

Letter of Credit to be made mandatory for trade with India, China

Nepali traders will have to start using banking channel for making or receiving payments from traders in China and India very soon.

A meeting of Revenue Leakage Control High-Level Monitoring Committee chaired by Minister for Finance Yuba Raj Khatriwada held on Tuesday decided to implement the rule of making payment only through banking channel for such imports and exports.

Once the new rule comes into force, payments for imports and exports with China and India have to be made via Letter of Credit (LC) from banks. It will replace mode of payments like telegraphic transfer (TT) and demand draft that are current in use, according to Revenue Secretary Shishir Dhungana.

Almost all trade with China and India is done through TT and demand draft as well as cash. The new move comes at a time when the finance ministry is struggling to meet the monthly targets of revenue collection which has surprisingly gone down after Khatriwada, in January, announced to implement reference price on valuation of imported goods to control evasion of customs tax.

The import of tobacco products and garments has seen a major drop after the decision to implement reference price in customs valuation.

Meanwhile, the committee, which also has Inspector Generals of both Nepal Police and Armed Police Force, has also decided to beef up security and revenue surveillance on possible routes of smuggling.

Trading with countries except India and China is already via LC only.

“The government will gradually implement LC as mode of payment for trade with both the neighbors,” added Dhungana.

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