parts should not exceed 20 % of the Total Cost. Import license fee and sales tax is exempted