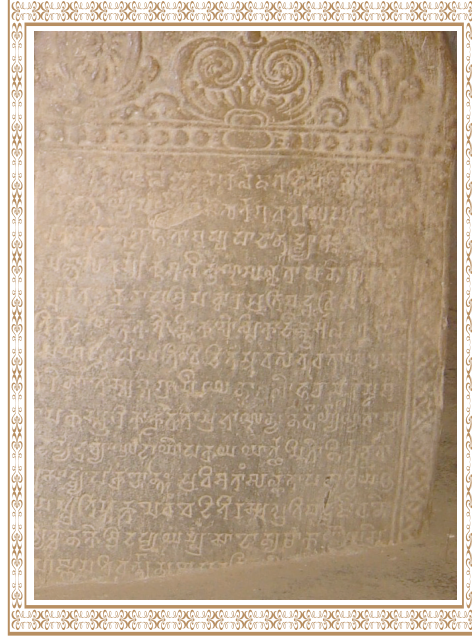


**HISTORY
OF
NEPAL CUSTOMS**



An inscription, which was maintained in about 607 CE during Anshuverma's rule, related to customs found at Tistung, Makawanpur.

IN SANSKRIT

स्वस्ति नैपालेभ्यः सकलजगद्विसारिकीर्तिरन- तिवृत्तायमर्यादासेतुभृभगवत्पशुपतिभद्रा- रकपादानुगृहीतोवप्पपादानुद्ध्यातः
 श्रीमहासा- मन्तांशुवर्मा कुशली कृण्डशुल्कतापनाधिकृता- न्पुरतः कृत्वा पश्चिमद्वारप्रतिबद्धविषयप- तितदायुक्तकशौ
 लिककगौल्मिकाडीङ्कुशलमाभाष्य समज्ञापयतिविदितम्भवतुभवतां यथास्मा- भिरेषांतेस्तुङ्गग्रामीणानां लोहचामरमृग-
 रोमकस्तुरिकाकृतताम्रभाण्डान्यनिर्हार्याण्यवास्य तदन्यद्रव्यान्त्यादायोपकयार्थमितोनिगच्छता- म्प्रसाद्वयोपकयञ्चान्तः प्रतिशतां
 शुल्कतापनादियथा-देयम्प्रतिमुक्तमेववेदिभिरस्मत्प्रतिबद्धजीवनै- रनैर्वा न कैश्चिदप्ययम्प्रसादन्यथा कार्योयस्त्वे- तामाज्ञातिव
 र्यान्यथा प्रवर्तिष्यते तमहन्नरप- तिकृतमर्यादाभेदिनं न मर्षयिष्यामि भविष्यद्भि- रपि भूपतिभिः सुकृतविपाकोपनत.....

IN ENGLISH

Wish, Nepalese have remained well and fine. Widely renowned around the globe, never undermined or violated the values of Aryan culture, blessed with grace from almighty Pashupati Nath, hallowed from father and salubrious on body, His Highness Lord Amshuverma has enquired how-about and paid interest about Shaulikka, Gaulmikka, other personnel in western side including officials at customs; thus remain informed all for these concerns.

The dwellers of Tistung village are granted excuse on chargeable customs duty that is to be levied on exporting goods for trade or returning after the sales of those goods except in case Aniharya (that can't be exported without approval from government) goods like iron, yak's tail, wool, musk, copper vessels.

Being informed with this step, government personnel and none of other should act otherwise. If anyone renounces the order set up by the king, the one shall not be excused then shall be penalized severely. Even, the subsequent kings do favour on virtues....

*****Note:** The detail herein is transliteration of Sanskrit version of message carved on inscription. Some portions are illegible since those words are already rubbed and/or parts of inscription are decayed or broken.



HISTORY OF NEPAL CUSTOMS

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Publisher : Department of Customs
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Nepali Edition: January, 2019

English Edition: June, 2019

Cover background: An inscription related to customs, maintained in about 607 CE during *Anshuvarma's* rule.

ISBN: 978-9937-0-6101-8



Dr. Yuba Raj Khatiwada
Finance Minister

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Message

I am pleased to note that the Department of Customs has planned of publishing a book on "History of Nepal Customs" on the occasion of the 67th International Customs Day.

The present book has made an insightful and appreciative endeavor in manifesting a systematic presentation on areas like: customs system and its management in Nepal; the role unleashed by Nepal and Nepal's government, in the past, in relation to trade between neighbors; and trade and trade routes and so on. This book, in the one hand, has surveyed thoroughly then archived many of historical documents available in domain of customs administration, and on the other hand, has sufficed the way and pointed the researchable issues as possible exploration on the customs system of Nepal. In addition, I do further believe that this book shall aptly motivate all personnel associated with customs administration of Nepal and equips them with adequate information and insight regarding the customs administration and management as well as can encourage them to modify and strengthen the system further in order to assist the course of nation building.

The book has clearly ascertained that the role of customs, throughout every single epoch of the history, in revenue mobilization, protection and promotion of industries, trade facilitation and development of transparent economic activities was always crucial and relevant. For this innovative effort of recording historical development and experience in relation to the customs, I would like to thank Director General of Customs and all helping hands who are directly or indirectly contributed in this pious and perfect mission.

26 January 2019

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Ref. No.

Government of Nepal
Ministry of Finance
Department of Customs



Tripureshwor
Kathmandu, Nepal

Message from Director General

On the capacity of Director General, Department of Customs, I am immensely pleased to come out with a landmark document titled "History of Nepal Customs" in English version translated from the Nepali version that was unveiled on the occasion of 67th International Customs Day (26th January 2019).

We take a deep faith that this English version assists in ensuring global access regarding the systematic and chronological development of Customs and Customs practices of Nepal among all Customs communities and especially for English readers. As a history book, this book not only enables us to look back where we have come from, it also marks how far we have approached and how far we can go further.

This is an effort to make the Customs world informed regarding the practices in Customs of Nepal, its development, the challenges faced and the current phase of Customs Reform and Modernization. This is a genuine approach of Department of Customs to share the evidences of how Nepal's Customs administration have acquired the state of today to meet the requirements and challenges of globalization, growing international trade and dimensions of trade facilitation. We believe that this book will be helpful to all concerned agencies in Customs world to understand how Customs administration of Nepal have been tackling issues and providing trade facilitation through the long journey that rooted from Lichchhavi period.

Ondoubtedly, this document expands the sphere of reference and reserach among the scholars, researchers and concerned Customs world as well.

Our effort accomplished up to this extent, though we don't deny that rooms to have rounds of updates and refinements further are still undeniable. I highly appreciate the Asian Development Bank's Technical Assistance for this initiative. I extend boundless gratitude to one and all, including Mr. Atindra Dahal, who translated the Nepali version into English to make this work appear in such shape. I feel fortunate to be a part of publishing the book into English version.

Rameshwor Dangal

Director General

June, 2019

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Kathmandu, Nepal

Forewords

On the capacity of the Deputy Director General at Department of Custom back and currently serving Customs as Director General, I have been feeling inquisitive to know the dignified history of Nepal Customs. I got an opportunity to join in an annual general session of World Customs Organization in June, 2018 AD; and during this mission, I came across an exhibition of customs history books of many countries displayed by the organization. The exhibition was having deep reflection about the history of customs in their respective countries. Nepal's customs history presented here is an outcome of such similar motivating factors.

The time, when there is lack of adequate interpretation and research in the historical development on Nepal's customs reform process as well as serious lacuna on detailed elaboration and observation regarding its different aspects of modernization, this book tried to present the historical development process of customs in Nepal and its importance, record the initiatives taken in customs reform, shows the steps taken to align its reform with international standards and present its organization and legal structure.

As this book has been prepared in a very short span of time and it is likely that the book shall go through improvements as the time passes with the exploration of new facts, however, I believe that this book will fill the academic gaps, equips with the Department of Customs to avail information regarding the customs system in the past to help in formulating plans in the future, offers complementary feedback to the economic history of Nepal and will be useful for those who are interested in the history of revenue administration of Nepal.

I am very grateful to all writers and members in editorial team, who unleashed an untiring effort over days and nights, along with friends from Department of Customs and the Asian Development Bank for extending the technical and financial support. I express my firm assurance that Department of Customs will proceed further to honor all suggestions and useful advice in order to improve the book in future.

26 January 2019

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Message from the WCO Secretary General: “Nepal Customs History” publication

It is a great honour for me, as Secretary General of the World Customs Organization (WCO), to be invited by Nepal Customs to contribute a few words on such an auspicious occasion, namely the publication of “Nepal Customs History” in English to complement the Nepali version that was released on International Customs Day 2019.

Indeed, I am quite sure that this new publication will be eagerly read by many in the Customs world, and one that will add to the collection of history books on Customs that already grace many bookshelves across the globe, many of which are on display at the Headquarters of the WCO, much to the delight of Customs historians.

Documenting the history of Customs, especially the history of specific Customs administrations, is a valuable endeavour, as it positively feeds the WCO’s long-standing commitment to encouraging its Member Customs administrations to share their knowledge, with this book benefiting not only present, but also future generations.

Of note, Nepal is a fully integrated member of the global Customs community, having joined the WCO almost 33 years ago in July 1986, witnessing the WCO’s growth over the decades, while actively taking part in its activities and making good use of its international instruments, standards and tools.

This, of course, leads me to Nepal Customs’ concrete decision to reform and modernize its administration to ensure that it is in a position to take advantage of the opportunities presented by globalization and the growth in international trade, while readying itself to meet the challenges of the 21st century Customs and trade landscape.

But, as I mentioned earlier, history is just as important when juxtaposed against the present, as it enables us to look back on where we have come from, measure our progress, and re-imagine where we want to go and how far. Indeed, history is the foundation stone on which we stand, enabling us to look back with pride, while going forward with confidence.

Nepal’s trading history is a case in point: the fact that the country can trace the beginnings of its trading roots from the *Lichchhavi* period – an ancient kingdom on the Indian subcontinent, which existed in the Kathmandu Valley in modern-day Nepal from approximately 400 to 750 CE – right up until today is an admirable feat.

While taking history into account, the “History of Nepal Customs” then takes a step into the present, detailing various Customs and trade developments and providing insights on how the administration is tackling issues today, including its firm commitment to reform and modernization as well as the use of modern technologies.

The successes of Nepal Customs cannot be under-estimated. With such a long trading history to propel it forward, I am quite sure that Nepal will continue its path towards a modern Customs administration that is well equipped for the future and ready to play its rightful role within the Customs community as well as among the nations of the world.

In closing, Confucius, the Chinese philosopher, said, "You cannot open a book without learning something." We will all be able to learn something from reading the "History of Nepal Customs." The addition of this book to Customs' "library of knowledge" is much appreciated, highlighting as it does Nepal Customs' journey, from the past to the future.

A handwritten signature in black ink, reading "Kunio Mikuriya". The signature is written in a cursive style with a long, sweeping underline.

Kunio Mikuriya
Secretary General
World Customs Organization

Our Views

Everywhere, state establishes a set of permanent administrative management to collect revenue from imports and exports business; and the very practice is called as Customs in modern day dealings or Bhansar in Nepali dialect. It denotes the duty levied on the imported and exported goods in trans-border business. The word Bhansar exists to mean same in Nepali context. The derivation of this word oozes out from Sankrit word Bhandashala. Excluding Nepal, this word is not seen in use other where. In the context of Nepal, the word has been found in the historical archives of both the Nepali and Newari languages. Not anything exactly can be said about the start of the word Bhansar in Nepal as being used in modern time; but on the basis of certain historical evidences, it is assumed that it may have been started from the Lichchhavi period. But from Malla period onwards, the word came often in practice.

The origination of customs in Nepal seems to have taken a solid form in centuries back. In ancient books, it is found that Nepal's trade and business during ancient time as well was widely extended to both neighboring states in south and north. In Arthashashtra, a landmark book by Bishnu Gupta Kautilya, it is mentioned that the woolen products of Nepal were in high demand in Magadha and many of Magadha based merchants used to come Nepal for buying the same. Also, Buddhist religious book Mulsarwasitbad Binayabastu Sangraha mentions that many Buddhist monks used to come Nepal in company of Indian traders. These records indicate that Nepal's export trade holds a long history. But Nepal did not have own currency at that time so the trade and business was not an easy task since people, even in Nepali market, had to rely on either on barter system or on Indian currency called Karsapan.

Before BC century, the business and customs on beyond boarder trade was not well-managed. Nepal's export trade was highly flourished during Lichchhavi and Malla period. And, also the customs system was very well managed by then. Alike the modern days practice, even in that period, the customs duty on goods would vary depending on the types and quantity of the goods.

On the basis of information collected from different sources, it can be said that Nepal's export was highly recognized during Malla period. According to a Capuchin priest, Desideri, Nepal's trade and business during Malla period was extended up to Tibet and Magnolia. For the purpose of trade and business, customs offices were established in different places across the borders. Traders or merchants, who imported goods from India, had to pay customs duties in customs offices, as per convenience, situated at Parsa and Hetuda. Likewise, Sakhu, Chautara, Listi, Kodari, and Kuti area had the customs offices where customs duties had to be paid on the goods being imported from Tibet. There were separate central customs offices in Kathmandu, Lalitpur and Bhaktapur; and other customs offices were set up across the main trade routes. Customs officials/contractors- to collect the customs duties- were appointed through the process of tender in every six months; and they were called Bhansari. The appointed customs contractors would check imported and exported goods and then would collect customs duties on those goods. At that time Takshari also had authority to collect customs duties and they would get commission from customs duties. This

is why they were economically relatively sound. In a way, Bhansari and Takshari were considered similar.

After the downfall of Malla Period, Late King Prithivi Narayan Shah started ruling Nepal. In Shah Period too, customs duties was the main income source for the country. That is why the government had established many customs offices across the border lines. Basically, places like Kathmandu, Dhankuta, Chaudandi, Palpa, and Doti had such customs offices. In various districts of Terai region, reliable local people in eye of the government also had the authority to collect customs duties. To collect customs duties on the trade and businesses with Tibet, a different customs office named Bhot Bhansar was in operation. That customs office would be directly subordinate to chief official in central customs Takshali or Takshari.

During Rana period, the words and orders from the Prime Ministers would make the form of laws. However, the efforts to make the country's administration systematic and developed were performed in that period. Throughout Rana period, the whole customs administration was run according to Sanad and Istihar. In 1992 BS, all prevailing Sanad and Istihar were dismissed and a separate Bhansar Goswara Sawal was introduced. Owing to the political changes in 2007 BS, customs systems too were innovated. Now, the government began to form tariff boards to determine the customs tariff then applicable customs duty would be determined accordingly. The financial acts were revised from time to time. The "Customs Tariff Act 2018" was introduced with effect from 2017 BS for the first time as recommended by the parliament. The Government of Nepal, for the first time in history, promulgated new Customs Act 2019, with consolidation and amendment in laws related to customs in Nepal; and it was done in quest of the sound management and regulation on customs administration. Recently in 2064 BS, owing to the changed political environment and modification in international customs practices, the government repealed Customs Act, 2019 and introduced new Customs Act 2064 to make customs administration modernized and simplified.

The main objective of the modern customs administration in Nepal is to make customs administration more transparent, well managed and accountable as well as to facilitate the international trade and make it secured. It is definite that customs system should be made exponentially effective and well managed in order to collect a huge amount of revenue for nation. Thus, many efforts are being applied to improve the customs administrations along with adoption of new technology and the international standards.

The customs system of Nepal was originated in ancient time then navigated up to modern age in a suitable platform with frequent changes. But the customs administration of Nepal before 2007 BS was operated in a traditional way. However, after 2007 BS, it was modified and improved in noticeable scale. Though it was in existence with different norms and values in different time periods, Nepal's customs system is as old as Nepal's administrative system. Till now, there are few books on customs system of Nepal and those are mainly written by authors like Muktinarsingh Rajbhandari, Hemraj Gawali, and Ramchandraman Singh respectively. However, the research and investigative study on historical development of customs system has yet been an unattempted effort. Hence, this book deserves to fill the very gap. In Nepal, there is

no any research carried out till now in order to explore the development of customs administration along with its historical social dimension. In time of such an evident lacuna, this book analyses overall descriptive chronicles on customs system in Nepal together with efforts unleashed for its improvement in history. Though the main quest of this book is to study about historical development of customs system in Nepal, it encompasses the regularly carried out efforts and reforms for improvement.

This book is prepared on historical research method. Along with the chronological explanation of facts and details, analysis of subjects as per the requirement is attempted while preparing the book. Adopting qualitative research method, this book sheds light on the historical evolution cum significance of customs administration, its subsequent development, and the recent modifications and changes that have been made on the same, keeping these issues in the center.

The book is basically based on secondary data retrieved from various references and resource materials. Libraries, related office or official records, related office publications, focused group discussions with the high officials affiliated to or engaged in customs administration, interview with them, government publications and other available historical documents have been mostly used in course of compilation of materials required in course of the research.

In this way, this book, which holds the explanation on historical development of the customs administration of Nepal on the basis of different historical evidences and facts, has thoroughly mapped the development of modern concept on customs and its gradual implementation. The book also discusses about the organizational structure of the Nepalese customs administration as well as efforts made to advance and improve the customs administration.

The overall information regarding the customs administration and its different aspects from the ancient period till the present can be well heralded from this very book. In fact, despite that couple of researches on few aspects of the economic history of Nepal is done and that not enough research could be regularly conducted on the overall development of customs administration, this book can be expected to fill the academic gap and blank. Along with that, the book is expected to become an essentially landmark literature for all who are affiliated in the concerned bodies of the Nepalese government or those who are interested in the economic history and the history of revenue administration of Nepal.

Lastly, as this book is prepared in a very short time frame and is based only upon the published resource materials, historical documents available in public offices and major records available on the border countries have not been included in the book. So, the possibility of developing new facts related to customs on the basis of primary sources still remains a new ground for further study. Thus, the room to do additional researches on the related topic in the days to come is still unblocked.

-Writing and Editing Team

ABBREVIATIONS

| | | |
|---------|---|--|
| AD | : | Anno Domini (English Calendar) |
| ASYCUDA | : | Automated Systems for Customs Data |
| BCE | : | Before Current Era |
| BS | : | Bikram Samwat (Nepali Calendar) |
| CE | : | Current Era |
| GATT | : | General Agreement on Tariffs and Trade |
| UNCTAD | : | United Nations Conference on Trade and Development. |
| KG | : | Kilogram |
| LC | : | Letter of Credit |
| AGFN | : | Auditor General Form Number |
| RS/Rs | : | Rupees |
| SN | : | Serial Number |
| UNESCO | : | The United Nations Educational, Scientific and Cultural Organization |

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CHAPTER ONE

INTRODUCTION

1.1 Meaning and Use of the Term 'Customs'

In general form, the term Customs or Customs duty means indirect tax levied during import and export. The phrase Customs Management makes a hint that it is related with the subject of international trade. The set of permanent administrative provisions set by any state for the collection of revenues from import and export beyond a country's territory is denoted with the English word 'Customs', in modern period. The term *Bhansār* is Nepali translation of English word 'Customs'. It literally means duties or boundary charges on imported and exported goods. Customs duty is one arch and cardinal source of government's revenue everywhere. The charges imposed on importing and exporting goods from one country to another is customs duty. The word 'Customs' is an ancient word existing in English language since a long past. The word has been used to denote the fees or charges on trade since ancient period. Though it is difficult to state and trace the exact date of the initial use of the word, with certainty, it is fairly known that trade and customs are inseparably complementary to each other. Revised Kyoto Convention defines customs as

the government service responsible for the administration of customs laws and collection of duties and taxes and which also has the responsibility for the application of other laws and regulations relating to the importation, exportation, movement or storage of goods.

The word *Bhansār* (Customs) had not been used much in ancient time. Before the wide use of the word, taxes levied on importing and exporting goods in the Hindu society of ancient time was called *Sulka*. The use of the term *Sulka* continued for a long time in ancient Hindu society and in Nepal as well. The provision of 'Customs' seems to primordially exist in Nepal since ancient period. The term *Chungi* along with *Sulka* also has prevailed in use since ancient time. Actually, the term *Sulka* is supposed to have been derived from word *Chungi*. As per scholars' opinion, the term *Sulka* in South Asian regional dialect was pronounced as *Sunka* in long past and later on linguistically derived and developed in form of new phraseology as *Sulka-Sunka-Chunga-Chungi*, respectively (Mishra, 1980/P: 657). The popular word *Sulka* used in ancient time got changed only from the advent of medieval period.

In medieval period, instead of the word *Sulka*, the word *Jagāt* was used quite widely. Since this word is derived from Persian language, it has started of being used here right after the Islamic reign established their influence in India. According to the historical evidences of medieval period related to Nuwakot and Dolakha, the word *Jagāt* is found to have been used much obsessively to denote the task of collecting customs duty in international trade. However, both the words *Bhansār* and *Jagāt* are used in one of the evidences of 1650 CE that is found in Dolakha. In the beginning of modern age too, the word *Jagāt* was used quite popularly, without an extremity. Then, afterwards, the term *Bhansār* was recognized instead of the word *Jagāt*. However, nothing quite concrete and fairly authentic testimonies have been so far procured regarding the derivation of the term *Bhansār* and the origin of its use.

Since the ancient Hindu documents used the word *Sulka* instead of *Bhansār* for addressing the duty on import and export of goods and ancient literature and records did not noticeably mention the word along with the absence of its use in neighboring country India, these all situations have amounted perceptible difficulty to exactly trace the date-back history of this very word. Regarding the derivational analysis of the word *Bhansār* in various dictionaries, its Sanskrit form is said to be *Bhāndashālā* (Dictionary of Nepali Words, 2040 BS). Even though the confirmation on how the

word *Bhansār* started cannot be certified, the Turner's dictionary has mentioned it to be the 'office to collect tax'. According to Turner, the term *Bhansār* is derived from the Sanskrit word *Bhāndashālā* which means storehouse (Turner, Online Dictionary/ P: 468). The Nepali term *Bhansār* is said to have been deduced from the same. That means the office that allows merchants to store imported goods in the storehouse and again facilitates those merchants to carry those goods after paying the prescribed duty was regarded to be the *Bhansār*. Alike the word, *Taksār* is also found to be derived from the word *Taksal*, *Tankashālā* or *Takshal* (Turner/ P: 239). Since ancient time, the word *Dhansār*, derived from *Dhan* or *Dhanshālā* (Turner, P: 323), too coevally exists. Similarly, the term *Bhansār* in Nepali language must have come into practice in form of the derivation from the word *Bhāndashālā* or *Bhandashal*, respectively. Although the Nepali word *Bhansār* has got its own meaning in unique context, it is the transformation of the English word 'Customs' with accordance to its working pattern. This word is found seldom used other where expect Nepal. In Nepal, this word has been used in the historical records of medieval period available in both of Nepali and Newari languages.

In fact, in the ancient age, the main market centers or points for exchange of goods were on the highway where there used to be big markets of influential traders. Such areas were generally

spread up to the area of three to four miles and used to be strictly and carefully surrounded by a strong security. People from far away would gather there for trading necessary goods and services. The very places could have been conveniently used for the state to fix the duty, thus, these places were called *Sulkashala*. In order to store goods for business, there was a tendency to build a *Bhandārgriha* (storehouse) in the business areas. From the very *Bhandārgriha*, government officials used to check, fix the duty and monitor the items that were either exported or imported for the sale. As the process of linguistic derivation, the word *Bhansār* has been derived from the words *Bhandārgriha* or *Bhādashālā*, whose meaning is said to be 'fixing and finding the charge on export and import from various entry and exit points'.

Still, there exists a practice of keeping the imported/exported goods in *Bhandarghar* (storehouse) (today's warehouse, customs warehouse) until their duties are fixed. The word *Bhādashālā* has been used while addressing the word *Bhansār* into the many evidences of early medieval period. Apropos to a description of an incident from 1256 CE, which is included in an historical document named Gopalraj Vamsavali (Genealogy of the Gopal Kings), Banepa based individual named Jay Bhimdev made an inroad on the *Bhādashālā*, thrashed all the courtiers and robbed all the property deposited there in (Gopalraj Vamsavali,

folio 37). Since ancient period, the *Bhādashālā* was assumed to be the house for duty collection on import-export and over depositing the assets; and the very assumption is found to have been prevailed in medieval period as well.

The origin of the word *Bhansār*, used in modern day practices of Nepal, cannot be infallibly and flawlessly assured about its official commencement of formal use; but being based on historical evidences, this word or same as the word can be said to have been initiated from Lichchhavi period. However, this term was found to have had limited use initially; but this term started gaining momentum popularity from Malla period.

It is written in an archive of Lichchhavi King, Shivdev, found at Chapagaun, that there were customs offices (*Sulkashala* or *Bhansār*) which used to collect duty on import and export in all the trade cities; and those were called *Dranga*. Bajracharya claims that, even at that time, there used to be customs office together where there was *Dranga* as well. The place where *Bhansār* was stationed at that time, it would ever continue to remain famous as *Bhansār* once it was known accordingly though the name later on could be *Sulka*, *Bahnsar* or what so ever. Such many old customs centers are still known with name of *Bhansār Chowk* or *Bhansār Tol* or *Bhansār Ghar*, respectively. The place at Patan Darbar (Patan Palace) where the seventh century King Narendra

Dev's inscription is maintained is still known as *Bhansār Chowk*. The customs office operated by *Yupgramdranga* was situated in this place. So, this place was called *Bhansār Chowk* till long time-span. In the same way, *Dranga* inside Dachhiinkoligram in Kantipur (close to the area of Teku and Lagan in present time) is still known as *Purano Bhansār*, thus, reminds the old customs there in. Similarly, Naksal bound Naksal Gairidhara area is known as *Bhansār Hiti* (Bajracharya 2053/ P: 227-228).

Being based on historical evidences, it seems that the word *Bhansār* was first used in the medieval age. The word *Bhansār* is mentioned in an archive of 1650 CE that is found at Dolakha Bhimeshwoer, which was maintained in regime of Pratap Malla (Bajracharya and Shrestha, 2031/P: 109). Both the words *Jagāt* and *Bhansār* are used in this record. Similarly, the exact word *Bhansār Griha* is mentioned in an archival record of 1652 CE which is found at Stharudrang area where one of customs offices in Lichchhavi period was in action (Bajracharya, 2056/ P: 103). The very diction *Bhansār* is mentioned in another record of 1705 CE found in the similar place of Chapagaun (Bajracharya, 2056/ P: 352). Besides on records procured inside Kathmandu valley, many evidences from the then fringe states called *Baise* and *Chaubise* outside the valley too do still certify further regarding the use of word *Bhansār* as the word was used in their records as well (Shrestha, 2059/ P: 247). The exact

word *Bhansār* is used in one of the letters from Prithivi Narayan Shah in 1768 CE (Bajracharya and Shrestha, 2033/ P: 72).

Though the intermittent use of word *Bhansār* took pace in medieval age, *Jagāt* was more often used term than *Bhansār* was in practice. Many of modern day testimonies do combine both phrases and use them as *Jagāt Bhansār* as well. Here at the point, we should realize a fact that the word *Bhansār* did not typically originate to mean only the centre for customs duty collection. It is office for monitoring goods on import and export together with fixing and collecting duties based on prevailing tariff. It makes sense accordingly as that the duties to be collected from import and export is still called customs duty instead of mere customs. Customs are also taken as part of tax. Among different types of taxes, customs is one indirect obligation in nature.

1.2 Global Evolution of Customs Trends

Trade, or especially the foreign trade, extensively matters closely with it while discussing about customs. Customs fails existing without trade. So that, knowing about genies and growth of trade and commerce unfolds logical sense and rational need before willing to learn about customs. These whole facts connect with the development of human civilization. Origin of human,

development and rise of civilization are considerably classical and started since Stone Age. Every single of human has assimilation of this grand truth. Approximately 12/13 thousand years ago, humans advanced to animal rearing age from hunting age. For sake of killing and eating those animals on needs, humans started domesticating less aggressive animals in their control. But at the end of Stone Age, approximately 7/8 thousand years ago, people discovered agriculture owing to rapid rise on population. It was further stressed in the other hand as fruits along with animals, which could be hunted or tamed for feeding human, were in serious decline thus leaving the mass people into complex crisis of life and death. Leaving animal rearing followed by progressing to agriculture was momentum discovery and noticeable advancement at that time. Along with the development of agriculture, there was an increase in animal rearing followed with development of kitchen utensils, clothes as usual practice. People started living in a fixed place instead of roaming and being nomad. People started manufacturing required goods by themselves for daily livelihood. So, this stressful struggle of human kind suggests that the remarkable transformation from barbarian life of Stone Age to modernized civilization is duly remitted reward of untiring effort and much gruesome struggle.

By the time when people commenced to modernize and upgrade the level of

civilization, owing to the startup of permanent settlement, in one side, human wants increased exclusively whereas, in another side, their new desires and expectations ballooned in such a way that their production was barely enough to fulfill their needs and make the life have ease. Hence, as the result, they started the mechanism of exchanging the produced things where they would give the goods that they had; and in return, they would take the foods or the products that they did not have in self. This unique mechanism of exchanging goods produced from one another as and when needed directed the society in a new path. Finally, it begot a new system named barter system and that remained almost as a permanent feature of society.

But the drawback of this system was on common sight as that in order to get the desired goods, one had to search such person who was also in search of the very material which the first one has possessed, so then, both of them would agree on mutual need. Such coincidence of mutual need would rarely occur in the same village, hence, people began trendsetting of going far from one village to another to exchange and get the required material. Continuation of very process ultimately transformed into an advanced business activity. Since that time, the concept of business boomed far and wide because it was not always possible for every single family and nation among all to be independent and self-built. Thus, trade was accepted

and adopted as only the viable medium of sufficing and catering the needs since the former era.

As much the civilization was oriented towards modernity, the more the numbers of new challenges started to occur in the society; and different new things continued to take place. Unprecedented rise in farming, animal husbandry, industrialization and business tailored numbers of questions regarding the ownership of the property and started to raise the will of property possession among the people. Hence, series of evil actions like amassing property, fighting with one another in issue of property, attacking one another, looting others' agricultural products, confiscating away others' animal husbandry, sequestering others' land and so on of such activities began being rife. Situation was as such that one alone could not protect property. Therefore, people started to form a group and live in that group. For the protection of property, many conflicts arose in the society and later the society slowly marched towards the system of *Matsya* justice.

As these confrontations and lootings posed serious threats and challenges and extended an apparent anarchy on traders or businessmen, they started forming groups for self-protection and they started making gloves of combatants for themselves and even to collect some amount of money from all traders for their daily livelihood, thus, the

provision of paying remuneration to the combatants got embarked. If any group wanted to shield their businesses then the group of combatants would be leased in certain amount. Hence, there evolved a system of doing a contract with each business group and charging them certain amount of money on cost of escorting or safe-guarding them. In fact, this initial practice on a theme 'give some money to me, I will protect you' with the objective of collecting some money led a path to beget practice of modern day Customs. Similarly, with a matching context, it is believed that the customs began to exist through the exchange of gifts. At the advent of business, it is believed that the businessmen used to offer gifts to the person of power and sterling worth in their business area or to the ruler of business zone with the hope of getting protection from their side in return (Asakura, 2003/P:14). Later, with this act, the process of giving gifts became a compulsion. This practice set the trend of gifts. Later, those businessmen who refrained from extending gifts resulted in having their goods unprotected.

Because of increase in such events, later, a new idea clicked in humans for making society organized. So, the idea of state system started to take a visible form. In fact, it never sounds an exaggeration to claim that state stands a top and above all associations from viewpoint of influence and importance among many organizations created by human beings. Origination and

advancement of state system entailed all businesses and other enterprises remain under the monitoring, supervision and protection of the state. State has accepted the responsibility on protection of individual's property and personal life as well. In regard to business as well, it got conceptualized that the protection and regulation of border is the duty of state. In the name of such protection, state started to charge certain amount of money on the import and export of goods. In the beginning phase, gifts in form of kinds were gained; but later, some valuable goods were solicited and charged on cost of help from or duty to the state. Situation got an unprecedented bending as that, initially, business was done for the sake of fulfilling own needs but then it turned to be a major source of income for the state. For this, state constructed numbers of check-posts in many places then started charging customs duty as well as working for protection of traders. In this way, an encouraging environment was formed which offered a conducive ambiance to beget modern meaning to customs. In this way, customs started from an agreement. The concept of customs existed even before the origin of the state.

While studying about the origin of the trade, we can find its continuous root from more than 5000 years back or even up to the era of Stone Age as well. Assessing the history of ancient civilizations gives a clear clue to infer that the people of that time used to cross

a long area such as 1000 miles away for the purpose of business. People in the age of the civilization of the Indian subcontinent, popularly known as Indus Valley used to travel to Baluchistan, Iraq, Egypt, Greece etc for business purpose (Asakura, 2003/ P: 21-40). The history of business is very ancient and is also discussed with various ways regarding the origin of the customs; but it is a fact that no any particularly indubitable and indisputable claim can be made regarding state or civilization and time span as well where and when the system of customs was introduced and originated. It is fair to say that concept of customs emerged and evolved with the development of the civilization and so the universe admits. In the view of the world history of customs system, it can be drawn that customs was introduced from the time of Mesopotamia civilization, Egypt civilization, Indus Valley civilization and the China's Hwang Ho Valley civilization and so on respectively. Various anthologized literary sources decipher the clues that from the very onset of civilization, ambassadors were privileged with exemption of customs duty in Rome, Greece and Indian subcontinents. And further, a proof from China validates it as that one Chinese archeological evidence written on bronze metal, from third century BCE, mentions about customs system and information regarding the appropriate concession provisions or duty free facility on it. Similarly, an inscription- carved in good length and dated of April 16, 173 CE- found at

Palmira city of Syria, mentions the customs tariff specified in different goods at the very time (Asakura, 2003/ P:12). Thus, it can be flawless to conclude that plethora of the ancient documents and other valid source well justify that the customs system was introduced from the ancient time when the civilization bore an onset. Even being based on the archaeological evidences, history of customs seems to have been germinated having its root at least 2000 years back or even more.

1.3 Evolution of Foreign Trade and Customs Administration in Nepal

It is found that customs provision was introduced and got evolved in Nepal centuries back even before modern Nepal was formed i.e. before 2000 years. It is fairly relevant to discuss the economic issue of ancient Hindu society and then the economic activities, especially the exports and imports, regarding the policy of the state before signing in and entering abruptly on what was about the status of customs duty in ancient Nepal. In fact, the main guidelines for state's administration and policy building in ancient Nepal were ancient Hindu texts and archaeologies of that time. Vedas, Smritis, Mahabharata etc, are frequently mentioned in many places of various contemporary inscriptions and ānāls of that time. The *Garuda Pillar* inscription of Handigaun Kathmandu mentions about *Manusmriti*, *Yamasmriti*, *Brihaspatismriti* and

Usanasmriti (Bajracharya, 2030/ P: 160). In addition, the different Lichchhavi inscriptions have portrayed the Lichchhavi Kings and princess as "according to the Vedas and religious texts, the one to comply with the rules of Aryan civilization, discuss regularly on the scriptures of the past and are enlightened with an extensive studies of scriptures and classical cum religious books"; thus, it makes an additional clue to derive a conclusion that Hindu scriptures were wholly trusted and tested as the main source to run state and administration at that time.

Ancient Hindu writers and thinkers have framed many policies in regard to forming and formulating the state's economic nature. After realizing the boundless importance of business to increase state's income, to extend the external relations and to spy and detect the weakness of foe states, writers and thinkers indoctrinated various policies and principles to continue business. On this discourse, Kautilya stands and appears in the noticeable front whereas Sukra, Brihaspati, Manu, Dhronacharya, Parasara, Bhishma and Narad too capaciously contributed about the commerce and business by propounding important policies. Those classical texts have profoundly highlighted the required monitoring and supervision arrangement on export and import including the projectable difficulties on the road, and all the security management related to checkpoints. The man with the charge of

supervising the export – import trade of the country was called *Panyadhyaksha*.

In ancient time, three types of policies were adopted primarily in course of managing import/export and deciding about the customs duty. First- strict denial on import of those goods which are produced in state itself and those goods which could jeopardize and generate hazards to the citizens; second- levying relatively less tariff/tax if the product is useful for the citizen; and third- considering the duty free import of those goods which are remarkably beneficial for the citizen or those goods which are not produced in own though there would be relative hardship in procuring them.

Items that were not charged with customs duty included the goods brought for dowry in the marriage ceremonies including materials needed for *Yagya*, *Hom* (religious ceremonies and observations), including worships and other religious works related items i.e. for marriage, *Bratabandha* or *Upanayana* (Initiation), *Chuda karana* (Tonsure) and so on. If someone imported the items without being charged by falsifying the reason of the same then she/he would be punished severely as to the robbers.

The duty to be charged would be determined on the basis of prospective profit or loss, the situation of roads, the food expenses, the cost spent to save goods from the thieves and the total income the goods were likely to herald.

Among the whole, the duty would come to be as either one part of the six, or one of ten, one part of fifteen, one part of twenty or sometimes up to one of twenty five as per necessity. In some special cases, there was provision of levying tariff as 10 percent to homemade and 5 percent to the imported goods. The government stamp would be marked on the goods when the duty was finalized. Every single time would be levied with duty only at one checkpoint.

In the context of Nepal, there is a big problem while tracing and documenting the ancient history of Nepal since Nepal's history before the availability of archives and *ānāls* is derived merely from the description and mentioning of *Purān* (ancient mythological texts in Hindu society about gods' grandeurs) and genealogy as sources. Even these sources too were collected and scripted only after fourteen century. Many such sources are scripted only about 100 or 200 years back from today and even the descriptions about Nepal's history are also differently elaborated and explained in these sources. The descriptions included in dynastic chronicles and other sources sound more religious faith based narrative than analytical and explorative engagement. Thus, detailed exploration and assessment of history before the Lichchhavi dynasty or before AD still stands as an unsolved mystery. Tracing history of the period is possible only in reference or on the basis of chronicles and *Purāns*, hence, the era is called *Pauranic* or legendary era.

Nepal is extremely ancient country and this axiomatic fact can be drawn from the message that is mentioned in classical mythological canonic texts and *Purān* as well. *Artharwapisista* is the first recorded canonical text where name of Nepal is mentioned for the first time. This traditional script named *Artharwapisista* is believed to be created somewhere between 800-600 BCE (Regmi, 2026/ P: 90). This script's mentioning has described Nepal in coexistence with some pristine and respected Kingdoms like Aasham, Mithila, Panjab, Ujjain, Kekai (indivisible and integrated north-west of Punjab between Grandha and Byas river). Besides these explanations, Nepal is recognized as an independent and sovereign nation in Kautilya's *Arthasastra* (4th century BCE) and on Allahabad Pillar, inscription of Indian Gupta emperor Samundra Gupta along with documents like *Mulsarwasitbad Binayabastu*, *Mahabharat Banparwa*, *Jaingrantha Abashyaksutra* and so on. These all rich documents acknowledge Nepal as sovereign state since time immemorial.

Though having slight mismatch in the records, the chronicles and all other available ānāls in Nepal along with all other sources have presented *Gopal*, *Mahispal* and *Kirat* as dynasties ruling over Nepal before Lichchhavi era; and the credit of starting royal administration in Nepal, among them, has been given to the ruler of Gopal dynasty. According to description mentioned in *Gopalaraj*

Vamsavali prepared in the 14th century, eight people from Gopal dynasty ruled over here (folio 17). Some scholars logically base their viewpoint that this very land is named Nepal as that these Gopal dynasties were the descendent of *Neepa* tribe (mentioned in ancient Vedic literature) and the land was populated by them (Nepal, 2040/ P: 18). It is mentioned in *Gopalaraj Vamsavali* that three Mahispal dynasty's rulers and then Kirat ruled here for long time after Gopal dynasty was uprooted. In the contexts of Kirat, the situation differs limpidly than of other two dynasties. In the history of Nepal, the existence of Kirat might have been a phenomenological reality. To stress further on this context, even Lichchhavi time-bound archives have also indicated their existence (Bajracharyya, 2025/ P: 1-8); and *Pashupati Purān* has clearly explained that Lichchhavi, as being victor, claimed then exercised their right on Nepal by vanquishing Kirat dynasty.

In the context of Nepal's external connectivity, and trade and commerce, there are many evidences found to have discussed its onset from Kirat regime. While Kirat regime was prospering in Nepal, Magadh Empire was a noted regime in land of present India. Rulers from Nanda, Mourya and Sunga Dynasty of Magadha were contemporary hosts to Nepal's Kirat dynasty's ruler in that time. Kirat had a very good relationship with all of them. External business of Nepal was developed vigorously during this era. *Mulsarwasitbad Binayabastu* and

Kautilya's *Arthashastra* (4th Century BCE) have adequate coverage about Nepal's relationship with India in terms of trade. A Buddhist reference named *Mulsarwasitbad Binayabastu* has mentioned about International trade of Nepal during that era. It has also mentioned about the trade during the time of Gautama Buddha where his followers and disciples entered in the premises of Nepal along with Indian merchants (Bakchi, 1970/ P: 178). From this argument, it is proved that Nepal was renowned in international trade prior to 7th century BCE. The fact that *Karshaparna* (ancient copper coin) used in India during 5th and 6th century BCE and *Kushana* coins circulated in 1st century AD in India were available in Kathmandu valley shows Nepal's primordially prevalent long back strength in international trade. At that time, traders used to travel in horde or group rather than having single trespassing. Indian merchants used to visit Nepal primarily for trade.

Wool, materials made of wool, elephants, horses, musk, musk-deer, gold and silver were majorly listed goods exported from Nepal at that time. In Kautilya's *Arthashastra*, documented in 4th century BCE, it is mentioned that woolen blankets from Nepal were hugely traded in Magadha India. Further, it also mentions that the black Nepali blankets with 8 small squares, named as *Bhingisi* and *Apsarak*, were of very good quality and even would serve as raincoat as well. Many other ancient writings and

canonical references have also vouched about this very fact. *Skandha Purana* has also repeatedly stated about the excellent quality of Nepali blankets. Nepali blankets are praised in *Brihat Kalpasutrabhasya* as well. *Parwana Shradha Bidhi* states that Nepali blankets are pure and can be used in *Shrādhas* as well. According to *Mulsarwasitbad Binayabastu*, Indian traders used to preferably visit Nepal for purchasing Nepali blankets and those blankets were traded till far southern region of India. Wool and the goods made of wool were the most traded materials from Nepal since the era of before birth of Christ. Along with wool, elephants, horses, musk, musk-deer, gold and silver were also exponentially traded. As per Kautilya's argument, these materials and animals were majorly transported from Uttarapath / northern trade route (popularly known as Grand Trunk Road).

If we accept the reference of classical mythology named *Purān*, in the era of *Mahabharat*, emperor of Kirat dynasty in Nepal had gone to Yudhishtir's palace having carried various precious and princely gifts like sandalwood, *Agrākh* wood, leather, precious stones, gold, various fragrant items, different invaluable animals and priceless birds etc, in order to make him happy. This statement clears that there was demand of those goods in Indian market (Levi, 2007/ P: 51).

In BCE era, Nepal was in contact only with India. Entry points towards China and Tibet weren't in operation. So, at that era, Nepal's outward business was confined only with trade to India. Moriya or Maurya, Koliya, Koshal and Kapilbastu and other more fringe republic states were on rule in Nepal's Terai border areas. Outward business of Nepal was exercised and directed from the same routes. Business of Nepal to India was mostly conducted and carried through the check points like Thankot, Tistung to Simrangadh, Baisali, Shrawasti Patna and so on. Similarly, another route starting from Thankot to Tistung and going down to Terai then crossing Kapilbastu was on popular use to go to India. At that time, highway connecting to various parts of India was constructed via Kapilbastu. Kapilbastu had a highway to connect other major subways of that time like Pawa, Kushinagar, Baisali, Rajgriha, Shrawasti, Saket and Kausambi etc.

Similarly, as remarked by many scholars, according to Kautilya, "Uttarapath too connected Nepal". That way would pass through Baisali (Mujaffarpur district based area in Bihar at present) and Shrawasti (area inside Gondha and Baharaich district near Gorakhpur at present) to Nepal. The lane from Lumbini to Kosal state to Magadha was also in practice. Many Nepali businessmen used to reach into various Indian cities from the same route. *Mulsarwasitbad Binayabastu* discusses the road which Indian and

Nepali traders treaded on. *Parisistha Parwan* mentions it as Nepal's state level way. Owing to having such accessible highways and subways, various reputed dynasties of BCE period like Sakya, Lichchhavi, Malla, Koliya etc, and many royals clans from Kapilbastu to Mujaffarpur Bihar India immigrated to Nepal. Nepal had set up *Sulkashala* or customs office at Tistung; and appropriate duty to be levied would be determined there in. More importantly, elephant, horse, musk, musk deer, etc. would be frequently exported through this checkpoint.

Ancient archives and references elaborate about Nepal's trade which was stretched towards both the north and south situated countries. Even the minister of the then Magadha Empire, Kautilya, in his famous literary and landmark work *Arthasastra*, proudly writes that woolen commodity items of Nepal were of great demand in Magadha and for this purpose, merchants from Magadha used to come to Nepal quite regularly. Likewise, in a Buddhist religious book, *Mulsarwasitbad Binayasangraha*, it is also mentioned that numerous Buddhist monks came to Nepal along with merchants of India. These instances indicate the long history of export trade of Nepal. But yet, before the era of Christ, foreign trade and the customs collection system was not much systematic and properly managed. Mainly, at that time, trade was more difficult since there was no currency developed in Nepal. The trade could not

flourish as expectation due to better systems (exchange of goods) or use of Indian *Kaarshaapan* currency.

The foreign trade of Nepal was exponentially flourished in the Lichchhavi period and medieval period. Kings as well as noblemen of Lichchhavi period used to collect tax from merchants coming from Tibet and India, respectively. Merchants involved in such type of trade at that time were called *Sārth* and the leader was called *Sārthwāha*. These merchants (traders) had to pay customs duty to the government for importing and exporting of the goods through transit centers. Such person was called *Shaulkeeka*, who collected duties. Besides in Nepal, even the study about the history of ancient India confirms that people would call *Shaulkeeka*, to the person, who would collect duty in border (Altekar, 2001).

Like in modern period, customs was levied differently according to the type and volume of goods in the then time as well. The person in high ranking post was called *varta* in Lichchhavi period. Most probably, there might have been *varta* officer to look upon trade and commerce, but no evident information has been found in this regard. The central office to collect all kinds of revenues gained from trade was called *Kuther Adhikaran* (Bajracharya, 2053/ P: 99).

Albeit, not any evident notion can be made regarding when-about of the use

of word *Bhansaar* (Customs office) in modern period in Nepal, but on the ground of some historic evidences, it can be inferred that the very word continuously exists from Lichchhavi period (detailed discussion related to this is done in second chapter). The use of this word was in excess from Malla period. According to the information received from different sources, the foreign trade of Nepal was greatly expanded in the medieval period. According to Christian priest (Padari) Father Desideri's explanation, trade of Nepal was expanded to Tibet and Mongolia during Malla period. Therefore, customs offices were set-up in different trade entrances and checkpoints for the purpose of trade. Vanikpuri (Banepa) was one of the major centers for trade in that period. In that very period, this place was developed as focal point or hub-station of trade for Nepal, Tibet-China and India (Dhungel and Pradhanang: 2056/ P: 157). Merchants who brought goods importing from India had to pay customs duty in the customs office situated in Parsa and Hetauda. Likewise, Sankhu, Chautara, Listi, Kodari and Kuti had the customs offices for collecting customs duty while having trade with northern neighbor, Tibet. Like in Lichchhavi period, *Sārthwāha* used to be the leader of trade even in early medieval period too. In late Malla period, changes had taken place in this subject.

According to the elaboration of a Capuchin priest, who visited Nepal during Malla period, Kathmandu,

Bhaktapur and Lalitpur had central customs offices in these three places; and sub-customs offices were situated in other main trade routes as well. Customs outposts were established in other trade routes, as it has been mentioned. For collecting customs duty (fees), customs officers were appointed by government for the tenure of six months at once by adopting a bidding process. These customs officers used to supervise imported and exported goods and would levy then collect the duty from these goods based on prevailing tariff (Dhungel and Pradhanang, 2056/ P: 189). In that time, *Takshari* also enjoyed the authority to collect the customs duty (Krikpatrick, 1975/ P: 83). A portion of amount gained from customs duty would be allotted as commission to them. Therefore, *Takshari* were somehow well off in economy. Couple of the evidences asserts that *Takshari* and customs officer (*Bhansari*) was same person (Shrestha, 2073/ P: 69).

There was rise of Prithivi Narayan Shah in Nepal after the end of Malla regime. After unifying Nepal, Kathmandu valley was confirmed as the central capital of the Kingdom. In Shah period as well, customs duty was one of the main sources of income in state. Since the unification campaign during that period needed a remarkable and regular flow of wealth, customs office was one of the offices of administrative importance as being the main source in supplying funds (wealth).

Because of this reason, the government had established customs offices in different border checkpoints caring the trade to and from India and Tibet, respectively. These customs points were especially located in Kathmandu, Dhankuta, Chaudandi, Palpa and Doti. The state's trustworthy local barons of some of the districts in the Terai had also been approved with the right to collect customs duties. The separate office i.e. *Bhot Bhansār* was established to collect customs duty from Tibet's trade. This office was directly under the *Takshari* of the central office of the state (Baidhya and Manandhar, 2053/ P: 46).

The Rana Prime Minister had conducted domineering governance (based on system of arbitrary behest and discretion) during Rana rule in the state. The words and orders of Rana Prime Minister used to be the laws. Nonetheless, the efforts to ensure modernized and systematized administrative structure had also been conducted throughout the state during that period. The then Rana administration had only objective to collect more and more revenue in legitimate manner. Based on this, the officers appointed by the government were also appointed in the condition that they would collect fixed revenue then report to government to hand it over. If any officer failed to collect fixed revenue, s/he would be dismissed from the post. As the customs was only the main source of revenue, the customs offices and checkpoints were established in

different places of Terai and Hilly region, during that reign. Many customs offices were established in the country during the period of Rana Prime Minister Chandra Shumsher. Especially, the policy made by Ranas to establish new market in the districts located in the Terai had ballooned the trade volume in new height. Thus, the customs offices were established in such market areas. These customs points were called as Market Office (*Bazaar Addaa* in Nepali) in Terai region and Customs Office (*Bhansār Addaa* in Nepali) in the Hilly region and Kathmandu city, respectively (Baidhya and Manandhar: 2053/ P:179).

Another Rana Prime Minister Judhha Shumsher had given more responsibilities by reforming these customs and market offices during his rule. The customs system during the whole Rana Regime was operated on the basis of *Sanad and Istihār*. But in the year 1992 BS, the above mentioned *Sanad and Istihār* were all dissolved and new separate *Goswārā* Customs Section was operated. In the same year, a system was taken in action for the first time that the customs office had to have in-house checking of the goods and commodities brought by the importer.

There was the rise of democratic rule in Nepal following the end of Rana rule in the year 1951 CE. There was the adoption of new method in the operation of government. Now the government began to form the Tariff Boards to collect the customs duties and started the new pattern to specify the customs duties

under the recommendation of same Tariff Board. The recommendations of such Tariff Board were considered as the key basis to implement and amend the customs duties in the year i.e. 1952, 1953, 1954 and 1955 CE respectively. In the year 1955 CE, the Contemporary Tax Collection Act was made and the pattern of collecting taxes on import and export was fixed under the Timely Tax Collection Code. On this basis, the customs tariff schedule was specified in the year 1956 and 1957 CE as well. In the year 1957, the Customs Commissioner Office was established with the objective of more organized administration of customs. The various main and sub-customs offices were established and merged as well. The main customs offices were installed in the India's main trade checkpoints maintaining compliance with the Nepal – India Trade and Commerce Treaty.

The Financial act was seen to have come into operation after the King's order or decrees in the year 1958 and under the recommendation of Parliament in the year 1959 respectively. The Department of Customs had also been accommodated under the category of this very Financial act. The 'Customs Tariff Act 1960', addressing only customs, was commenced with the recommendation of legislature for the first time in 1960 by amending Financial act; and this Act was implemented throughout the whole Kingdom with the stamp of *Lālmohar* (*Royal seal for approval*) in 1960. This Act ought to be believed to be the first ever Customs Act

of Nepal which was passed and implemented by the legitimately selected people's representatives in parliament. Still, this Act also fails to address customs' overall administration and necessary provisions. According to the name of this Act, this Act had confirmed the tariff for some of the imported and exported goods. As the legislature was dissolved in the right next day of implementation of that Act, the pattern to commence Act, regulations and rules with the *Sanad* of the Kings started again. In the year 1961, the old system was manipulated and the system of tagging customs duties on some new items was arranged by the Minister of Finance and Economic Affairs through declaring the estimated financial statement of 1961-62. The Ministry of Finance and Economic Affairs had implemented the Customs Rules and Regulations by mentioning the procedure of the Department of Customs in the year 1961. As this regulation was named "Customs Rules Governing the Memorandum of Nepal – India Trade and Transit Treaty 1961", and the customs rule was made by only mentioning the procedure of the Customs offices in order to give the direction to Nepal's Customs offices to work in accordance with these rules.

In 1962, the government of Nepal, by consolidating all the laws relating to Customs of Nepal and amending it for the first time, enacted the new Customs Act 1962 with the aim of ensuring proper

functioning and regulation of the customs administration and the customs management of Nepal. For the importance of the implementation of this Act, it mentions:

"As per wish and wit of His Majesty the King Mahendra Bir Bikram Shah Dev, this Act is enacted with the reference of the constitution's article 55 and is expected to meet the desirability of enacting a symmetrical and paralleled customs codes throughout the nation after due amendment and consolidation of varying *Sawāl* and frequently issued *Khadganisana Sadar* addressed to customs office stationed as Kathmandu *Goswārā* Customs, customs offices at hilly regions and customs outposts in various places of Terai region as well".

This act was formulated in the absence of parliament and the people's representative and with the reference of article 55 in the Constitution of Nepal 2015 (1958CE), which enshrines the rights of King at the time of emergency or Crisis. This act remained into effect until 2007CE though there were many amendments in between. With the aim of modifying and simplifying the Customs administration of Nepal as per international customs practices, the government of Nepal promulgated the new Customs Act 2007 owing to the changes in the politics and the international trade. Therefore, the Customs Act 1962 was repealed and the Customs Act 2007, which is still in action, was promulgated.

CHAPTER TWO

Foreign trade and Customs Administration during Lichchhavi Period

2.1. Overview of Lichchhavi Period

There are fairly contradictory remarks regarding the beginning of Lichchhavi rule in the history of Nepal. In one hand, it is believed that the Lichchhavi clan was ruling in Nepal from the 1st century AD (Bajracharya, 2030/ P: 557) whereas in other hand, it is believed that the ruling of Lichchhavi in Nepal started only from the 3rd or 4th century (Regmi, 2053/ P: 17). Other historians present a logic mentioning that 3rd century BCE ought to be considered as the formal date of beginning of Lichchhavi reign in Nepal. As per the discussion in this book, the time frame from 1st century CE to the end of 9th century CE is conceptualized to be the authentic period of Lichchhavi as many scholars consider the same.

The foreign trade of Nepal that started from the ancient time highly evolved and developed with the onset of Lichchhavi Dynasty's regime. The trend of migrating from the southern part, i.e. from Indian territory, to Nepal had a great rise during the Lichchhavi period or from before Lichchhavi era too. The people of India were continuously entering into the territory of Nepal into many groups and

hordes to be safe and secured from the harsh effect of the internal conflict of India and the frequent attack of *Huna*. The traders used to be the good support and company for those people during their exodus. Travelling alone would be very dangerous and risk-posing action during that time. There used to be huge fear and fright of thieves and wild animals ever. Due this reason, people used to travel with the traders. From this system of migration, we can also deduce a conclusion that the system of trade of Nepal towards India had flourished since the commencement or beginning century of AD or of the Lichchhavi dynasty's ruling system.

The archived *ānāls* from the 5th century AD present a set of important information regarding the importance of foreign trade in contemporary context. Those traders, who engaged in large scale of foreign trade, have been eulogized and well mentioned in those archives. The business leaders (called *Sārthwāha*) like Ratnasang and Guhyamitra established temples/shrines and offered the land as the trust for its operation thus it could be understood that the traders were fairly rich and wealthy. In the mean time the route to Tibet from Nepal by crossing the

Himalayas was identified during the mid of 7th century. The trade relation between Nepal and Tibet also flourished due to this exploration. After this, the trade route not only built the trade relation between Nepal and Tibet but also Nepal was then linked as remarkable trade center between India and China-Tibet as well. Following to this development, many Nepalese got inspired and incentivized to involve in this profession hence, Nepalese trade with foreign countries increased significantly. Besides the general public, also the royal families began to opt for involvement in the business. May be due to this increase, a Tibetan source had mentioned that the numbers of traders are more in Nepal than that of farmers (Levi, 2005/ P: 114). In fact, the exploration of route towards Tibet was a huge achievement for the foreign trade in Nepal; and the same sufficed Nepal to earn a maximum profit ahead. As a result of same business driven financial growth, various magnificent and miraculous monuments like Kailashkut Bhawan, Bhadradiwas Bhawan, and various palaces, temples, *Stupas*, *Bihars* along with *shelters*, public taps were built and Nepal astonishingly advanced in various fields. Due to the excellence achieved by such business flows in the ancient period, building hundreds of temples, *Stupas*, *Bihars*, etc. consistently continued in later period too. As a result of which, now, Nepal consists of numerous cultural heritages which has been major attraction and enticing factor for high influx of tourists.

In one of Chinese documents, it is said that Nepal was a country with rich and advanced civilization during the period of Narendra Dev (mid seventh century AD). It is known that the lifestyles of Lichchhavi Kings were changed and grew sufficiently polished due to the income from foreign trade. There is an exciting and enriching elaboration in Tang ānāls of China regarding the unique lifestyle of Narendra Dev who ruled Nepal in the middle of 7th century. The Lichchhavi Kings always wore heavy jewelries of pearl, diamond and gold up to their chest. And they were always wearing earrings with valuables stones whereas the walls, pillars, beams and ceilings of the palaces were beautifully decorated and adorned with valuable stones; and the conference halls of the Kings were full of flowers, fragrant, oils, scents etc (Levi, 2005/ P: 114). From this description, it is clear that valuable materials were also imported from overseas and the country was enjoying high profit from this business. Foreign trade was highly ballooning and exponentially increasing. About the business situation of Nepal at that time, one of Chinese descriptions mentions 'the business of Nepal is wow; traders become organized in professional associations, customs duty as per tariffs are provisioned and regulated, experienced *Lekhandās* (record keeper) are deputed in administration offices. This version unfolds and heralds convincingly acceptable inference about the systematized and developed trade

relation of ancient Nepal (Levi, 2005/ P: 113).

2.2 Nepal-India Trade Routes during Lichchhavi Period

The fringe but finely set republics or principalities at border points of Nepal started facing heinous and ferocious attacks from emperor and expansionist ruler of India's various states during the time in 3rd, 4th, 5th, and 6th century BCE. Following this egregious situation, its citizen then individuals commenced entering into Nepal from Utter Pradesh and Bihar state of present India. Viewing from this perspective, we can assume that there were many roadways and subways into use between Nepal and India from BCE period itself. Owing to the information incurred from evidences and testimonies of Lichchhavi period, the key travelling route of Nepal and India specific boarders were as follows:

(a) Roadway from Thankot, Chandragiri to Tistung/Chitlang towards Hetauda was the main point in entering to India in ancient time. The businessmen of the ancient areas of present India like Karnatak, Maharastra, Gujrat, Kashi, Koshal, Shrabasti, Kanyakubja, Kushinagar, along with Kapilvastu of Nepal used to enter the Kathmandu valley through the route across Lumbini/Ramgram to Tistung/Chitlang passing through Devghat.

(b) There was also an alternative way to enter India starting from Parsa through the route of Pharping to Bhainse to Bhimfedi to Hetauda.

(c) A famous bypass would run down from Chapagaun to Hariharpur, through the banks of Bagmati, to Simraungadh; and it was a fast track to reach to India. The customs office located at Chapagaun is a proof to vouch this standpoint. The bypass was used sparsely as it would pass across dense forest as well was relatively difficult to sojourn.

(d) It was also known that the road stepping down from Dolakha to Simraungadh across the beach-side of Tamakoshi river further connecting to Sindhuli then heading towards India was also famous business route. Especially Indian traders began using this route for Tibet-Nepal-India trade after the commencement of Nepal's trade with Tibet in the seventh century.

(e) The bypass towards Lumbini through Parwat was also in practice in order to enter India from the regions of west Nepal. Passing across through Lumbini, this lane would connect contemporary highway in Uttarapath, the Grand Trunk Road.

2.3 Nepal-Tibet Trade Routes in Lichchhavi Period

The official trade route between Nepal and Tibet was first introduced in the seventh century. It was too hard to go India from Tibet prior to exploration of this route. There were mainly two ways from Nepal to Tibet in ancient period.

- A. The road to Kerung of Tibet through Nuwakot-Rasuwagadhi from Kathmandu. This was the ever first bypass used to enter Nepal from North situated China and Tibet and vice-versa. There was a great deal of difficulty to travel to India from China and vice-versa before opening this route; and it was so because of tough and long distanced journey through excessively bent, unclear and topographically uneasy sub-ways and tracks. At that time, either bearing the risk of travelling through the boat to cross the sea or to move towards the shore of Khotana of central Asia was only a viable option (Nepal, 2040, P 16). Famous Chinese travelers Hiuen Tsang and others trespassed through the same road and came to India; and then after entering India, they came to Lumbini, Nepal. After the Nepal-Tibet route was opened in the seventh century, many Chinese people and traders came to the valley of Nepal through this new route.

Generally this route has been believed to have been opened since the seventh century. However, Baburam Acharya, the great historian of Nepal mentions that the lane of Kerung and Kuti was in practice since 584 AD or earlier (Acharya, 2059/ P: 17). The recent studies have proved that this route should have been prevalent in local and trans-border use in the beginning of the sixth century or in the first quarter of the sixth century, even in late. A pertinent stone inscription of 563 CE about Lichchhavi era is traced at Bramhayanasthan of Nuwakot. This record reveals a fact that a fort was in that place in that time. Hence, it can be inferred that trade with Tibet through the bypass in Nuwakot was an ancient trend and this is why Nuwakot region was deeply developed since the beginning of the century. The fort had been established to ensure enough security and needed safety for the advanced settlement in business or trade centers. Archives indicate that even the horses from Himalayan region were transported to Nuwakot area for business. Even the proofs from Bengal make a hint that those horses would be taken towards Bengal for sale (Gopal, 1965/ P: 11). Based on these evidences, it is good to infer that the bypass to Tibet was routed from Nuwakot before the seventh century; and, though nominal in sum and informal in

nature, the trade with Tibet was in common practice. As wool and gold from Nepal were extensively traded to India even in the past centuries or BCE and there was no enough production for such regular flow to maintain rapid rise in business, it can be estimated that there was supply of these materials from Tibet to Nepal even then. Nepal's trade to Tibet flourished through the same road after Nepal received a formal recognition in Nepal-Tibet connectivity in Amshubarma's period in the beginning of 7th Century. Then, Nuwakot advanced as *Dranga* (a developed commercial settlement) right after the set-up of formal trade outlet.

- B. The other road in use was to Digarcha of Tibet across Dolakha, Lamabagar starting from Kathmandu to Bhaktapur to Banepa. This path bore an extensive flow after the seventh century. Many settlement areas developed beside the road and in centre of Dolakha. Many Indians used to exercise business by directly travelling from Sindhuli to Dolakha.
- C. Looking at the situation in Western Nepal, the way through Parwat to Sakyamath of Tibet was also in practice for travel.
- D. Looking at the situation in Far Western Nepal, the road to reach Tibet through the Yari hill bypassing

Chhinasim Taklakhar was also in practice.

2.4 Silk Road and Nepal

In course of initiating discussion in Nepal's international trade and the road links in ancient time, it goes worth mentioning that if there was any type of connection of Nepal with famous Silk Road of the then time. The Silk Road was one of the main routes among the world famous internationally known international trade routes. This silk road, which started from Xian of China in BCE period and existed till 1453 AD, was stretched up to 6500 Km even in count from shortest air distance far and ended in touching Antioch in Turkey. Currently, its broad spread is also kept in mind and 12800 km long length is considered as its standard measurement. This road was formally named Silk Road by German Geologist in 1878. This road began drawing UNESCO's attention from 1988 onwards and finally got ranked on World Heritage List.

Whether this road touched Nepal comes to be a pertinent question to ponder on while discussing about international trade affair of ancient Nepal. It has drawn a lot of discussions. According to studies till recent past, Silk Road did not have the main route in or from Nepal, but on the other hand, an important and decisive bridge route, which was finally merged to the Silk Road, was across the Nepal. This route would start from Lomangthang of Mustang, located in the

land of China, then was directed towards Kaligandaki, Palpa and finally would pass from Butwal to Lumbini and would immediately connect the famous highway named Uttarapath¹ in India. There was a route to enter in Guge of Tibet by taking a bypass from Banaras or Bodhgaya of India to Kapilvastu Lumbini, to Butwal to Ridi in Palpa to Kagbeni and pen-ultimately to Lomangthang in Mustang. Thus, a highway connecting to the silk road was explored; and that stretched from western China then passed through Lomangthang of Mustang to Palpa to Butwal to Lumbini and, finally, to Uttarapath of India. If someone had to come from China to India in the then time, a complex route as of following had to be followed: taking Silk road, which would start from Xian, up to ancient Buddhist states of China either Khetan or Kasgar and turning west to catch other subways heading to Uttarapatha of India, then setting for Uttarapatha based Lumbini and heading to Butwal, Palpa and finally Lomangthang of Mustang passing through the long beach of Kaligandakai in pursuit of entering Guge of Tibet and then re-taking the silk-road towards India. The legendry oldness of this route is also proved clearly from various field study researches and

¹Uttarapath means main road to connect Patna-Pesavor in ancient times which is even well known as Grand Trunk Road. This includes places like Banaras, Kapilvastu, Lumbini, Ramgram, Patna. Uttarapath was built in very ancient time. This road is found to have been excessively used for business purposes in the fourth century BCE during Maurya dynasty ruler Chandra Gupta ruled in Magadh state.

archaeological excavations carried in different parts of Mustang. Archaeological excavations carried in various parts of Mustang including some caves and open areas certify that this area has been having human inhabitation since the eighth 7th or 8th century BCE. Many goods of foreign countries are also found in this route and belt hence the ancient trade practice through this route can be easily surmised. As this famous highway existed as an important subway to Silk Road, Nepal reaped a lot of benefits from the road in ancient times.

Jayapida, a ruler of Kashmir, had attacked Aramudi, the noble and aristocratic ruler of Kaligandaki but could not succeed on mission. Probably his attack was because of desire to grip on Nepal's achievement or prosperity or because traders from Kashmir were troubled at Kaligandaki area by the noble rulers there on. A Pragyaparamita written in 1164CE at Sakyamath in Tibet also acknowledged this area with name of Gandigulm. This way was quite suitable to come to Lumbini from Central-Western China. The same route was famous among Hindu travelers too since much of *Saligram* was found across the way as well as the area across Damodarkunda Muktihsetra to Narayanghat Hariharkshetra was popularly recognized as traders' area since ancient past. Thus, the route covering almost every single way of these areas became famous as Silk Road.

It is estimated that there may also have been another way connected to the Silk Road. Road from the Lhasa of Tibet to Shigaste to Kodari to Dolakha to Sindhuligadhi through beach of Tamakosi to Simraungadh to Baishali in Patna in India could even be another major connection link to the Silk Road. This road, which would not mandate the entry in Kathmandu, would bend down from Dolakha to India, and was excessively used by Indian traders to have Tibet-Nepal-India trade whence Nepal had formal trade relation with Tibet. Then after, the road had continuous use and popularity as well.

2.5 Major Exports of Nepal

Nepal used to export goods like wool, woolen clothes, blankets, musk, pure gold, silver, silver ornaments, iron and weapons like iron-sword, copper and copper made utensils, clothes, Yak's tail, medical herbs to India during the Lichchhavi period.

Nepali wool and woolen clothes exported to India had much importance and high values at that time. Kautilya has mentioned the blankets of Nepal in his *Arthashastra* written in 4th century BC. This fact reveals a reality that those stuffs used to be sold in Magadha area in India and the quality of Nepali blankets was also praised in other classical mythological books and documents like *Skandhapuran* and also in *Kalpasutravasya* respectively. According to *Mulsarwasitbad*

Binayabastu, Indian traders used to come to Nepal to purchase wool and woolen products, which were excessively sold even in the southern part of India. Hence wool and wool made products had an increasing export to India during BC period as well. This business had an exponential growth in Lichchhavi era too. The chronicles and inscriptions from Lichchhavi period infallibly justify this fact. Since *Boudhayan Dharmasutra*, written in India, mentions "people of north region trade wool along with woolen clothes; trade goat, sheep and horses too; carry weapons with them while walking; and march overseas for trade through boats on sea", a glorious history of wool and wool related foreign trade of Nepal in that time can be fairly understood (Nepal, 2040/ P: 248).

Musk was another important export from Nepal. As mentioned in an inscription, Amshuvarma had declared musk, which were being largely and popularly traded to India since BC era, as *Anihārya* (valuable item and not to be sold without the prior permission of the government). Musks from Nepal were not only sold to southern part of India but also to the states of far south. The fact that 'Musks were traded in countries like Arab, along with northern and southern parts of India' is even mentioned in an Arabian document or treatise *Hudul-ul-Alam*, written in 8th century (Nepal, 2026/ P: 150). Musk trade gained such a momentum in Nepal during Lichchhavi period that state itself had to take an

initiation to control it and categorize musk as *Anihārya*. Hunter hawks of Karnali region from west Nepal and musk were famous and widely known export items during that time. Hawk could be used to hunt other birds as well as to send messages as well therefore it was highly demanded among aristocratic merchants and lavish tycoons of India. Trained hunter hawk could even catch the birds, which were flying in the sky. Thus, hawks were highly demanded items (Adhikary, 2053/ P: 112).

In ancient time, Nepal would produce huge amount of copper utensils. As the Chinese travelers to Nepal at that time have frequently mentioned that 'Nepali regard copper quite pure and use copper utensils for food as well', it helps further to infer that the all utensils used that time definitely were made of copper (Levy 2005/ P: 114). There were large numbers of copper ores in that time. There was factory to produce copper utensils at Naxal area in that time and the factory was named *Tamrakuttushala*, as per records. These vessels were used not only in Nepal but were famous items to be exported to foreign countries in ancient era. Tistung inscription of Amshuvarma mentions this copper (which was being traded since BCE) too as *Anirharya* as that copper item could not be sold without the permission of government. The business of copper utensils increased so much during the Lichchhavi period that nation itself started feeling an in-house scarcity of its products. Thus the government brought

a new rule for regulating its business hence categorized it as *Anirharya* product. Copper utensils from Nepal were recognized as highly qualitative in and across India than the same of other regions thus it had an increasing export graph. In ancient period, the Nepali copper items had been fairly named Nepalic in India.

Iron and iron-made swords of Nepal were in much demand and also had good market in India. These were valued and admired in Indian market. The swords of Nepal are praised in the book named *Yuktikalpataru*, a book written in medieval period (Regmi, 2026/ P: 148). According to Amshuvarma's Tistung inscription, there was a provision of restricting even on selling of iron items without the prior permission of government; due to which, it can be understood that the sale of those goods were better outside the country as well. We can clearly understand that Nepalese people used to go to India to sell the arms and weapons, according to *Boudhayan Dharmasutra*, as mentioned above.

Nepal used to dominantly export paper as a major trading object to India in ancient time. However, Nepal was not the first nation to produce paper. It was first ever made in China in about 105 AD and that was followed in Arab and over the world continuously (Regmi, 2060/ P: 28). Nepal learnt crafts to make paper from China in around 7th century. In around 7th century, Nepal had a very

good relation with China on which imperial diplomats used to visit countries and it could be a better reason how Nepalese, who were deeply inquisitive towards skills based works, had learnt to make paper. Nepalese may have earned a precious chance to learn producing papers on her own positive initiation after Bhrikuti got married with the King of Tibet. According to some experts, India is believed to have learnt to produce paper from Nepal after the 10th century (Regmi, 2026/P: 152). Even though India had learnt to make paper, the quality was not good enough hence Nepal used to initially export China made paper to India after importing them here in; but later, Nepal began producing good quality paper in itself then continued exporting it in huge volume towards India. Looking at the medieval history also helps in inferring the same proposition as that Nepal's paper was possibly circulated throughout the cities of India. Various scholars have explored and disclosed an exciting fact that, besides of India, Nepal based paper were very popular in various parts of Tibet throughout the medieval period (Regmi, 2040/ P: 39). Hence, it can be supposed that Nepal's paper was of superior quality. Since the ancient time, Nepalese paper was made from special vegetation called *Loktā*.

Silk is also mentioned as one of Nepal's key export to India in ancient time. In fact, China was the biggest and almost a monopoly silk seller in and before from that time and had an appreciatively

citable selling of it up to many European countries. At that time, silk from China was exported throughout the world hence the path, which was excessively used for trading huge volume of silk, is still recognized as the Silk Road. Even though Nepal was not connected to principal lane of the Silk Road, still it is definite that Nepal was somehow linked to its arch sub-lane, hence, there could be trade of silk through Nepal prior to the 7th century. It is believed that Nepal started to produce its own silk and merchandize or export it after 7th century. According to some experts, it is believed that Srong Btsan Sgampo's Chinese queen transported silk making crafts in Tibet from China then princess Bhrikuti of Nepal, who was married to Tibet, helped Nepal to learn to produce silk as China profited a lot from the very enterprise (Regmi, 2040/P: 41). It is believed that after that Nepal exported some of the Chinese and some of the Nepalese silk to India. The true fact that Chinese silk was on huge demand to India can even be extracted from the phrase '*Kaushyeam Chin Pattascha Chin Bhumija*' mentioned in Kautilya's landmark document *Arthashastra* (Arthashastra 2.11).

Nepal was benefited well by production and exporting of clothes or textiles in ancient time. Nepal used to produce clothes since inception of Kirat regimes. Even the Jain mythological reference *Brihat Kalpasutravasya* mentions that Nepal used to make a higher quality and cost attracting clothes in ancient time

and those were heavily exported to India. This commercial trend heightened during the rule of Lichchhavi as described on the inscriptions and archives of the same era. Clothes in Nepal in that time were mostly made from wools or silks or some other fibers or cottons. Different types of clothes were produced. One of the Chinese diplomats of that time had observed and noted of the Nepalese people wearing dresses covering their whole body.

In ancient time, various higher quality clothes like *Tramlipti*, *Sindha*, *Shovir*, etc. were on demand in India and this fact is written in Jain mythological reference *Brihat Kalpasutravasya*. Studying the ancient sculptures/idols of Nepal also lets to conclude that different kinds of quality dresses were produced here quite abundantly as those were clothed with unique dresses like Dhoti, Cholo, Pachheura. Indian market had highly soaring demand for it. Kurpashigram (Khopasi in Kavrepalanchowk, at present), and Thankot Dahachowk consisted of factories for producing clothes in the era. Experts believe that factories were present at Thankot Dahachowk from the time of Kirat rule too. Certain tariff was imposed on producing and trading clothes from the time of Kirat itself. Tariff imposed on clothes at that time used to be called *Chokhpara*. Later on, the same word was translated to Sanskrit as *Chaikkar* during Lichchhavi regime. Cloth was translated as *Chail* in Sanskrit so tariff applied on it was called *Chaikkar*.

The Thankot inscription of 633 CE mentions that the duty, which was especially levied on clothes, was known as *Chokhparanamadheyachailkar* or *Chokhpara*, derived from a word *Chaikkar*. Therefore the duty on clothes was known as *Chaikkar*, before it was known as *Chokhpara* (Bajracharya, 2030/ P: 436). In one of the records at Naxal Narayanchaur, it is mentioned that the duty levied in clothes was worth 6 *Panapuran* and 2 *pana* (Bajracharya, 2030/ P: 538).

Besides all these, in the ancient time period, Nepal used to earn a good amount of money from the export driven business of various kinds of medicinal herbs available in hilly region and forests. The then India rapidly progressed in the sector of medicinal herbs homeopathy (*Ayurved*); and Nepal had capaciously contributed to the very mission of India. Many of ancient literature and texts from India have mentioned about the medicinal herbs found in Nepal. In '*Sushruta Sansahita*', which was written in 2nd century CE, medicinal herbs found in Nepal like *Marichsankha*, *Rasaanjan* etc have been mentioned extensively. *Chiraito*, which was found in the hilly region, had earned the Nepali name *Nepalika* or *Chiraito Kiratatikta*. Similarly, it is also known that different medicinal herbs were exported from Nepal at that time and *Manashila* was also considered and listed as Nepali product (Nepal, 2040/P: 5-6). Besides, there was an explosive demand of items like *Modini*, deer's skin, Yak's tail, *Neem*,

Radish, Nawamallika, various species of flowers, and sugarcane in India. Different species of sugarcane were famous at the same period; and among which, one species of sugarcane was called '*Nepalee*' in *Baidyasastra* (Nepal, 2040/ P: 5). There are information about Sugarcane and *Chakku* in Lichchhavi era's scriptures and archives. Some northern country-sides of the valley i.e. Tokha, Tupyak, Tushal had sugarcane farming in good scale. The word 'Tu' would indicate sugarcane; so all these places and Tukucha (Ikshumati) were also named being initiated with 'Tu', as Dhanbajra opines (Bajracharya, 2030/ P: 381). *Gud and Shakkhar* (sweets based to sugarcane) were made from sugarcane and tariff on them was about 1 part per 100 pieces. Therefore, it can be derived that there was a remarkable production and selling of sugarcane at that time. Likewise deer's skin, Yak's skin and tail were also popularly exported to Indian market in ancient period. Deer's skin and Yak's tail were considered *Anihārya* (which could not be exported without permission from government) therefore their export was quite high.

In one of the inscriptions found at Chapagaun, it reads that various species of fishes were sold and customs duty was also executed. Chiefly exported goods and animals towards India in a list were *Hastihād*, medicinal herbs, *Kasho*, religious and architectural things, sandalwood, *Agrākh* wood/skin, precious stones, gold, perfumes, many kinds of

animals and birds too; and the trend was in practice since BCE period. There was tariff system even on onion and garlic as well. The tariff was seldom enforced for those goods which were not sold in local markets and those which were exported to foreign nations. It's sure that those goods were produced more and exported outward quite aggressively. It can be fairly estimated that Nepal's agricultural products were highly exported to external market and this country had earned a lavish wealth since a Chinese source explains Nepal as a prosperous country backed with good earning from enough land (Levi, 2007/ P: 113).

Since ancient time period, various species of horses were taken from Nepal to India for purpose of trade. Horse-rearing was fairly advanced enterprise in ancient Nepal. Horse-rearing was popularly practiced in Western and Himalayan Region of Nepal too. There was huge importance of horses during that period. Even there used to be large numbers of military force at that time. Narendra Dev had sent 7000 military personnel in order to help the Chinese ambassador to fight against Magadha's emperor Arunaswa on the charge of an offensive insult at him whereas only 1200 military personnel from Tibet had joined this mission. The Lichchhavi inscription of about 563CE found at Bramhayani, Nuwakot endorse that horses from the Himalayan Region were bought to Nuwakot trade points for purpose of selling. According to Bengal

based evidence, we can find that the horses from Nepal's Himalayan region and from Tibet were even traded in Bengal's market as well (Gopal, 1965/ P: 11).

2.6 Condition of Roads and Means of Transport

Some of the archives provide the information regarding the condition of the then roads and bypasses. *Marga* (common road or way), *Mahamarga* (analogous to highway), *Path* (lane), *Brihatpath* (larger lanes), *Mahapath* (major connecting roads), *Rathya* (roads where chariots were ridden), *Maharathya* (major roads where heavy and big chariots were ridden), *Hastimarga* (medium scale roads on which elephant could walk) etc are mentioned in the records of the then period. Observing the records generates a fact that the width of the roads were categorically varied as 8 handful length for *Hastimarga*, not less than 16 handful length for *Rathyamarga* whereas *Maharathya*, *Brihatpath*, *Mahapath* were even supposed to be wider than those.

In this way, apart from small, tough and narrow passages as roadways, there were wide and comfortable lanes as well where even chariot could be used in order to go from one village to another within the settlement area. But there was no appreciatively proper management of roads outside from the settlement areas. One had to make a long trip coming across sloppy hills, jungles, rivers,

hillocks and mountains, steep and narrowed tracks in order to go far for business and other purposes. There was an equally dreadful threat from thieves and burglars.

There are inscriptions/archives that have shed light on the means of transporting (*Dhuwani*) the goods. Many sources claim the use of horses, donkeys, hilly elephants, porter, etc for the purpose. Even elephant also has been mentioned as one of the means of transport but the doubt on the existence of elephant in hilly region has made it appropriate to mention something slightly different in this regard. In archives from Lichchhavi era, elephant herds also have been mentioned along with breeding areas and even the roads where they walked on. *Hastimarga* has been mentioned in the inscription of Basanta Dev from Thankot (Bajracharya, 2020/ P: 25) and herd of elephants has been mentioned in the Changunarayan inscription of Man Deva dated 464 CE (Bajracharya, 2030/ P: 25).

Similarly, Kisipindi, which is located in between Thankot and Balambu at present, has been said *Kichprichin* to resemble its meaning as the place for rearing elephants. The Lichchhavi princess Bhrikuti was sent on elephant ride up to Nepal Tibet border while sending her to Tibet after marriage. It is perceived that the elephant ride was managed only up to the border since the road further to Tibet was very poor and inconvenient, hence, the elephant could

not tread on. Owing to such the precise mentioning of elephant, fact about using elephant as means of transport should not be considered as an exaggeration. Ancient Indian sources, especially Kautilya's *Arthashastra* has mentioned about two types of elephants: one, those, which were tamed in the bank of river and another domesticated on the hills.

Either for making a journey for business or any other purposes, the use of elephant would shower three distinct types of advantages. If there was no road in jungle during the journey then elephant could be best way to set a track route or make a rough lane immediately. If there would be no place to stay in the road then temporary shelter could be immediately made with the help of elephant in cleaning the area and plucking out some small trees in help of its trunk. Similarly, if there was no bridge to cross rivers then it could be easily crossed with the help of elephant. It is believed that King Man Deva (5th century AD) structured an outright bridge of elephants (placing them in a row from one to another corner) to cross Gandaki river while going to Mallapuri victory campaign (Bajracharya, 2030/ P: 25).

Chariot, ox, he-buffalo etc were also used on the thoroughfares within the settlement areas. The goods used to be transported inside the settlement area with the help of chariot, ox, he-buffalo up to the place where they could be used. After coming out of settlement area,

along with human porters, goods were transported up to far plain areas being carried by horse, donkey, elephant, etc. But no means other than human porter could be used in most of the places due to the condition of road.

Since there would be a need of horse, donkey and porter and other means of transport, etc in huge quantity for big business purposes and dealing, it could be difficult in most cases for an individual to manage such means. Therefore, state would itself unleash its attention in supplying and availing such mediums. When ancient Indian history is studied, it can be found that the government had set up transportation management department in order to manage such means and mediums from its side; but not any precise information is deposited in our archives regarding whether such transportation department had been set up here. However *Prahabana Goshthi* (assembly) had been formed and was in active service to manage transportation of the same nature and to ensure the facility of transportation to the citizens. Generally the meaning of *Prahabana* is *Gādā* so it can be understood that the chariot pulled by ox, bull, horse, male buffalo were mostly used in that time.

It was relatively uneasy rather almost impossible to get human power to carry the loads and materials while going outside the country for governmental work or business matters. It was so because one had to go far, remain outside from house for months, carry

and walk big and heavy loads and cross steep and gentle hilly slopes and topographically difficult roads, jungles, rivers, etc, as well as had to undergo the risk being of robbed and killed by thieves, and even had to walk hills full of snow in winter season and face the dangers of malaria in summer season together with many of other problems. Based on this type of uncomfortable and uneasy social situation, there was a governmental level directive and enforcement to every single village to send five porters every year (Bajracharya, 2030/ P: 517). This rule was strictly maintained and monitored because otherwise absence of such human power would forge severe obstruction to the governmental work of carrying goods to foreign land and the works of other traders/merchants too. There was the provision of economic or other types of strict punishment if the required porters were not hailed on from the specified village- be it for governmental works or for business works. Provided one performed other types of service to the State and if the King was impressed by it then there would also be discount on this compulsory labor.

2.7 Merchants or Traders of the Time

Some Lichchhavi era bound archives and chronicles have disseminated key information about the then merchants engaged in import-export business. The then records have words like *Sārth*,

Sārthwāha, head trader (*Banija*), *Banija Sārthwāha* and so on (Bajracharya, 2030/ P: 52-56). What can be clearly deduced from this statement is that the Lichchhavi rulers also followed the tradition of ancient Hindu society. The group of traders travelling from one country to another country was considered *Sārth* in ancient time. There used to be group of *Sārth*, and the leader of the group was called *Sārthwāha*. The then legendry texts from Kautaliya, Kalidas, Dronacharya, Bhishma and Narada etc. have also discussed about those *Sārth* and *Sārthwāha* people as traders and chief trader or head of them. The phrase *Banija Sārthwāha* or leader of the worthwhile traders mentioned in the Lichchhavi era's records also justifies it.

Some historians have mentioned the *Sārthwāha* as leader of worthwhile traders as well as have mentioned it as the high position in foreign trade. Actually, among the groups of the foreign traders, the position of *Sārthwāha* was the utmost respected position among and was deemed above all. Regulating the external business was not easy, and business by reaching to far distance was not only impossible for a single person but also for groups of one or two or few people. Therefore, the route of business was simultaneously taken by forming a larger group. Furthermore, it was possibly regarded as the highest and respected position among all because it was necessary for *Sārthwāha* to stay alert, having been

chances of terrorist attack and spies, while traveling in the business group together.

In two of the records from Kathmandu Deupatan, generated in about 477 CE and 480 CE, *Sārthwāha* or trader named Ratnasangha is mentioned in detail (Bajracharya, 2030/ P: 52-56). Both of the records were probably made and maintained by Ratnasangha. He has been greeted as *Sārthwāha* Rantasangha in a record of 480 CE. Thus, based to this detail, it is clear that he was the leader of the business group. Those records portray him as quite kind and proactive in building of the temples, installing idols of Gods and Goddesses along with donating the land provisioned as *Guthi* (trust) for caretaking the these activities, respectively. Works like establishing the statues of Gods and Goddesses, building temples, donating lands and maintaining archives etc. are not the works that an ordinary person could do alone. Given that the person with rich status and high prestige in the state only could perform such tasks, Ratnasangha can be understood as the abundantly richer, well recognized and a prestigious trader during 5th century AD.

An inscription from 480 CE at Tebahal discusses about one another worthwhile *Sārthwāha* or trader named Guhamitra. He established an idol of God for Sun named as Indra and established a *Guthi* to organize worships and observations then enjoined to make and maintain this inscription as valid evidence. In this

inscription, he is addressed as *Banija Sārthwāha* Guhamitra or as a leader of traders (Bajracharya, 2030/ P: 59).

As there was good money and profit on business, royal family members too involved in external and trans-border trade and the fact is further confirmed in an evidence of 7th century found at north-side of Thimi as it mentions about Royal Traders (Bajracharya, 2030/ P: 527). From the evidences of 607 CE at Tistung and Bhatuwal, it can be concluded that many commoner and other people were also actively involved in business in that time. These inscriptions also highlight that the residents of Tistung and Bhatuwal had special concession on customs duty imposed on some listed goods to be exported or imported except some exceptional reservation. It can be reasonably concluded that commoner to capacity holder personnel from every class in that time was involved in micro or macro level business as a Tibetan source had said that the number of traders was more than farmers in Nepal.

2.8 Fiscal Administrative Structure and Customs Offices during Lichchhavi Period

The administration system of Lichchhavi period was somewhat noticeably different. The entire administration was broadly categorized into two frames as central and local respectively; and concept of ruling the center and local by

respective central and local agencies separately with needed coordination was a usual practice. For the issues and disputes related to local level, administrative entities like province, district, *Dranga*, *Tâl* and village were in function with the authority of autonomous rule and right in resolving or mitigating the concerns and cases. Hence, the rule was formally and fully decentralized. But the good aspect of it was that the economic aspect and matter was placed in jurisdiction of the central agency even if the local agencies were granted to look upon social, legal and religious aspects.

In course of studying about the customs administration and financial organizational structure of the Lichchhavi era, it can be divided in following ways:-

Central Financial Comptroller

All financial activities in Lichchhavi period were principally supervised and controlled by the King himself. The King had final and ultimate decision on fixing tariff on any good or allowing exemption or determining other policies that shall be implemented. All acts i.e. from punishing the officers in customs department if they collect customs duty against the policy determined to issuing provisional exemption on customs and implementing the states' policy in customs were the tasks the King had to perform. King's orders would be circulated to the concerned areas in written form. Some of such royal orders and efforts were kept in the *Shilâpatra* (carved on stone) in order to preserve it for long time or keeping the public aware

about King's deed so civil officers would refrain from lying to the people. The King used to solicit advice from his main advisors or *Sāmantas* for some intended works if deemed necessary and helpful. Some rulers used to introduce new policies in their recommendations as they would extend full trust on the *Sāmantas* and advisors. Many of royal orders were issued in line 'I was told this.... by (*Sāmanta*, *Māhāsāmanta*, crown prince, etc. someone), so I did this'. Apart from this, there also used to be *Bhārdāri Sabha* (Courtiers' Assembly) in ancient time. Ministers and high profile people would take seats in the left and right side of the King and would participate in discussion in this *Bhārdāri Sabha* before passing a new rule. But if the King did not deem it necessary, then no discussion would be carried out.

Central Financial Administrative Department

There were four main offices in Lichchhavi era's administration to monitor, supervise and control judicial side, social side, religious side and economic side, respectively. The central authority for finance control and management as well as customs duty collection was known as *Kuthar Adhikaran*. There used to be many officers under *Kuthar Adhikaran*. They were called *Chatabhata*. The *Chatabhata*s used to visit villages to collect taxes. But a separate provision was in use regarding the case of customs. Separate customs offices were set for this action. These places were called as *Shulkashālā*, the main officer

was called *Shulkadhakshya*, and other officers were called *Shaulkik* or *Shaulashalik*.

An inscription of 606 CE regarding Amshuvarma and located at Handigau has used the word '*Bhandnayak*'. Medieval sources have mentioned alike words like *Bhandelnayak*, *Bhandnayak*, or *Bhandāgarik* as to the position of customs collector or person with similar responsibility in tax offices. As it is believed that the word *Bhansār* was derived from the Sanskrit word *Bhandasala*, the *Bhandnayak* must have been a co-level officer of customs offices and should be understood accordingly. A person who cared at and controlled on the (Storehouse) *Bhandar* was called as *Bhandnayak* in ancient time, and *Bhandar* was known as the institution for collecting and managing the cash and kinds in a Kingdom.

Different Customs Offices within Country

It is preferably appropriate to understand the contemporary life style and human settlement of that time in order to understand the details of country's customs offices during Lichchhavi era. In the archives of Lichchhavi era, all the human settlements and communities, either small or big, are recognized as '*Grām*' (village). Such a reading compels people to misjudge whether the Lichchhavi era had practice of city life and evolution of town civilization. However, this view has been debated at times and never remained unanimously considered. Many scholars view that some communities and settlement had

already advanced into form of town but still what can be clarified is that the settlements might have developed and started to take the form of towns slowly. Notwithstanding they were not recognized as town or city and neither was there a trend of systematic and planned development to ensure city civilization. One thing which can be fairly seen is that they had started practicing an integrated and collective settlement in quest of consolidating administrative efforts and maneuvers once increasing number of houses in settlements bore a rapid rise. The first base unit of settlements was called the '*Grām*' whereas the higher structures made up of more villages were called '*Tāl*'. Likewise, some villages and *Tāl* were administratively consolidated into a super-ordinate structure and was called '*Dranga*'. These areas in status of *Dranga* were to some extent booming as towns. This might be the reason the word *Pura* (town) has also been used while defining the term *Dranga* (Bajracharya, 2030/P: 219).

Dranga, which were defined so by taking specific area and territory of some other villages consisted under *Tāl* and bordered accordingly, were actually set up to control, manage and look after the foreign transactions along with the local and internal *bazaar* (markets). *Dranga* were set up to regulate the business under a definite territory. The ancient Indian sources have also mentioned about *Dranga*.

A famous poet from Kashmir, Kalhana, considers city (*Dranga*) as a category

and source of customs in his creation *Rajtarangini*. There were many cities during Lichchavi period. Hansha Griha *Dranga* (south from Bhaktapur Suryabinayak; currently known as Anantalingeshwar area), Lembati *Dranga* (currently known as Lele area in Lalitpur), Seetatika *Dranga* (village situated into the middle of Chandragiri hill and Dahachowk hill), Yupgram *Dranga* (Patan Mangalbazar area), Dakshinkoligram *Dranga* (area close to Teku and Lagan at present), Maakhopring *Dranga* (currently known as Bhaktapur city), Nawa Griha *Dranga* (Dharmasthali, Tokha, Dhapasi area at present, etc), Thantu *Dranga* (Bishnupaaduka area), Stharu *Dranga* (Chapagaun area), etc. are some examples of such cities, mentioned in various documents of the period (Bajracharya, 2030/P: 219). The major economic works of such cities or *Dranga* would be as follows:

- a) To manage the markets of their respective area.
- b) To determine the customs tariff on materials brought in sale in their market from areas outside their respective territory and to collect the customs duty accordingly.
- c) To monitor the outward exporting materials from their respective *Dranga* and to seal on them as needed.
- d) To monitor the bundle of goods and materials and its storage practice brought from other *Dranga* and to seal them as needed.

There were separate entities for overseeing the internal and external business. The word 'external' mentioned above could either refer to foreign nations or other *Dranga* market outlets within the nation too. If one wished to take the selling materials from one *Dranga* to another, he/she should have informed *Dranga's* customs office in order to get the items checked, get the pricings prescribed, and get the items sealed after keeping them in a leather bag, by the authorized officer called *Shaulkik*. Since then it was allowed to export the goods outward. The materials were not checked further in any other entity after it's sealed at the initial customs office; but the preciseness of seal was used to be examined in every passing-by border. If any sort of mismatch was noted then the items would be re-examined, and if any illicit behavior was found then the materials could be ceased and the involved individuals would be made liable for punishments and compensation too.

The customs office used to be located near the main entrance gate of the city or *Dranga*. Those customs offices were usually established facing at the east or north. In order to make the customs office visible from the long distance, pillars would be built along with flag, and banner would be placed in the front yard of the office. As a result of this system, the customs office could be seen right after entering in the city. The one who enters carrying materials was firstly presented in front of customs officer called *Shaulkik*. Customs officer used to prepare the detailed report about the

business person coming from outside. The questionnaires such as: what's his/her name, where does he/she come from, where did s/he ask for shelter on the way while reaching there, who are his/her group members and what kind of characteristics they possess, etc were asked to the merchants . Further, if he/she inherited from a different nation, more questions like, how many days was he/she going to stay there and what was his/her next destination too would be added. The materials would be monitored and approved only after having interrogation and receiving convincing answers from the respective persons. Actually, the questionnaires were presented in order to mitigate the threat and preempt the danger and harm from spy/detectives coming from other states in disguise of business person. The business person belonging to the very country, on returning from foreign country, was supposed to carefully collect the information about the people mixed in his/her group in business time and travel then secretly submit it to customs officer. State had to spy and take notice of undesirable persons if reported or entered. It would cause a stringent penalty if any trader attempted to evade or bypass the customs outlet and procedure.

2.9 The Customs Offices and other Security Checkposts on the Roadside and Border Area

Customs offices were located in many other major thoroughfares besides major

trade areas in central level. Such offices were usually found in country's border area or other entry and exit points. Such offices were primarily set across the border while entering to foreign country. The customs offices were established in the areas like Tistung, Chitlang, Sindhuli, Dolakha, Sanga, Sakhu, Nuwakot, etc and border to Tibet as well. The offices at these places used to look after the import and export of materials and monitor their quality. The record while moving to outside for selling the country's material and returning after selling them used to be kept intact. The whole amount of customs duty was not initially levied while the business person left in order to do his/her business in foreign land. Firstly, partial amount was only taken, and the remaining was asked on the basis of items sold by the business person on his/her return. The *Tistung* inscription of Amshuvarma (605 – 621 CE) has mentioned about these things. The business person were neither able nor permitted to import and export goods or trans-exchange materials unless the customs offices at various borders would examine the stuff minutely.

Apart from this arrangement, there were small customs and security checkpost in place to place across the road. Such customs offices across the road would not check the goods which were exported outside from the country and which were imported inside from abroad, but those would make an observation if those were accurate and intact as sealed at the most beginning customs point. If any kind of defect was noted, all the

goods would be again examined and punished on portion of unfairness or foulness.

Security was the biggest problem of foreign trade in ancient time. The external business was not easy due to the excess of thieves, dacoits and robberies throughout the trade lanes and bypasses. Therefore, security checkpoints were arranged by government at every border side. Such checkpoints have been called *Gulma* according to evidence of that time. The authority assigned to such security posts was called *Gaulmic*. They also used to protect the merchants on the road while in travel. So, those checkpoints also raised some fees from merchants and that was also called *Gulma* (Bajracharya, 2030/ P: 313). Amshuvarma's inscription of 607 CE in Bhutuwal and Tistung consider the existence of security checkpoints in those areas at that time.

2.10. Customs Tariff

Due to the lack of evident sources regarding Lichchhavi era, there is no clear information about how was the customs tariff at that time. Some of the sources found can offer general information about customs duties. The national policy of customs in Lichchhavi period was often made from the head-quarter/capital city. On the basis of such policy, the tariff on every item was then decided by the receptive offices of customs themselves. Some key principles were made to set the tariffs on goods. The *Shauliks* (customs officers)

would set the duty on some main grounds such as: the status of goods received as it was a simple or difficult to bring up to the checkpoint, the cost of purchasing the goods, the cost of the sale or purchase, the situation of the sale, the amount spent in lodging and fooding during the time, the cost of transporting the goods and the condition of other expenditures on the road, damage during carrying the goods, and cost on efforts to save them and so on. If someone was not satisfied with the decision regarding duty determined by the *Shaulkik*, they could forward complaint in senior authority, high level officers or to the King as well.

When the customs duty was collected in Lichchhavi period, based to the ancient Hindu tradition, it would be collected in both the cash and kind. In case customs duty was decided in cash, there was provision of collecting cash worth and equivalent to the amount quite at the beginning. The coins and currencies named like *Pana*, *Karshapana*, *Purana* were in use as popular money indication at the time. In case of collecting customs duty in kind, there was system of taking 1 of six parts, 1 of 12, 1 of 15, 1 of 20 and 1 of 25 in some special cases complying with the tradition and nature of goods (Dhungel, 2044/ P: 69). Thus, the application for different practices on levying different tariff on different goods were based on the calculated loss during import and export and the forecasting on the prospective sale of the goods. Tariff either in cash or kind was levied even on items like fish (Bajracharya, 2030/ P: 228).

2.11 State's Customs Policy

Information derived on the base of Amshuvarma's inscription in Tistung and some other records from the very period can help us to understand the context of the customs policy in the Lichchhavi era state. The state had exclusively divided exported goods and materials into two broad categories as *Anirharya* and Normal. The goods that were consumed lot in the state and even had a greater demand in the abroad was categorized in the class *Anirharya*, means unavoidable. It would mean that such products could not be exported without prior permission from the state.

As mentioned in Amshuvarma's inscription in Tistung, wool, iron, *Yak's* tail, musk, copper made utensils, etc. were considered *Anirharya* goods. These goods had been excessively sold in India's market since the very beginning. Therefore, such things could not be exported without the information to and acceptance from the state. There was not any provision of tax exemption on exporting such goods. Other items except these goods were understood in classification as general goods. Basing to some aspects as like environment, condition and situation, those products could receive discount or subtraction or sometimes cancellation too of customs duty on the export of such goods. In fact, there was concession or exemption on customs duty of such goods, apart from necessary goods, with objectives of ensuring easy export and accruing increment in sales of such goods. It seems that the government had taken

some liberal policies, except for unavoidable or *Anirharya* class products, to facilitate the exports of other general goods and make them at excess as possible otherwise not all noted and normal traders too would only love to export the highly demanded and goods such as wool, iron, *Yak's* tails, musk, coppers, and other goods that were sold out in large quantity and immediately as well.

Archives of 607 CE from Amshuvarma's era, found at Bhattuwal and Tistung, have mentioned that the customs duty and other payments to be deposited by the villagers for the carriage of other goods, except of *Anirharya* category like wool, iron, *Yak's* tail, musk and copper utensils, for sale and the same from those who returned after finishing the sale were forgiven for their payment. Similarly, there was a good system of monitoring the businesses in order to avoid chaos in the business and also to check that the ordinary people were not being deceived by the merchants. Every six month, the measuring devices, key, weighting machine and so on would be checked and punishment would be charged to those users if any discrepancies were found.

From the above paragraphs, it is clear that Nepal's foreign trade and customs administration was very organized during Lichchhavi era. Nepal was able to take a lot of benefits from the business due to the state's special focus and Nepal's trade transit between Tibet and India. This facility continued to be beneficial for Nepal till later phase as well.

CHAPTER THREE

Nepal's Foreign trade and Customs administration during Medieval Period

3.1 Introduction of Medieval Period

In Nepal's history, the time span from the onset of the Christianity to the 10th century is considered as ancient period; and from 10th century to mid 18th century is considered as medieval period, respectively. This medieval period has been calculated from the beginning of *Nepal Samvat* (20th October, 879 AD) till the existence of Malla rule in Kathmandu (till 1768 AD). The medieval period as well has been further classified into early medieval period and the late medieval period. The time before the demise of the Yaksha Malla (till 1482 CE) is regarded as early medieval period and the time after that is regarded as late medieval period. In the late medieval time, there was the persistence of Malla regime in the Kathmandu valley so it was generally called Malla period. During the very period, there were many fringe or petty states known as *Baise* and *Chaubise* states outside the Kathmandu valley so the study about the time of these principalities was called the era of *Baise* and *Chaubise* principalities.

Nepal was widely integrated and organized state till the end of ancient period. But Nepal's political status has not been understandably clear since the beginning of pre-medieval period. In fact, the historical sequence of the pre-medieval period could not be clear due to the shortage of materials and even no proper study of the discovered materials. But many materials have been found about the post- medieval period and the history of this era is also written quite clearly. The materials obtained from the pre-medieval period indicate that Nepal's centralized government had been weakened from the starting of this era. The tradition of joint ruling in the regime had started (Bajracharya, 1977/ P: 95-98). Such pattern of joint rule was not only seen limited among brothers but was also further stretched among uncle and nephew, in maternal relations, and even between different generations and dynasties during that time. Due to this, centre itself had been prey to power struggle and conspiracy; and thus center was unable to control the areas outside the valley.

As a result, a big Nepal of ancient time continuously plunged in the direction of

division and bearing trend of disintegration. Making Simraungadh as the centre, Tirahut state was established in 1097 CE whereas Khasa state in Karnali was established in mid 12th century. So, initially three apparent states named Tirahut, Khas state and Nepal Mandal (Kathmandu) were established; and these three states too got split time to time ultimately enlarging the numbers in more than 50 states on later days. The economic condition of three main states, which were developed in medieval era i.e. Tirhut, Karnali State and Nepal Mandal (Kathmandu) along with the same of many more other are serially and sequentially described under many sub-topics below.

3.2 Regime's Role in the Improvement of Foreign trade and Customs Administration

As discussed in the aforementioned pages, it is clearly stated that the trend of external business and customs administration in Nepal do have a long history having its inception in ancient time. This customs administration, which evolved in era of before Christ then descended to Lichchhavi era to medieval period, remained as regular state function with continuous development and changes throughout different spares of time. If we look at the situation of 'at the end of Lichchhavi era' and commencement of medieval era, it can be noted that a business of huge flow and high volume took place from India to

Tibet through the route of Nepal and vice versa. Many Indian and Tibetan scholars also used the route of Nepal for travelling to and returning in one another country and it can also be taken as evidence to certify the trade activities. As it was only possible to travel in considerably huge group at that time, we can also find out the business condition of the era from the travel account of Buddhist Scholars.

The context about origination of *Nepal Samvat*, a key connecting mechanism between ancient and medieval era, is also directly or indirectly related to contemporary business and commercial activities. A significant quarter of scholars believe that Shankhadhar Shakhwa, who was mostly focused on outward and export based external business, earned huge amount of money and paid back debt of the people of Kathmandu Valley; and also with the permission of King, initiated the new calendar year *Nepal Samvat* in order to commemorate the achievement. He was an affluent merchant and he had earned all this property from exporting goods to Tibet.

A fable sounding myth in genealogy claims that he paid debt of people from the earning of Gold, which was automatically converted so and in such precious gem from piles of sand. However, believing as that Shakhwa was notable trader, earned plenty of wealth, paid back the debt of people then commenced the new calendar year'

supports to fairly infer a valid conclusion that ancient era introduced foreign trade of Nepal had not only continued till medieval period but also was advanced and ballooned many folds. As the traders of that time paid the debt of people from the wealth earned in course of business and then built temple, *Stupa*, tap, monuments, shelter centre, waiting lobbies etc, it gives huge ground to understand that foreign trade of Nepal was highly booming in that period. Most of the construction missions and projects of that time had an active support and contribution from those wealthy traders.

Gunakam Dev, as a ruler, has been honored for spending riches in the donation of valuable things in Pashupatinath and also for constructing different temples, taps, *Sattal* during his ruling 986-990 CE (Gopal Raj Bansavali, folio 23). He has been eulogized, in *Bhasa Bansavali* (genealogy on Nepali language), for attending triumph march with lots of military and bringing lots of wealth through victory over states. As it is written in *chronicles* that there used to be a business transactions worth of Rupees 1 Lakh (100 thousands) in Kantipur (present Kathmandu) on every single day, we can also know about the prosperous business of that time (Nepal, 2062/ P: 27). Some of genealogists have written that Gunakam Dev gathered huge wealth and riches from all four directions (Regmi, 1965/ P:133) and prospered his property worth 52 Corers hence it can be inferred that the export trade could be the source of all the

wealth and richness that he gained in such way.

The continuous foreign trade since ancient period was prospering through different ways by the time it reached to medieval period. The trade had taken an increasing graph because of travelling from Tibet to notable educational institutions of India like Nalanda and Bikramsheela via Nepal. After establishment of Patan city, 24 *To/s* and city with 24 thousand households were set up there. It is believed that multi-millionaires from different places came and settled there once the city was established (Nepal, 2062/ P: 28). In the same context, a famous merchant's popularity during that time is also mentioned in the chronicles/genealogies. There is an interesting fact about the main trader as he had brought a group of 500 Indian traders to Nepal, then left for Tibet and earned a lot of riches (Dhungel and Pradhananga, 2056/ P:55). The very popular *Bikramsheel Mahabihar* situated at Thamel, Kathmandu is believed to have been made by this Singh *Sārthwāha*. Some other *Vihars* are also believed to have been constructed by the traders involved in foreign trade. The *Bhimshen* temple of Kathmandu is also believed to have been constructed in 1140 CE by a trader or *Vaishya Thakuri* or business person of Kwathbahal named Toyukha Thakuju (Lamsal 2023/ P: 28-29). At that time, areas like Thahiti and Makhantole were thickly populated with people actively engaged into trade and commerce. Expansion of Nepal's

foreign trade and economic progress had set an increasing trend during the period of Shiva Dev (Ruling period 1100-1126 CE). Kirtipur city was found developed during his ruling period. Besides, renovation of Changunarayan and Pashupati temple and construction of four storied palace, *Dhungedhara*, ponds were also made in his time (Gopalraj Vamsavali /folio: 24). Thus it can be inferred that there was enough income during his period, and such achievement at that time was possible only through foreign trade. He introduced different currencies like *Dramma*, *Sibaka*, *Drammasibaka* to further systematize this increasing foreign trade pattern in new form and gain. Such currencies were not in use before his period (Gopalraj Vamsavali/ folio: 24). Instead, even at the advent of early-medieval era, there was use of currencies named like *Purana*, *Karshapan*, *Pan*, *Panpuran*, which were in use since ancient time, But with the ruling of Shiva Dev, currencies like *Dramma*, *Sibaka*, *Drammasibaka* came into existence instead of *Purana*, *Karshapan*, *Pan*, *Panpuran*. Among these currencies, *Dramma* was made of silver and *Sibaka* was made of gold. The currencies that started in the time of Shiva Dev have even been mentioned in evidences of four hundred years later too. Thus, it clearly brings a fact down that these currencies were in existence for a quite long period of time.

Shiva Dev introduced these new kinds of currencies to make the foreign trade

more systematic. Currencies like *Purana*, *Karshapan*, *Pan*, *Panpuran* were in use in ancient India; and Nepal also started using such currencies to maintain and balance the trade with India. India had started using new kinds of currencies with the passage of time and downfall of ancient era; but there was still use of same currencies (*Purana*, *Karshapan*, *Pan*, *Panpuran*) in Nepal, and that had posed tremendous amount of difficulties in the trade with Indian merchants. So, Shiva Dev introduced new currencies like *Dramma*, *Sibaka* etc, which were used in India too. The most popular currency in ancient Nepal was *Pana*, which was made of copper. Though Indian had begun to use silver-made coin, Nepal continued using same copper made coin till the advent of early medieval era. Therefore, there was a big challenge noted to equilibrate the trade relation and transactions with India. So, Shiva Dev imitated the Indian coin practice and introduced new silver made equivalent and co-worthy coin called *Dramma* in Nepal; and that was equal to silver made *Pana*. It was always a pressing need to upgrade Nepali coin equally worth to Indian coin as those were also in use across Nepal.

The rulers after Shiva Dev also used *Dramma* currency. The external attack and internal conflicts had adversely affected the whole economy of the country along with the trade and business affairs during the period of King Ananta Malla (1273-1310 CE). Since there was minimal amount of silver in the

country, it hampered the economy of the King Ananta Malla as well as that of country too. So he mixed copper in silver to make the coins *Dramma*. Because of this mixture, not only external merchants but also Nepali citizens lost their belief on this coins hence it got devaluated a lot. The then records have mentioned that people had to face many difficulties because of debased (poor-valued and weaker) *Dramma*, which King Ānāta Malla introduced (Gopalraj Vamsavali, folio: 26). Thus there was such a situation that only minting coins would value none if no faith was gained and garnered from foreign traders. Silver and gold had value according to their weight and quality itself but alloying copper on it would degenerate it as valueless stuff so the market didn't accept this coin at that time.

The *Dramma* currency, introduced by Shiva Dev, was on use even till the period of Jayasthiti Malla (last quarter of 14th century). He understood the importance of foreign trade thus extended emphasis to regulate and upgrade these currencies. Under his societal development, he inducted the caste division and divided the work according to the inherited culture where Mulmi Shrestha, Bharo Shrestha, and Thakur were designated for trade works. He had enforced people of Udas caste as trade persons with Tibet and trade-mart operator. Even though the chronicles have been written as that Jayasthiti Malla embarked caste division, he hadn't introduced any new race, at

all. In fact, he institutionally confirmed the same vocation to all the respective people, who were adopting it since tradition or since before his ruling period and had been continuing till then, and named them accordingly corresponding to the nature of work. However, with the passage of time that seemed as a caste division. Therefore, the above mentioned race are seemed to have been involved in foreign trade accordingly since past.

The foreign trade, especially the trade success with Tibet, soared hugely high to the utmost level in Jayasthiti Malla's period; and the very fact gets verified through a unique and unconventional legal frame in his period. He had made the provision of punishing the male *Brahmin* with the fine of Rs.120 if he makes relation with the wife of male who has gone to Lhasa of Tibet. It was probably done this way so that the house of the male traders visiting Lhasa would not be destroyed. *Brahmins* were restricted for beheading, thus they were fined in cash as such.

In such cases, people of other castes than *Brahmin* were either given death penalty or beaten down brutally. It can be clearly observed that the state hoped and endeavored that no discrepancy and malpractices would appear in the familial institutions even if hundreds of Nepali traders had to be out of their houses for long period of time. These facts prove that the state was having due and deep interest in having trade relations with Tibet. At the same time, there had been

several attempts to repair the relations with China together with Tibet. Diplomats from both countries frequently exchanged visits between these one another. The amendments done to the measuring systems like *Mana*, *Pathi*, *Dhak*, *Tarāju* for internal and foreign trade and business also showcases that the management and improvement in trade was a major priority.

There were tensions rising in the Tibetan border region starting from the time of Yaksha Malla's reign (ruling period 1428-1481 CE). It could be understood that there were several short term problems in trade with Tibet. Therefore, Yaksha Malla, with the help of the Dolkhali ruler, extended his control over the Tibetan border Sikarjong and ultimately re-established and revived the trade relations with noticeable improvement and changes. Since Yaksha Malla had expanded the Nepalese territory up to Bengal in the east, Gorkha Palpa in the west and Ganga in the south, foreign trades had flourished at and across all these regions. Taking some *Vaisyā Sāmanta* (noblemen in trade) from Nuwakot in influence and subordination, Yaksha Mall controlled the trade that had centre and focal points in Nuwakot.

In the early medieval period, Nepal earned and enjoyed great changes and development on the ground of having the profitable trade with Tibet and the bearing the position of Entrope trade relation for India-Tibet trade relations. The enriched construction and unique

development of Kathmandu's three main cities, the development of various smaller cities across and around the trade routes and the construction and management of temples, palaces, public taps, *Stupas*, shelters, waiting lobbies, lanes and gold-plated huge statues of metals also inform of the strong foreign trade existing at that time. A pool of famous learned persons also admit that the development of Kathmandu's three main cities was to suit and serve the noble quest of foreign trade (Petech, 1984/ P: 184).

During Yaksha Malla's rule in Bhaktapur, Kantipur was under the grip of *Vaisyā* oligarchs having clan influence in politics. These *Vaisyā* oligarchs had complete influence and monopoly over the India-Tibet trades as well. Their predecessors had accumulated a large amount of wealth through these trades and even had practiced of regularly dictating the existing regime and its actors. These oligarchs reigned several areas of Kantipur and enjoyed a thorough plutocracy. They were unassailable to the point that sometimes even the central powers couldn't hector and control them. All types of trade from Kantipur were under their complete control. It was close to impossible to have trade with Tibet if not made and sustained close relations with them. Besides Kantipur, regimes and ruling practice in Nuwakor, Banepa, Palanchwok and Dolakha were heavily influenced by the traders.

Nepal's foreign trade progressed continuously in the late medieval time too. Even the Mughal emperors of India were also interested in extending trade relations with Nepal in this period. Nepal-Tibet trade flourished to a great extent under the reign of the Malla rulers i.e. Ratna Malla, Mahendra Malla, Shivasinha Malla, Siddhinarasingh Malla and Pratap Malla, respectively. Ratna Malla (1484-1520 CE), the first Malla ruler of Kantipur, is well eulogized as the King who extensively contributed to economic growth and accomplished accordingly. He invited the Kashmir based Muslims to reside in his country to make it easier for the promotion and innovation in Nepal-India trade. These Kashmiri Muslims used to reach Lhasa through Laddakh, in Kashmir. They were adept and mastered in business. Although the Nepalese traders were active in trade with Tibet, they weren't able to showcase the same extent of skills as the Kashmiris were doing. The Nepalese side always faced trouble in the Indian region regarding the export and import. Therefore, Ratna Malla granted permission for Kashmiri Muslims to reside in Nepal, to engage in internal and foreign trade, and to enter Tibet for trade on permission received from Nepal. The trade to southern side also got easier after the Kashmiris entered Nepal. Nepalese goods were freely exported and traded up to Kashmir as well.

The reign of Mahendra Malla (ruling period 1560-1574 CE) is also considered

highly important in terms of foreign trade. He introduced then endorsed a new turn upon conventional ways of trading. Since Nepalese coins were not formally accepted in the Indian market till then, at that time, Nepalese traders had to undergo many fairly uneasy and uncomfortable hurdles while trading with Indian traders of the south.

That is why this King introduced silver currency and made an agreement with the Mughal Kingdom of India then decided that one Indian rupee would be equally exchanged with two *Mohor* coins worth 50 paisa in Nepali. It was easy for Indian traders to buy and sell goods in Nepal as well as Nepalese traders to buy and sell good in India because of this provision. It was tough even for India as well where there was no fixed exchange rate before this agreement on money took place. The then rulers of Mughal Kingdom wanted to take the benefits and swell the profit themselves from trade to Nepal and Tibet. Goods like gold, wool, medicinal herbs, *Yak's* tails, copper, wax, horses and Tibetan salt were eventually exported to Mughal Kingdoms following the routes of Nepal, Tibet, Bhutan and Patna, respectively (Kul Shrestha, 1934/ P: 220). Products like cotton, glass, spices and other cosmetic items were traded to Nepal from India. Mahendra Malla had great interest and would deeply encourages export based foreign trade; and it can be further proved as Mahendra Malla's regulation mentions 'never let *Dhiki*, *Jato*, weaver, *Tuki* have rest and remain free; similarly

weave *Patāsi*, home weaved *Khādi*, and other clothes then grind them sell all abroad’.

Discussion on the then Malla dynasty King Shiva Singh Malla of Kantipur (ruled from 1578-1620 CE) also holds adequate relevance in the matter of trade management and reforms. This King captured areas like Listi and Kerung in Dolakha and started to exercise an unrivaled trade with Tibet. After this situation, now the other Kingdoms had to pay tax to Kantipur for trading with Tibet. Bhaktapur and Patan were plunged into fair difficulty because of this imposition. That is why Siddhi Narsingh Malla, the King of Patan, made a treaty and accord with King Ram Shah, the King of Gorkha, and started the trade in new way. Hence, it facilitated the Newari traders and lords of Patan as they could rent a place and operate trade in Gorkha as well as could enter to Tibet following the route of Kerung. Ram shah had made his strong control and influence over Tibetan boarder, the Kerung. Later Kerung got rid of control of Gorkha during the ruling period of Pratap Malla because Malla extended and set his influence over this route. Besides these developments, King Siddhi Narsingh Malla even tried to expand his trade efforts to Tibet by using Buddhist trade men and travelers.

The contribution of King Pratap Malla, (1641-1674 CE) the strong and influential ruler King of Kantipur at that time, has an important role in the trade

expansion with Tibet. A new glory and gala was added to the trade with Tibet in his ruling time. Because of untiring efforts and unique warfare crafts of his commander Bhim Malla, Nepal was able to vanquish Tibet in a war and a trade agreement prone to benefit Nepal and serve fairly larger interest of Nepal was signed in initiation of same commander. This agreement can also be called Nepal's first ever international agreement. This agreement is said to have been accorded any time between 1646 and 1651 CE. The original copy form of this treaty has not yet been found but based on the information found in different archives and genealogies, the provisions considered in that agreement can be surmised as follows.

Nepal had captured a large area of Tibetan land in course of the war between Nepal and Tibet. With the accord, Nepal and Tibet agreed to have equal ownership on the major trade points of Tibet like Kuti, Kerung, and other nearer trade points and land².

² But, Nepal's meaningful presence and control over Kuti and Kerung route, as par to the provision of this treaty, does not appear to be long lasting. Even the Jesuit Father John Grueber, who travelled Tibet in 1661 AD, has considered Kerung and Kuti to be the main cities in Nepal. However, according to the Chinese source, late Panoram Dalai Lama, who died in 1683, was intermittently claiming Kerung and Kuti to be returned to Tibet blaming that those areas were forcefully annexed by Pratap Malla (Rose 1973/ P: 15). From this, it can be inferred that these lands were under the rule of Nepal for only around 25 years after the treaty. Father Desideri, the traveler

Nepalese traders (Newari traders) could open trade marts at Lhasa of Tibet. The Tibetan government could not levy a tax when Nepalese traders opened trade marts or practiced even an open business sans marts in Tibet and even in importing and exporting goods from Nepal to Tibet or Tibet to Nepal.

Finance ambassador or consulate officer on behalf of Nepal government would stay in Tibet for taking care of Nepalese traders and for looking and managing Nepal-Tibet trade affairs. Nepal would reserve right to denominate the currency and mint the coins for Tibet; and only the currency with name of the Nepali King could be used in Tibet. Tibet had to provide Nepal gold or silver equal to the amount of the currency in exchange.

The price of the gold, silver and salt, which Nepal frequently brought on a regular basis from Tibet, had to be as par it was confirmed in a treaty. According to which, 1 *Tolā* gold was decided worth 12 rupees, 13 *Masa* silver worth to 1 rupee Nepali and 3 *Pathi* salt worth to 1 rupee, respectively. It was agreed that Nepal was entitled to purchase goods like gold, silver and salt making the set price as constant forever.

In case of sudden death of a Nepali merchant in Tibet, and if the merchant was without any heir, then the inherited property would be transferred to the Government of Nepal. Tibet would

to Tibet in 1721, also has written that these areas have been under the rule of Tibet for a long time.

reserve no power and right to claim in this context.

The most importantly integral part of the treaty was that any transaction done through Tibet either to India or any other countries had to be done only through the route of the valley of Nepal. Prior-used routes of Sikkim, Kashmir, and Laddakh had to be closed immediately.

Such provisions eased Nepal to attain and sustain unchallenged monopoly over trade to and in Tibet. This system existed until King Prithvi Narayan Shah merged Nuwakot in his state and commenced ruling there on.

3.3 Nepal-Tibet Trade Routes during Medieval Period

Christian religious preachers and priests have greatly explained about the Nepal-Tibet routes in the medieval period. The main routes, among all, for Nepal-Tibet trade flow at that time are as mentioned;

- a. The route through Kerung to Lhasa starting from Kathmandu following the way through Nuwakot-Rasuwa-Rasuwadhi was famous. This road was opened in 7th century AD and was quite popular. This route was equally popular prior to the medieval age as well. Famous Buddhist monks and preachers like Shantarakshita, Padma Sambhav, Shil Manju, Kamalsheel, Acharya Dipankar including Lamas like Taranath, Dharmaswami and Araniko are supposed to have

walked through this very route. There were some fairly competitive advantages of using this route till medieval period as well. Those could be like: this route was safer to head to Lhasa compared to other routes; this route was shorter and easier to go to the capital of Tibet; and travelling through Nuwakot Lami Dada to Terai was easier and travelling west Nepal was also easier from this route.

- b. Route from Kathmandu - Sakhu to Sindhupalchowk heading to Chautara, Nesti, Kodari to Kuti and further connected Digarcha was also another famous alternative way. Another way to Kuti was also famous during the medieval period. That would go starting from Bhaktapur to Banepa³ Palanchowk to Lamabagar to Nesti following the long bank of Bhotekoshi and Dolakha then finally to Kodari and further heading to Kuti and ahead to Digarcha. Due to the constant conflict between the rulers of Kathmandu and Bhaktapur, the merchants of Kathmandu found it troublesome to travel through Bhaktapur-Banepa Palanchowk

³ Banepa was known as Banikpuri in previous time. Many inscriptions and annals related to this city cite very name Banikpuri to indicate and represent the place of present day Banepa. Since ancient time, this land had huge gathering of traders and merchants. Thus, the word Banikpuri is interpreted in meaning as business city or city of business people, respectively (Dhungle and Pradhanang, 2056/ P: 157). Banepa is derived from the very word Banikpuri.

route and instead they chose Kathmandu-Sankhu-Chautara route for travel. It would take 45 days to reach Kathmandu through the route of Kuti through Lhasa. The religious priests have explained that it would take 14-15 days to reach Kathmandu from Kuti. It was considered better to prefer the way like Dolakha to Sindhuli- through the bank of Tamakoshi- to Simaraungadh to enter India. Nonetheless the Indian merchants chose this route to trade with Tibet only after Nepal started trade activities in Tibet. It can be concluded that the Indian merchants would chose not to travel via Kathmandu as far as possible.

- c. The main route for Tibet through the west Nepal was from India's Gorakhpur to Nepal's Butwal--Tansen- Ranighat that would further pass through the bank of Kaligandaki further heading to Muktikshetra and would finally connect to Tibet. Similarly, the route from Butwal - Parwatbeni to Mustang or from Palpa to Ridi to Baglung and ultimately reaching to Sakyamath in Tibet was also popular. It would take 9 days to reach at the border in Tibet from Palpa (Regmi, 1966/ P: 391).

Butwal was the main trade way from Nepal to India as well as key point of foreign trade from western Nepal in Medieval period. This is why the

Nabab from Abadh in India and British people were attracted towards this place at the end of medieval era.

The fascination and charm towards Butwal was the core drive which led to the Anglo-Nepal war in 1816. In addition, this road was widespread to be the supporting route to the ancient silk road of China. Also, it held greater importance due to the fact that it was a way that led to the pilgrims spot for Buddhism. Travelling through this road, *Khasa* ruler Ripu Malla had reached to Lumbini, the birthplace of Gautam Buddha, in 1312 AD.

The additional entrance besides Butwal would provide a suitable path initiating from Someshwor of India to further Chitwan to Devghat to Tanhun to Lamjung to Mangang and finally ending in Tibet; and the next path initiating from Champaran to further Tribeni to Nawalpur to Lakshmipur. These two routes would act as key connecting lanes for at some roads mentioned above.

d. Another must used route at that time would begin from the present Midwest starting from Nepaljung or Rajapur towards Dailekh's Dullu Sinja and to Taklakhara as a way out towards Tibet. During the *Khasa* Empire (13th - 14th century), the Karnali region was more inclined to this route.

e. Another major route to Tibet from West Nepal in the medieval era was from Darchula and Kumaon to Tinker *Bhanjyāng* (pass) to Chhinasim Taklakhara to Yari *Bhanjyāng*. Crossing all these to reach west-east was widely adopted practice.

f. Capuchin priests have discussed about the other trade routes from East Nepal to Tibet in the medieval ages. Sylvain Levy has claimed that the road to Tibet through the country of Kirat, as claimed by Capuchin priests, was likely to be the way from Hatiya pass (where from Arun river flows down towards Nepal) to Tibet or the way heading to Tibet across Olanchunggola and its hills side at the east of Taplejung (Levy, 2005/ P: 83). However, both of these routes were in use. From Chainpur area, lots of garments, iron, copper, rice, wheat, and oil, cotton, *Khayar*, Spices, *Khudo*, Retail, and some pearls were exported to Tibet through the route across Kimathanka. Even from Tibet, items like gold, sheep, musk etc. were imported via Kimathanka and Olanchunggola. Many Capuchin religious priests are found to have travelled to Tibet with Tibetan traders through the same route. Since Capuchin priests have written that they themselves were not aware of this, it was extremely difficult, frightening, and not able to know the path, it can be assumed that the

very route was not that widely used. However, the same way was viable better option for respective area based traders to participate in India Tibet trade. So, the areas like Olanchunggola of Taplejung and Hatiya of Sankhuwasabha had been having huge inhabitation.

3.4. Nepal-India Trade Routes in Medieval Period

In the medieval period, Nepal had quantitatively flourished trade in India. All big urban areas of India from East to west and North to south had good flow and notable grasp of Nepali traders. The main focused areas of grasp and higher reach in India by the Nepali traders were areas like Deheradun, Gonda, Basti, Gorakhpur, Baharaich, Champaran, Purniya, Patna and Banaras (Chaudhary, 1960/P: 6). Along with this, during the Malla regime, different kinds of goods in heavy amount were imported from the urban areas of India like Agra, Kanauj, Sahijapur, Dukaipur, Nagpur, Bhaglpur etc together with from Dhaka and UK as well through the roads of India. At this phase, India had no problematic issues in trading with the Nepalese and it was fairly easy. There was no hurdle in trading in Indian rupee. The Indian rupee was quite enough in Nepal and the Nepalese rupee was worth only half of the Indian rupee, as included in Father Desideri's travelogue (Regmi, 1966/P: 1013). But Tibet did not allow or accept the Indian rupee. Only

Nepali coins/currency was appropriated and used.

This was the main reason why Nepal and India got quite well trade business for a long period. In this period of time, many routes were present for travelling back and forth in Nepal and India. People could travel back and forth from different places due to the open areas nevertheless the prime routes were, which were more popular, are as following:

- a. According to Baburam Acharya, the main highway of the present day had not been accessible to travel from Kathmandu to the Terai as Makwanpur did not have a good inhabitation in the mid age. At that time, there were two routes to travel from Bihar to Kathmandu: One, leading from bank of Kamala River to Sindu to Bhaktapur; and the next from Hariharpur to Lalitpur through riverside of Bagmati. The second route was actually a route which had to be travelled through dense remote forest thus resulted in threat of the thieves along with the fear of wild beasts. This route would no longer provide good shelter for the people on the journey. Due to this people, who travelled from Hariharpur, for the sake of good and relaxed journey, would modify their direction to Sinduli and then to Bhaktapur.
- b. The road starting off from Kathmandu to Thankot then to

Tistung/ Chitlang on crossing over Chandragiri hill and further to Bhimfedi leading to Hetauda and re-continuing from Hetauda to Simrangadh or Bhikshyakhori Gadhparsa and finally reaching India was the next route quite popular in that time.

- c) From Kathmandu to Pharping to Bhaise, and then passing through Hetauda to enter to India was also equally popular.
- d) The road that connected to India from the main centre (Hetauda) through the route along the bank of Bagmati to Hariharpur and initially started from Chapagaun and Khokana was also popular in use.

Thus, Hetauda is considered to have been one of the main gates leading to India during latemedieval era. According to Father Grueber, traveling from Hetauda to India would cost 5 days. But if Betia was also taken into consideration then it would take 8 days to arrive at Patan, Kathmandu by taking the route from Betia to Parsa to Hetauda to Bhimphedi to Chisapani through Tamakhani, consequently (Levi, 2005/ P: 83).

- e) Path to India, starting from Kathmandu to Bhaktapur to Sinduligadi to Teenpatan to Mahottari to Janakpur was also popular during medieval period (Regmi, 1965/ P: 391).

f) The road to India initially going down from Dolakha to the bank of Tamakoshi along with Sindhuli Simraungadh was also popularly used. This route was used by Indian traders to trade between Tibet-Nepal- India after Nepal had already started to have trade with Tibet through this road. Traders used this road to directly march towards India without coming to Kathmandu.

g) The road to Lumbini through Beni in Parvat in order to reach India was also popularly used from the region of west Nepal.

h) India also traded with Tibet from Udayapur region. Some historians say that Udayapur region was situated on the way Falak Namchebajar and to Tibet, which was main trade route between India and Tibet (Nepal, 2062/ P: 63). The excessive amount of wood from eastern Terai would be taken to India. This fact is also clear from the context that the British had jinxed-eyes over the forest of Bijayapur till the time of Sen Regime (Acharya, 2061/ P: 416).

3.5 Nepal as the Highway for International Trade

With the onset of formal trade relations between Nepal and Tibet in the seventh century, Nepal commanded an opportunity, rather strength, to mediate between in trade affairs between India, China, and Tibet. Nepal got the

opportunity to evolve as the main center of International trade between these two countries. Apart from Kashmir-Ladakh route, Indian traders had no other easy bypass to travel to Tibet except the route of Kerung and Kuti *Bhanjhyang* of Nepal across the mountains.

The trade in Tibet from India could also have been possible from Sikkim based road, which was also deemed short, safe and easy route. Nonetheless, even known to be short and easy, taking on this route would pose problem in lodging and fooding as well as medication if travelers fell sick. In addition, way from Nepal was safer option due to prospective damage caused by fever or epidemic to the life and property while taking Sikkim route. Indian and Tibetan goods could be easily delivered to each other with use of road through Nepal. This practice, which started during ancient time, lasted without any dispute and challenge until the downfall of middle age.

3.6 Medieval Merchants / Traders

History of ancient time in Nepal makes a clue that Nepal's trade in India was in the agreement and control of traders from both Nepal and India. It has been already discussed in detail in previous section related to ancient's age trade as that groups and groups of Indian traders entered into Nepal, mainly in the context of trade. But trade between India and Tibet continued only in guidance and facilitation of Nepali merchants once

Nepal initiated its meaningful trade contact with Tibet. Though Indian traders came to Nepal for trade, they were not able and allowed to be involved in trade with Tibet. They were not permitted to go to Tibet. This is why they had to maintain contact with Nepalese traders. Same tradition sustained till the time of the early medieval period.

According to observation from Capuchin bishop/priest Father Desideri in 1721, the wealthiest traders of Nepal with big houses and warehouses stayed there in Kuti, Tibet. They would offer shelter to travelers in their own house, they used to provide men, animals or any necessary means to carry the loads and usually helped them to take the load after customs duty was cleared (Stiller, 1995/P: 27). But this privilege to Nepali people, earned from ancient time, could not last long and remain as solo to Nepali only; and rather slowly eroded with the rise of Malla dynasty in regime. Bickering among rulers from various states caused controversies and resulted difference in laws as well as weakened the virtual monopoly being exercised by Nepali traders. The Kashmiri Islamic Traders and the *Gosain* saints also became directly involved in trade with Tibet. Royal family members and coteries also started to involve in the trade. Noble category people of Kathmandu valley and Nuwakot region and the dynasty members of rulers from Dolakha

Kingdom themselves started engaging in trade with Tibet and India.

As per mentioned by Capuchin priests/clergies, such noble class families and trade-lords were earning plenty of money specially by involving in trades of medicinal herbs. They had sale depot or trade marts and trade representatives in cities like Banaras and Patna of India.

Muslims of Kashmir too had started to get involved in trade between Tibet, Nepal and India since the 15th century. Capuchin priests have mentioned the fact that Muslim traders from Kashmir had their own shops or trading outlets right beside the main entrance gate right outside the city. Nepal had permitted them to travel to Tibet as well. Capuchin priests have mentioned that they had trade depots in all three cities of Kathmandu and including in Tibet as well (Dhungel and Pradhananga, 2053/ P: 181).

During medieval age, many *Shaiva Sanyāsis* too were found to have been involved in trade. Several Gosai *saints* from *Shaiva Math (religious center)* had migrated to Nepal from India so as to involve in trade alongside with involving in their religious tasks upon realizing the tremendous underlying benefits of trade between Nepal Tibet and India. They were involved in trade with Tibet making Nuwakot as their focal trade point. As those saints extracted a great deal of economic benefits, their reputation in society was highly heightened. Nuwakot

and Rasuwa had been areas which were heavily influenced by those saints. Even royal families and ruling Excellencies too used to get intimidated by them and they used to remain dedicated to bring the *Gosai* saints in their favor. Rulers and royal members used to burrow loans from *Gosai* saints at a high rate of interest. Jaya Prakash Malla, the last Malla dynasty King of Kantipur and Prithivi Narayan Shah too had burrowed loan from them at seemingly high rate of interest. With the intent of bringing *Gosai* into his favor so as to increase his own reach towards the trade in Tibet, Prithivi Narayan Shah had even forgone the customs duty for these *Gosai* at the area between Tibet and Madhesh.

Merchants from Newar dynasty have been repeatedly highlighted in the evidences from medieval era. Newar community's people like Udas, Bajracharya, Bhari, Shrestha, etc had actively involved in trade with Tibet in an enormous quantity. As per the narrations given by the priests/ clergies, *Armeneli* traders also used to come here for trade. Some priests/clergies have stated, 'they did not cross examine us because they thought us to be *Armeneli* traders'. There used to be an organization of people who operated foreign trade in the ancient period. During that time, traders were called *Sārth* and their leader was called *Sārthwāha*. Up to the pre-medieval era, it can be discerned that the word *Sārthwāha* was in practice. But since post-medieval era, instead of this word, an indigenous language word *Banjārā*

took place in practice (Bajracharya and Shrestha, 2031/P: 56). The ruler clan from Dolakha was also found to be called *Banjārā*. These *Banjārās* were economically sound and used to lend and borrow the loan. Many rich people of Kathmandu used to lend money to *Banjārā* and would claim share in their trades (Bajracharya and Shrestha, 2031/P: 56). *Banjārās* used to have their own groups. Foreign trade was not easy task; an individual could not do it. Not only that even one and two groups were also able to trade because of long distance during trade. So they used to have foreign travel campaigns for trade by making big groups and being united among all.

3.7 Merchants and State Power

While describing about the merchants/traders, it goes fairly relevant to mention about the relation of traders and the state power. The trade relation of Nepal with Tibet ensured various types of benefits to Nepal, and even caused a series of unprecedented turbulences in the state power. This situation ultimately evoked some changes in the ruling system of Nepal since traders began unleashing increasing attraction and intervention towards the state power after gaining tremendous economic benefits.

To operate foreign trade was not an easy task; and not only just for an individual, long distance trade was not possible even for only one or two

groups. Therefore, foreign trade campaigns were run only by forming a big group. Again, the leader had to undertake extreme caution and demonstrate utmost sensitivity because of the possibility of intermingling of spies and terrorists of different countries within the group while travelling; and the leader had to bear whole the blame if such incidents had happened. There was no appropriate arrangement of road outside of the settlement area. Along with the fear of thieves and robbers, the traders had to have hard travel through various cliffs, forests, jungles, rivers, hills and mountains during the course of their long distance travelling. Prithivi Narayan Shah had started a campaign in order to catch the thieves, who used to rob the traders, after he had had victory over Nuwakot (Tewari et al/P: 78). This reference unveils a fact that the traders always had to fear of thieves and robbers. The robbers did not just appear to be one or two but rather were in hundreds and thousands in number. Italian religious campaigners and clergies have explained that robbers, in thousands of number, used to enter in the village and would rob people by surrounding whole village and the area; and often traders were looted more and frequently (Petech, 2060/P: 259).

Due to this severe situation, external business was not possible without the help of nation. Nation had established security check posts and police stations in many places for their security however that was not sufficient to mitigate the risk

and fear. Nation too was not at status of ensuring strong security to traders as the number of army was not enough. There was chance that anywhere anything may have happened because of dense forest, hill roadways so there was no condition that adequate security could be guaranteed on capacity of mere few security personnel stationed at exit points and trade gateways. The one who was not capable enough in self and could manage self for security, it was not possible for them to engage and involve into foreign trade.

Therefore all merchants had kept their own security personnel in every group of them. Not only the businessman, even the religion campaigners had also kept their own security persons with small and big local made guns in their group for their security reason and concern (Petech, 2060/P: 257-258). Depending on the number of businessmen, the number of army could be about 25, 50, 100 or more as per varying situation. They would often travel long distance in escorting the merchants in order to address the security challenge. They always used to carry gun, *Khukuri*, sword with them. The main duty to them was to ensure best and all round possible security to their owner at any cost. So they used to remain highly alert in the security to the traders not only during business travel but also in other time while they were off from travel for short period. Those traders became stronger and powerful because of the private army with them. Because of

these facilities, the leaders of business started to manifest addition ambition then began to involve and interfere in ruling practices as well. Then they paid eyes in ruling of the state as well.

It is already mentioned above that Nepal was unified and institutionalized into a big nation till the end of ancient period, however, from the start of medieval period, the central government started to be weakened which subsequently led to dual rule or even the culture of joint-ruling as well. In that period, not only father and son, bothers, maternal members or sometimes even uncle and nephew too came together for joint-rule. Due to this reason, there was a struggle for the throne in centre itself and other fringe or outside powers searched for opportunities to take over the rule. The businessmen were the persons in seeking power most of the time. They often had been on the higher posts of the nation through the use of property, which they had plenty of, personal army for security, and their influence as well. Sometimes the Kings would feel powerless compared to these merchants. So, they would invite them in the coterie club. They were often given different roles such as mentor to the King, lords and administrative workers and sometimes as minister as well. They also had taken post of *Mahath*, co-post to prime-minister at that time. Similarly, they had occupied the posts of chief of local governments too in all important units in most districts in centre and outside centre as well.

Besides this grip on state, the *Vaisyā Thakuri* would use it as an opportunity to gain more power and rise ahead whenever the central government was sensed weak. From Bhaskardev to Sankhardev, who were ascended to throne in early-medieval period, were addressed as *Vaisyā Thakuri*. Bhaskardev was a *Vaisyā* businessman from Nuwakot. He had succeeded to capture the government when the central government was weak. In that situation, he would declare his state free and as a sovereign then would attack the center once it was sensed being weakened. And if the central government rose strong, he would retreat back to Nuwakot. A line “All *Vaisyā Thakuri* ascended to throne with greed and debauchery” is mentioned in a modern chronicle (Lamsal, 2022/ P: 29). After that point, they changed their castes in order to match that of the King’s clan which was *Thakur* and *Thakuri*. They also claimed that they belonged to that clan from ancient period. It is because of this reason we see that the traders are addressed as *Vaisyā Thakuri* in records that are written in that time. *Bardhan*, businessmen of Banepa Palanchock, and *Vaisyā Thakuri* of Nuwakot were the most powerful and competent in capturing state power quite often. They and their descendants had been business lords/merchants in the various cities and wards in Kathmandu valley.

Those *Vaisyā* business lords/ merchants had untiring influence in the administration of Kantipur state. The

whole nation was under their control. The *Bardhans* of Banepa Palanchock were in power nonetheless they would proudly address themselves as *Baisyabansawatar*, incarnation of Gods in form of *Vaisyā*. Those old and real *Chhetries* involved in ruling used to claim that they were descendent from time-long royal clan under *Chhetri* caste. From this, it is clear that even if the *Vaisyā Thakuri* got to the throne and power, they got to be there on through money and power and not because of being hereditary member in King’s clan.

Thus it is clear that there existed following two types of relation between the traders and state power in those days. First, the business lords and noblemen would extend grip on decisive positions of state by influencing rulers with help of wealth, power and prestige. Second, the erstwhile royal members or rulers family members would immerse in trade envisaging the huge profit ahead. From both-way round, the trade and business was in absolute lead of powerful and influential people in the state.

3.8 Condition of Road/Tracks and Means of Transport

Some historical records and even Capuchin priests (Padari) have given information regarding the road system in the Kathmandu valley during medieval period. There were small paths, and wide tracks and lanes in order to go from one place to another, and mostly people

could walk around on foot. Baked bricks and stones were used in order to cover the roads all around (Petech, 2060/P: 211). But people had to cross through to steep and sloppy hills, thick forests, rivers, sloppy lands and narrow paths to set long journey right after leaving the residential area.

Although the goods were loaded on horses, mules, donkeys, etc., especially in connection with the means of transport to deliver them, as per the version from Capuchin priests, humans in form of porter were seen and used to in most areas of Nepal in order to carry the loads. Father Desideri has described that mules were used in Tibet in order to carry the load but right from the border of Nepal, human beings were used to carry those things (Regmi, 1966/ P: 537). In fact, human porters were used instead of those horses and mules because of un-patterned roadside and rough routes right after entering towards Nepal from Tibet border.

A porter used to walk by carrying approximately 40 kg of goods. According to Kirkpatrick, a sheep also could carry the almost equal of load (40 kg) of goods to the porter (Karkpatrick, 1975/P: 6). Contractor or leader of porters would take care in the management of porters. The trade persons used to negotiate with the worker's leader or contractor and then put them in the job as well as would make necessary instruction and orientation. Half of the amount/salary of the wages was paid to the contractor at

the very beginning, and half of the money was given to the porters after reaching at the desired destination or trade point. However, there is no evidence to confirm the basis on what basis the porters were paid for their fare. Hamilton, who came to Kathmandu about 30 years after the end of medieval period, has said that a human porter with carrying load of 40 kilograms of goods and walking from the Hetauda to Kathmandu i.e. 95 kilometer would receive Rs. 1.5 and would receive Rs 2.5 for 150 km long distance from Gadhparsa to Kathmandu (Hamilton, 1986/P: 274).

3.9 Government Extended Approval in Foreign trade

The foreigners had to carry passport while coming to Nepal. There were no such strict rules in regard to passport for foreigners but also there had been a practice of inspection quite often. Even it had to be approved from the government when taking the goods outside the country, and that was called *Dastok* at that time. To collect such approval, Nepalese had to pay 2 rupees and fifty paisa whereas foreigners had to cost Rupees 50. It was required to show this approval letter at the checkpoints in every gateway across the route. If any goods were transported without the approval then there was the system of punishment.

3.10 Revenue Related Offices and Employees

The sources of information about the courtesy of the court in the medieval period are very few and apparently limited. Only an incomplete detail can be retained from available sources as well. In fact, Nepal was not a single state during that time, and was divided into many fringe states. Owing to this reality, almost affairs would be handled by centre and mostly the revenue was collected through method of contract, hence, the needs of revenue administration had not been sensed deeply. Reviewing the available sources can help to deduce following information regarding revenue related offices and employees.

Bhandelnayak or *Bhandāgarik*: The person monitoring and supervising on activities related to revenue and other economic affairs in medieval periods is found to have been addressed *Bhandelnayak* or *Bhandāgarik*. An evidence form 1336 CE and found in Karnali province reads that the person to look after the state's economic affairs was called *Bhandāgarik*. Being the person with authority and responsibility on state's economy,

Bhandelnayak or *Bhandāgarik* had huge value and influence.

An inscription of 1336 CE from Kathmandu addresses as *Bhandelnayak* to the person who was assigned to take care and monitor revenues of state at

that time. The person is called *Amatya* as well; so, it can be understood that s/he may have been honored and understood as a high level professional. *Bhandelnayak* or *Bhandāgarik* used to perform various works, which can be presented as follows (Baidya and Bajracharya, 2055/P: 54-55).

1. To look after the economic transactions and treasures of the King,
2. To manage the materials and goods required for royal family,
3. To collect the tax and audit the collected revenue,
4. To distribute cash and physical objects to various officials according to the need of concerned officials,
5. To manage the required things for celebrations, ceremonies and festivals like *Jātrā*,
6. To seek out credit when country is in need of wealth,
7. To sell the royal land, etc.

With this detail, we can see that a single person was assigned to look after whole economic affairs of country in the medieval era. There used to be many employees in his/her supervision and under his/her portfolio. They used to look after treasury store so they were called *Bhandāri*. *Bhandāri* has been mentioned in various historical documents received from western Nepal. As they used to look after the treasury store of King, they

were called *Rajbhandari* (or *Bhandāri* for Royal Affairs) in Kathmandu.

Though the word *Bhandagar* is found in evidence of medieval era, it is not a new word at all. It is the word used from the very ancient time. During ancient time, large warehouses were built to store the goods brought by traders for export; and those goods used to be generally stored in warehouse unless fixing and clearing customs duty on the same. Such store houses were called either *Bhhandagar* or *Bhādashālā*. The government officials used to check and determine the duty on the imported and exported goods and monitor the market officiating them in the very warehouse. It is to be understood that the present word '*Bhansār*' (Customs) is rooted to Sanskrit word '*Bhādashālā*'; so, it can be inferred that the office like *Bhandagaar* or *Bhādashālā* was used to collect customs in ancient Nepal. Due to the impact of indigenous language in Kathmandu, words like '*Bhandel*' and '*Bhandelnayak*' were in practice.

The name of the office, which used to audit after economic transactions, is uninformed but the word '*Chhe Bhandel*' has been used in one record in regard to office administration. the word '*Bhandel*' may have meant to be warehouse (*Bhandar Ghar*) as it has been discussed in the paragraph prior to this point as that '*Bhandelnayak*' used to look after customs and economic transactions and *Bhandel* and the word *Chhe* (house) were used often used at once. It can be

said that such offices responsible to collect duties on goods as well as offices for all economic transactions were called '*Chhe Bhandel*' at medieval era as all activities related to storing and managing goods were called *Bhandar*. No exclusive testimony has been gained in regard to study on this matter; but this administration was focused to renovation works during the modern era (Rajbangsi, 2020/P: 36). It has come to notice that the officials in *Chhe Bhandel* administration were appointed by the King and those appointees would be mostly the people related with royal palace (Baidya and Bajracharya, 2055/P: 54-55).

Other officials: In that respective era, officials other than *Bhandelnayak*, *Bhandanayak*, or *Bhandāgarik* are also found to have been actively involved in collecting customs duties. The place to collect duty is found to have been called '*Bhansār*' and collector is found to have been known as '*Bhansari*'. According to an evidence extracted from Nuwakot, a customs officer named Jayasingh borrowed money from a businessman at the rate of interest of 10 percent (Bajracharya and Shrestha, 2033/P: 67). In medieval documents customs duty is also called as '*Jagaat*' and collector is also found to be known as '*Jagaate*'. Other positions bearers like *Taksāri* and *Khajanchi* were also involved in tax and duty collection. The main duty of *Taksāri*, by name itself suggests, was to look after proviso and strength of currency; but according to Kirkpatrick, *Taksāri* is

also said to have been involved as an official to collect tax in Nepal-Tibet trade (Kirkpatrick, 1975/P: 83). A post known as *Khajanchi* was in practice inside Kathmandu valley as well as in the Kingdoms around Kathmandu valley. The official who would audit the monetary income for state and economic affairs of King is said to have been known as *Khajanchi* in western Nepal. *Khajanchi* is also called Treasurer (*Koshadakshya*) or general treasurer (*Maha Koshadakshya*) in many places (Baidya and Bajrachary, 2055/ P: 55). According to some historians, these *Taksāri* used to work under the supervision of *Bhandelnayak*, *Bhandanayak*, or *Bhandāgarik* in medieval era (Baidya and Bajrachary, 2055/ P: 56). In reality, the historians may have generated such an assumption as Kirkpatrick has mentioned *Taksāri* as tax collection official in Nepal Tibet trade and *Bhandelnayak*, *Bhandnayak*, or *Bhandāgarik* was head of such all tasks undertaken.

3.11 Provision of Consul

During medieval period, there were consuls in the main cities of India and Tibet to oversee and manage the trade affairs. Those consuls, provisioned during medieval period, were known as *Nayak* or *Wakil*. Consuls on behalf of all three Malla dynasty Kings in Kathmandu valley used to reside in main cities of Tibet like Lhasa and Digarcha together with trade junctions in India like Patna, Vanaras, Kolkota, Kashmir and so on.

The works to be performed by those consuls were as follows: to initiate in systematizing and managing Nepal-Tibet trade and Nepal-India trade as well, to collect and maintain record about the traders having trade mart and residing in respective area, to make necessary arrangement for their security, to listen their grievances and difficulties, and then to negotiate these with government of concerned state on capacity of Nepal's government's representative if there were anything to be reported or facilitated for solution. The consul even had to work to find and handover all the properties of such persons to the government of Nepal if any Nepali businessman died in Tibet and there was no authentic heir to claim over his/her belongings as well as wealth.

3.12 Customs and Other Security Checkposts

Many customs checkposts and other security checkposts were established from Tibet to Terai areas to collect customs duty and ensure better security management. Main cities inside and outside the centre; main trade gateways; places like Syabruk, Tamire and Rasuwagadhi while heading from Nuwakot to Kerung; places like Sankhu, Chautara, Listi, Kodari and Kuti while taking route from Kathmandu to Kuti via Sankhu; and places like Banepa, Dhulikhel, Palanchok, Dolakha while taking route from Kathmandu and ahead via Bhaktapur had customs checkposts. Capuchin priests have described about

customs checkpost at Nesti while marching ahead from Kuti. There were customs checkposts in Parsa and Hetauda while coming to Betia from India as mentioned by Capuchin Padari (Levi 2005/ P: 79). There were customs checkposts in places like Sindhuli and Tinpatan as well. The places which had speedy development backed with aggressive rise on trade like Parsa, Hetauda, Bhimphedi, Chitlang, Tistung, Sakhu, Nuwakot, Dolakha, Pharping, Chapagaun, Thankot, Khokna etc. also had checkposts in all of those places.

In medieval period as well, the business was not easy because of robbers and looters alike in the ancient period. There used to be such looters in number of hundreds and thousands. The priests have mentioned, in one descriptions recorded in 1716, that they along with a group of traders were captured by around 4 thousand looters outside Nepal's border in India (Petech, 2060/ P: 211). The priests also have mentioned that the traders who were supposed to come from Patna failed to reach Kathmandu even in 40 days due to attack of looters and change in weather. Likewise, the priests also have mentioned about the Kashmiris, who were carrying 18 pounds gold from Nepal but that had also been looted (Petech, 2060/ P:211). Therefore government had managed security posts across the road and almost every gateway. According to the Capuchin priests, such checkposts were in every short distance like 4 to 5 miles. The

priests also have told that there were almost 5 checkposts between Hetauda and Patan, Lalitpur (Levi 2005/ P: 79). Such checkposts during medieval period were known as *Kwaath* in Kathmandu and *Kot* in western Nepal, respectively. There used to be such checkpoints across the road and hillocks just above the road. There were many checkpoints in main road as well as upside to road as well. Checkposts above the hillocks could ensure surveillance up to farther distance. The persons appointed to lead such checkposts were known as *Kwathanayak* and *Umaraw* officers. Some priests have even called *Chaukidar* to those security officials maintained on Indian borders. As they used to look after *Killā or Durga* (fort), they were also called *Durgapal* (fort security) as well.

They used to protect the businessmen and also would check whether their goods were transported well. The security checkposts were not allowed to collect the customs duties but they used to check the products brought unsealed or unverified then would collect the customs duties on them if some products were for business purpose. The priests also have mentioned that foreigners walking alone or only in small group would be relatively tortured and harassed at such checkposts. The priests have affirmed that those traders would be compelled for additional and extra money on different excuses (Petech, 2060/ P: 211). The officials in checkposts used to haggle as much as

possible amount of money from foreigners and traders (Regmi 1966/ P: 391). Those *Durgapal* were relatively strong and powerful as they would hold some military personal thus sometimes would attack other states.

3.13 Customs Duty Collection Method

The capital city used to have central office of customs. As there were three Malla Kingdoms in Kathmandu during medieval period, each of three Malla Kings among Kantipur, Lalitpur and Bhaktapur had their separate central customs offices.

As the customs was main source of income of state and for the Kings, all the laws about tariff and provisions in collecting such duties regarding customs were framed and formulated by Kings themselves. There used to be constant changes on the customs duty and *Jagāt* as well however rulers used of pay minute attention in not disturbing to and degenerating from existing provisions as far as possible. In mediaeval period, Nepal was disintegrated into more than 50 states due to which the customs laws apparently differed among different states. Still, basically there were three types of procedures to collect the customs duty in that time. The first was that government itself used to collect the customs, *Jagāt* and duties from central offices in help of its own officials or used to lease the customs offices situated far away from the centre in contract to

reliable contractor for customs collection provision. Another provision was to collect all customs duty, *Jagāt* and other duties by leasing its initial collection as well to reliable contractor in both types of customs offices either they were situated in centre or in far distance. Next practice could be to lease all customs offices within the state to only a reliable and trustworthy contractor and to collect duties by assigning and deputing his/her personnel or people in respective customs offices. The act of leasing or contracting any function at that time was called *ljārā*.

The person contracted to collect customs or the officials deputed for this function in that time were called *Jagati* or *Bhansari*. Documents of that time, found in Kathmandu, use the word *Bhansāri* whereas areas in outskirts like Nuwakot, Dolakha and so on, the word *Jagati* was in use.

There were basically two methods adopted while issuing the contract for customs collection. Either tendering or bidding used to take place or King used to give it to trust-worthy people to them. Such contract would normally last for 6 months or up to one year at maximum in some cases (Bajracharya and Shrestha, 2013/ P: 178). Even the officials at central office used to be appointed for six months; and there used to be four officials in central department (Regmi 1966/ P: 537).

As customs collection was based on contract, the contractors would try to

collect maximum amount of money with the merchants. Such coercion often would drive them to argument and disputes between the contractors and the businessmen. That would end up filing a case in the office of the King and requesting for investigation. In some cases, if the contractors were proved of taking over-amount of customs duty, then that would be returned and there would be commitment of not indulging such an offence further (Bajracharya & Shresrtha, 2033/P: 101).

3.14. Customs Policy and Customs Duty

Tax mobilization is the main source of income of the every state. Tax mobilization denotes the amount that should be paid on domestic production, internal trade and on importation and exportation of goods. The system of imposing tax in different ways on agricultural lands, produced grains and materials, animal husbandry, industries, trade, business was practiced since long time or from the advent of human civilization. While exploring the history, we can find that there had been practice of taxation along with many changes in the process of tax collection right after the civilization started. Tax is divided into two types i.e. direct and indirect tax; the tax enforced on foreign trade is an indirect tax.

The sources to herald information and unfold the realities about both direct and indirect tax systems in ancient Nepal are

very less. Even then, there are relatively poor enough sources to give the information about tax system during Malla rule. Based on those limited sources, we can also find that the tax system was more systematic and scientific in Lichchhavi rule than of that in Malla rule. During Lichchhavi rule, government is believed to have adopted the policy of not hurting people through the tax; so they were extremely conscious to adopt people friendly tax system. They used to lay priority to the citizens; due to which, tax was divided to temporary and permanent types. If the citizens could please King through some additional work accomplishment or there were natural calamities or other disasters, the temporary tax would be excused or scrapped. But this scientific handling was not sustained in Malla period. We can analyze that tax used to forge a lot of problems to the citizens. They were compelled for paying tax even on occasions like marriage, performing different sacraments, worshipping, constructions, visits and other functions carried in Palace and by King or other royal family as well.

The information regarding practice of collecting customs duty and determining customs duty on importation and exportation of goods during Malla period, based on available limited sources, can be presented as such.

- a) While exporting the goods outside, that would be put in leather sack then tightened off strictly with seal a

top. Loading it much enough as one person or animal could carry it, the customs tariff would be fixed accordingly on per person or animal load. As an Italian missionary has explained that 40 KG was tentative weight a person could carry thus the equal to same would be counted as one sack load then the duty would be determined. One Nepali had to pay duty worth rupee 9 and a foreigner had to pay worth rupee 15 per person or per animal load.

- B) If any merchant had more than 10 bags/loads then 1 bag/load had to be paid as additional customs duty equal to every 10 bags/loads. Customs officers used to determine the duty after observing situation.
- c) All those porters, who went to Tibet by carrying goods, had to pay Rupee 1 as tax in the customs office of Nepal situated in Nepal and Tibet border on their return. But if the merchants or the porters had brought salt of equal amount (that is Rupee 1 per porter) in Nepal then they did not have to pay the tax of RS 1. There was such a provision in order to get more and more salt inside the country because there was an acute shortage of salt in nation on that time.
- d) Besides the goods loaded and sealed in sack, there was a system to levy customs duty on the export of different animals like bull, buffalo, musk deer, sheep, horse, hawk etc.

For the export of sheep, 1 sheep had to be paid as customs duty for every 50 sheep. The King of Gorkha state, Ram Shah (first quarter of 17th century), in medieval time, had made the provision of levying Rs 3 and 10 'ānā' on export of buffalo and bull, and there was almost same provision of charging customs in Kantipur as well. The King Pratap Malla (1641-1674 CE) had provisioned of utilizing the customs that is earned from selling of bull and buffalo on the worships carried and conducted at various shrines and holy temples (Bajracharya and Shrestha, 2033/ P: 96). Likewise the export of horse, hawk, and borax would attract Rs 1 and 50 paisa as customs duty. On that time, the horse had to be taken in the specific place and stamped before selling them. They had to pay separate duty for stamping the horse and that was called *Chhapauni* (Bajracharya and Shrestha, 2031/ P: 55). There was a great importance of horse on that time. Hence, there was a wide spread business of horse. At the late medieval period, the price of horse was Rs 50 to 95 while the price of *Kamara-Kamari* (slaves) was only 15/16 Rs Nepalese currency. Nepali horses were taken in India in a large number.

- e) As it would stand as much profitable business in foreign trades as well, Nepali citizens had adopted animal husbandry as their important

occupation during late medieval period. State itself had allocated the grazing lands in different place. The ruling family and the rich family used to have lots of cowsheds. Such lands were banned either for selling or keeping as mortgage too. Cow, ox, bull, buffalo, horse, sheep, yak and pig were the key animals domesticated for the purpose of doing business in that time. Cowsheds were made even from the state side as well. Krikpatrick, in his travelogue, has mentioned that there were lots of national cow sheds where a lot of good quality cows were breed in Nuwakot and nearby places (Krikpatrick 1975/ P:179-180). There was an appointment of *Mukhiyā* from the state for the security of such sheds (Bajracharya and Shrestha, 2031/P: 54).

There was even a system of rearing or trapping wild animals then selling them. Wild animals and birds like hawk, musk, boar etc. were sold as well. Shepherds dogs, Dafe or Himalayan monal (lophophorus impejanus), fish, pig etc. were also sold in good price and amount during the late medieval period. A boar was paid up to Rs 15 in Nepali currency.. Besides all of them, the customs duty levied on the import and export of hawk, elephant, horse, clothes made up of wool, cotton clothes, and so on was determined on the basis of total amount gained from the respective sale.

f) if we view on the provision on tariff or rate of customs in the medieval era and till few years after that, it can be noticed that customs duty worth 4 'ānā', 4 'ānā' 2 paisa to 6 'ānā' per sack/bag was collected in iron, tobacco, *Tamakhu* (Tobacco), medical herbs, paper, salt, wool, blanket, borax, on the basis of their export frequency (Bajracharya and Shrestha, 2031/ P:178). Prithivi Narayan Shah's saying 'export the kinds and medicinal herbs and import then save the currencies' as divine counsel makes us to notice that there was a huge export of medicinal herbs in that time. In the same way, duty on export of musk was confirmed on the basis of its weight; and customs duty of 10 'ānā' for every 'sher' was determined. Number of sacks/per-person load carried was considered as baseline to calculate the customs duty in the trade of copper; and customs equal to 12 'ānā' per person sack/load was determined. Even the weed was exported in that time but it was levied with slightly a high tariff than other goods. It has been found that duty up to Rs 1 and 4 'ānā' was taken as customs duty for export of every single load of copper (Bajracharya and Shrestha, 2031/ P:178). The Chinese *Pashmina* (silk or velvet) named *Kochin* was also imported from China to Kathmandu through Dolakha in that time (Bajracharya and Shrestha, 2031/ P: 58).

3.15. Strictness in Customs

Customs duty was the main source of governmental revenue so, there used to be strict regulations in customs. There was no chance to import goods without paying the customs duty known as *Jagāt*. According to Christian religious priests and preachers as well as clergies, the merchants often would love to use the alternative way to hoodwink the government and would try to escape from customs duty or evade it. According to Capuchin priests, noblemen and trade lords from Newar community would prefer to take an alternative route to escape from customs duty because they were often bothered and tortured from customs staff in Indian border when Nepalese traders would come down to Terai for business (Levi, 2005/P:77). But it would be very challenging and risky try. Selecting an optional way was impossible for the businessmen because they had to take many porters with heavy and huge sacks and loads for business and themselves had to walk in big group. Further, if they were caught while trying to use this method then they would be severely punished and their whole goods would be confiscated. Road itself was the third problem in trying this risk. Taking such alternative road would pose the fear of wild animals' attack and of the looters as well. Besides, it would take many days to travel. They had to incur extra cost for loading and fooding due to sloppy and highly bending roads. So the traders, who had large business, would not like to bear this risk on excuse

of saving a little by escaping customs duty. Some historical *ānāls* have mentioned some such of incidents were rarely taking place. A state-level offer in 1757 CE called *Dharmapatra*, to Prithivi Narayan Shah by Jayprakash Malla too justifies it (Pokhrel, 2043/ P: 138-39). The government had provision of cross monitoring and they used to check by visiting different places quite often. Such persons for cross-monitoring and spying were known as *Chharidar* in medieval era. They were even entitled with the power to punish if any mischief (illegal activities) was noted.

3.16. Provision of Customs Exemption

Even there was strictness in customs duty management and the amount collected from customs was the main income source for King, the ruler were highly concentrated (watched, guided, collected) and properly alert to detain wrongs and inadmissible deals or mis-affairs at the point for customs duty collection. There would be intermittent changes on tariff nonetheless ruler would be attentive not to cause further harm and degenerate in this deal. There was the provision to return the amount if paid high than needed. There were some examples of granting excuses and exemption on the customs duty as well. There was the system of offering exemption on customs duty as per the special time and situation. This system continued till medieval period too. The *Dhami* group of Nuwakot got the

privilege of business from Tibet to Tarai even without paying duty or *Jagāt* after Prithivi Narayan Shah conquered Nuwakot in the period of unification campaign. Prithivi Narayan Shah ensured this comfort by expecting some support from them. A letter written in 1749 CE mentions that traders were accepted exemption or facility on duty while bringing Yak's tail, *horse*, *Harital*, gold, etc to Nepal through lane of Kuti. Likewise, belongings and materials to excellencies Kings of different countries were also considered duty free, as mentioned in a document (Bajarcharya and Shrestha 2033/P: 70). A letter mentions that once few Tibetan coming from Tibet with musk deer and other goods had entered Nepal without paying *Jagāt* or customs duty and they had replied as that the goods belonged to the King when they were asked for customs duty (Bajarcharya and Shrestha, 2033/P:67 article section).

3.17. Clearance of Goods and Permission for Export

The Christian priests have given the adequate information about examination and cross-verification system on imported and exported goods in the medieval period. Person who wanted to sell the goods in external market had to inform the customs duty office. After information, minimum two officers from the office would move to examine goods and determine the customs duty. After examining goods, they would make merchants to put all the goods into the

big bag made from buffalo's leather and tight it with rope then would stamp on it. Next day, the officer would verify the previous bag if that was accurate and as it was. If it was fine then the officer would re-stamp near the previous stamp and could allow exporting the goods. In case found any fault then they again thoroughly would re-check the goods. The goods could be exported after only that examination/inspection. No one at any other customs posts or security checkposts would recheck the goods when the central customs office had stamped on it; but it would be verified at every next check-post if the stamp was precise and accurate. If they found any mischief they would check the goods and punish the culprit as per the volume of fault. On reaching at the final customs point, all the goods in sacks would be thoroughly examined and cross-tallied with the lists enclosed and it would be allowed to pass beyond border only ensuring that everything was fine and intact.

Everyone including occasional trespasser or regularly commuting merchants had to have check-up of their luggage and baggage in every passing-by check posts as well. In case having the goods of business motive, they had to pay customs duty as determined by the customs officials. Christian priests have explained that their luggage and goods were repeatedly and regularly examined in almost check-points on doubt if they were too businessmen.

3.18 Imported and Exported Goods

The flourishing trade relation of Nepal towards Tibet and India, during the medieval period, has been widely enumerated on many pages prior to this one. In the context of goods exported from Nepal to Tibet about the end of 17th century, an American businessman Hovannes Joughaytsi has remarked that the goods exchanged between Nepal, Tibet and India contained of 174 categories in addition to the few prominent commodities.

The primary commodities exported from Nepal to India during then included unrefined wool, woolen clothes, skin of animals, wooden art works, musk, iron sword, Yak's tail, horses, silk and various types of silk clothes, gold and so on. The export of musk had high significance from ancient time and was consistent till medieval period as well making no down-falling curve on its trade. It is said that there was competition between musk of Nepal and Kashmiri Musk during Mughal dynasty rule in India (Regmi, 2026/ P: 150). There appeared wide diversities in the goods imported from India in medieval age. The material of voluptuousness and decorative things were widely imported together with species and textiles/clothes. Such commodities were channelized from different cities of India. Kashmiri scarf also got its larger export in Nepal in later phase. Since ancient time, Kashmiri shawl was popular in international market as in France and Britain as well (Panta, 2029/ P: 65).

Then, as Nepalese were showing a growing interest in Kashmiri scarf, it's countersense with woolen scarf had widely appeared in the market.

Rice, wheat, barley, chilly, pepper, ghee, garlic, ginger, condiment and other edible items together with iron sword, healthy horses, Buddha's sculptures and other hand written treatises were the major commodities exported from Nepal to Tibet during that period. Since most of the Buddhist priests and monks travelled to Tibet in early medieval era and it was flourishing in Buddhism, the stature made of gold, silver, copper etc. as well as *Stupas* and writings related to Buddhism also were having an extended export to Tibet. On respect to high volume demand in Tibetan market, Buddha's idols with different modifications and having many hands and features were being regularly made in huge number. Several heads and hands were added in the Buddha's idols. As its market increased, Nepalese artists sculptured the idols by staying in Tibet too. The export of horses of good breed was also heightening between Tibet and Nepal; and Tibetan horses also were sent off up to Bengal through route of Nepal.

Even till the late medieval era, there was no change and decline in the commodities that were widely exported in Tibet from Nepal, rather it was increasing continuously. Besides from these above mentioned commodities, creatively made wooden and pottery art, handwritten treaties on gold and silver relating to Buddhism, *Pauvā* (scroll)

paintings, artistically designed gold and silver made jewelry were an exciting addition in export to Tibet that was in practice from late medieval era. Besides that, Nepal continued in hugely exporting the products like rice, wheat, barley, chilly, beans, pepper, oil, garlic, ginger, onions, condiment, big utensils made of copper, crude clothes etc till late medieval period as well in addition with the products and the edible items being regularly exported and that had earned its market since ancient and early medieval phase. The number of traders between India-Nepal-Tibet had profoundly increased till late medieval period. And the goods exported from India included perfume, designed clothes, goods related to voluptuousness and pleasure then those were traded to Tibet through Nepal (Dhungel and Pradhanang, 2056/ P: 168). While observing antique commodities inside Malla palace, it makes clear that many Chinese goods like number of clay-made toys and tools of decorations in Chinese style, knife, swords, *Katari*, plates and dishes were largely imported to Nepal from Tibet. As expensive Chinese clothes and play-cards were brought into nation in medieval period, it can be inferred that the tendency of using much expensive and ritzy products had been common among aristocratic lords during late medieval era.

In ancient time, wool, gold, silver, silk thread, silk clothes, and salt were the main items imported towards Nepal from Tibet of China. Wool was the topmost popularly old and important item among others which used to be exported from

Nepal towards India. Nepal reaped lots of benefit from wool, imported from Tibet, till trade between Nepal and Tibet had strong influence from side of Nepal. But it is also seen that there was one of the treaties between Tibet and Ladhakh in 1684CE. According to this treaty, Ladhakh had taken unchallenged right to buy the wool from western Tibet for the purpose of manufacturing the wearing scarf whereas there was the system that those *Ladhakhi* people could sell that wool only to Kashmiri people (Panta, 2029/ P: 68). The feature of wool from Tibet was that it was needed not to be painted. The sheep in Tibet used to be in black, white, yellow, gray with mild blue, and in others colors as well. Therefore the wearing scarf made by the people of Kashmir was highly popular not only in India but also in France, Britain along with others region as well. During the late Malla period in Nepal, the export of woolen scarf/clothes from Nepal to India was also seen to be decreased due to the import of such Kashmiri scarf after that treaty.

Besides wool, the things like valuable stones, *Yak's* tail, leather outfit, herbal medicine, sheep, and hilly-horse were also imported excessively since the ancient time. Some of the Indian historians have given details that there was excessive demand of Tibetan and Nepali horses in the market of Bengal as well. From ancient time to till the advent of early-medieval age as well, there can't be seen any changes in the goods being imported. While coming to this age, it is found that gold, silver, silk thread, silk cloths, salt and wool used to be imported

whereas simple and normal designed silk cloths along with gold attached silk and cotton clothes as well as high qualitative colorfully designed silk cloths were the major items being excessively imported from Tibet. These items were exported to India and its main cities in excessive amount and fewer amounts would be consumed in Nepal itself. The items like raw and unrefined wool, woolen made cloths, woolen blankets, sheep, horse, donkey, animals' leather, Yak's tail, salt, etc., which were being imported in Nepal since ancient period, got continued in the same way till the medieval period as well. Among these items, not salt but all the items used to be exported in the different cities of India. Talking about horses, the best breed of horses of Nepal were exported to Tibet and China; and some breeds from Tibet as some others even from mountain region of Nepal were transported to India for sale through Nepalese trade route or the ways. Kirkpatrick, who came to Nepal some years after the end of medieval age, has reported that all the items mentioned above along with other items were also imported to Nepal from Tibet in medieval age. These items included dogs, alum, *chakor*, *Fadkiri*, *Gandhak*, lophophorous, Galliformes, various herbs, tea, pearls etc. Most of the herbs which came from Tibet were exported towards India.

From the above mentioned list, it is clear that Nepal used to import items from India and then export it to Tibet and import the items from Tibet and then

export it to India. The items such as gold, musk, silk, wool, woolen clothes, tea, borax, etc were mostly imported from Tibet and then exported to India. Similarly, pearl, Muga-silk, amber, cotton and silk cloths, *Pani-biralo* (*water cat*), and its skin, sugar, spices, tobacco, *Neer*, *Affim*, utensils made from British glass i.e. fork and spoon etc were imported from India and then exported to Tibet. Nepal's own production such as brass, iron materials, rice, chilly, wooden and metal artistic scriptures were mostly seen exported outside.

By sensing the enormous profit gained in foreign trade, even the people from royal families, high level officials and many others people got involved in this business. As the state could also get hugely benefited from this business, the state too paid high interest in uplifting the foreign trade. Nepal reaped sufficient benefit from the Nepal-Tibet treaty agreed in 17th century. Nepal mainly gained excessive advantage from the Entrepot trade rather than export based supply of its own production. Nepal operated business by exporting Indian materials to Tibet and Tibetan materials to India. During the medieval period, Nepal was divided into different states and each state had their own rules, due to which the trade also did not have solid uniformity. Even the small misunderstanding and dispute would lead to conflicts, fights and war as well; due to which, the customs system during the medieval period was not as ideal and pragmatic as in the ancient time.

CHAPTER FOUR

Foreign trade and Customs Administration in Modern Period

The modern period of Nepalese history had begun after King Prithvi Narayan Shah defeated Kathmandu valley in 1769 AD. Export-import trades and customs system of modern era, described throughout this chapter, is divided into two phases for the convenience of reading. They are era of early Shah regime (1768-1846 AD) and era of Rana regime (1846-1951 AD) respectively.

4.1 Foreign trade and Customs administration in Early Shah Period

As Nepal was a unified country in ancient time thus there was a uniformed policy and rules for trade and business throughout the country. The trade policy as well as rules and regulations during that time were based on ancient traditions and practices and it was well managed as well. Nepal was divided into more than fifty petty states in medieval period so the existing rules and regulations also differed from states to states hence it got messed up to a great extent. In the period between 1645 and 1650, King of Kathmandu (Pratap Malla) sent an army commanded by his brother Bhim Malla who forced the then ruler of

Tibet to come to the peace settlement. By this settlement, Kathmandu valley had got special privileges of trade and trade in Tibet. The Newari merchant community of Kathmandu valley was permitted to establish 32 trading houses at Lhasa. Tibet also agreed not to impose any charges or customs duties on Newari merchants who were engaged in the trade with Tibet (Rose: 1971). In this treaty, Tibet also agreed that all trade with India would be channeled through Kathmandu valley. After this treaty, Nepal had also gained monopoly over the lucrative entrepôt trade between India and Tibet. Nepal had enjoyed a huge volume of benefit from those privileges. But due to lack of vision and clear short-sightedness of vainglorious rulers, foreign traders also got involved in business through Nepal so that Nepalese traders began losing their virtual monopoly on trade with Tibet. Prithvi Narayan shah was also acquainted with the importance of lucrative trade with Tibet. Kathmandu valley was the centre of entrepôt trade of the trans-Himalayan region so he was determined to gain a virtual monopoly on the trade between India and Tibet by seizing Nuwakot, one of the major trade route to Tibet from Kathmandu valley.

After defeating Kathmandu valley, King Prithvi Narayan Shah made Kathmandu as its capital and began to rule over the entire country from here. Kathmandu now became the centre of Gorkhali administration. Although, during his lengthy and time-consuming unification campaign, he performed almost all administrative functions stationing at Nuwakot instead of the capital city of Kathmandu,

Right after defeating Nuwakot in 1744 AD, Prithvi Narayan Shah tried to take control over foreign trade between India and Tibet through Kathmandu valley. He had immediately adopted following strategies for the mission;

- a) To bring *Gosai Sanyāsi* (Kashmiri Hindu merchants) in his favour because they were good at business.
- b) To guarantee security of traders involved in India-Tibet trades.
- c) To use his coins in Tibet as Malla Kings had done.
- d) To act to restrict foreigners' interest in internal and external trading, etc.

Prithvi Narayan Shah tried to get *Gosai Sanyāsis* (Kashmiri Hindu merchants), who were good in India-Tibet trade from the time of Mallas, in his favour and support since early. According to some of the documents of 1749 AD, Prithvi Narayan Shah facilitated *Gosai Sanyāsi* to bring Yak's tail, horses, *harital* (godanti), gold, etc from trade route of

Kuti and exempted the duty on these products as well as provided them security as well (Bajracharya and Shrestha, 2033 B.S./P:70-71). This facility of customs duty exemption was granted to *Lamas* as well together with *Gosai Sanyāsi*. Buddhist monks of monasteries also used to do business in Tibet like Saints from shrines. Prithvi Naryana Shah considered a concession on customs duty to *Lamas* as well through a royal seal called *Lālmohar* in 1773 AD (Nepal, 2040 B.S./ P:203). Further, he also allowed Kashmiri Muslims to trade with Tibet through Kuti route after maintaining the control over customs duties of trading commodities. He also made effort to ensure security to the merchants engaged in trade with Tibet as well. The merchants used to get robbed at that time and looters would pose a huge threat. Right after defeating Nuwakot, he had started a campaign to control robbery on the trade route from India to Tibet passing through Nuwakot (Tewari et al 2021 BS/ P: 78). On capacity of being a sovereign ruler, Prithvi Narayan Shah minted his own coin from Nuwakot and attempted to gain a foothold in the lucrative trade in currency with Tibet (Rose:1971). For this purpose, he sent a mission to Tibet with a large number of newly minted coins and asked Tibetan government to bring these pure coins in circulation instead of debased Malla coins. It was done so because Prithvi Narayan Shah knew the implications of the value of currency trade with Tibet.

Prithvi Narayan Shah (PNS) had adopted a policy of exporting currency to the North and buying gold in its exchange then selling that gold to the merchants of India and buying silver from them and ultimately minting coins from the same silver and again exporting them to Tibet. Since Tibetans had good relation with Kathmandu valley from very beginning, they didn't easily entertain the collaboration with Prithvi Narayan Shah. The currency of Malla Kingdom was widely circulated in Tibet from the very beginning, so they didn't trust the new currencies from Prithvi Narayan Shah. Hence Shah did not have a landmark success at early in this effort. Therefore, he deputed Pandit Hari Dev Upreti and Jamadagni Upadhyaya on capacity of royal envoy to Tibet for opening negotiations with the Tibetan authorities on these issues and get these ruffle resolved for facilitating the trade further. Having an official conversation with Tibetan spiritual leader both parties agreed on issues, and Tibetan spiritual leader Rin jin Chhimbo issued a *Dharmapatra*⁴ (treaty) fixing the

⁴ The biggest surprise is that the *Dharmapatra* written by Tibetan religious leader or *Dharmaguru* Rinjing Chimbo to Prithvi Narayan Shah in 1811 BS has not been found yet, either an original or any other duplicate copy of it. After the death of Prithvi Narayan Shah, his son Pratap Singh Shah had immediately ordered one of his trustworthy courtiers Mr. Sura Sing Rana to search for that letter. His order to Rana can be briefly summarized as "Where is that letter written by Rin jin Chhimbo Lama to my father? The letter is thick with larger font size and lengthy content. The letter may also contain royal seal. That letter has huge importance so find that letter and bring it to me any way"

exchange rate of gold to silver minted coin (Bhandāri, 2022 BS/P: 49-50).

Right after that '*Dharmapatra*' (treaty) was exchanged, Prithvi Narayan Shah started buying gold from Tibet in exchange of pure coin minted in Nuwakot. He had thought of involving in gold trade with Tibet through mediatory traders but later on got himself tangled in trade thinking to reap maximum profit. The Gorkha King, however, was not fully successful in his endeavours. So he took another strategy and tried to participate in the profitable commerce with the collaboration of Malla King of Kantipur, Jay Praksah Malla (Mishra: 1991). These two contemporary big powers had a *Dharmapatra* (treaty or agreement) in 1757 AD. A *Dharmapatra* (agreement letter) sent by Jay Prakash Malla to Prithvi Narayan Shah, on 23rd Poush, 1814 BS (3rd January, 1758AD) Tuesday, on this matter is found and it has mentioned the following; Gorkha and Kathmandu would share equally in the minting of coins for Tibet; all gold, silver and currency brought either from Tibet or India would be shared between the two courts; representatives of both Gorkha and Kathmandu would be stationed in Tibet and all loads of goods would be jointly inspected. But this treaty didn't last long.

Following this accord, Indian buyers were desperate to buy gold but Kathmandu was not able to send the pure coins and currencies due to shortage of silver. Thus, Shah thought to

buy the gold even by sending the pure currencies he had had. Owing to the effort, Jay Prakash Malla alleged Gorkha of breaking the agreement. No further agreement was done after this incident. It was also not easy for Prithvi Narayan Shah to resolve the currency issues in favour of Gorkha Kingdom. Since long time, Mahendra Malli coins were in use in Tibet. The new currencies from Shah were not easily accepted by the merchants thus he had no success as imagined. But Tibetans too had no option because the trade routes had already been under the control of Prithvi Narayan Shah. They were on their tough times and without option in using new coins but the questions linked with the debased coins of Malla period were still unanswered.

Prithvi Narayan Shah got victory over Kathmandu valley in 1768-69 AD, and tried a lot to improve and better the trade relation with Tibet. Nonetheless the trade relation to both Tibet and India surfed into some difficulties due to the debased currencies minted at the end of Malla regime that appeared in Tibet. PN Shah had adopted the policy to improve the trade relation with northern neighbor Tibet and the southern neighbor British India. But, his main trade policy was to export rather than to import. He had tried to discourage the import of foreign luxury goods and to increase the export of goods to India even by ensuring the redemption on customs duties and other charges. Apropos to the intent of ending the influence of foreigners and the

foreign goods in trades and prioritizing national interest over foreign on ground of increasing export over import, PN Shah prohibited any foreigners to enter Nepal through Gaudh Parsa. Similarly, foreign fabrics were banned and Nepali fabrics were promoted. PN Shah had also focused on selling the herbs from Nepal and earning the foreign currencies. These things are also included in his divine counsels (*Divyaupadesh*). He had a policy not to allow any foreigner enter within the territory of Nepal at any cost and excuse. In agreement letter written to Tibet, PN Shah had manifested his interest in opening the factories and trade marts across the border of Tibet and providing them with the Nepali clothes together with other merchandises and products imported from Bengal (Regmi, 1968/ P: 147).

In 1774 AD, George Bogle had been to Tibet to study about the probability of trade relation between British India and Tibet then he had written a letter to British authority at that time. The letter that he wrote from Lhasa shows that there were only two small trade marts of Kashmiri Muslims in that time and they were in huge confusion and state of helplessness (Markham, 1876/ P: 127). This reality is also proved by the letter sent by Tibetan Lama to the new King of Nepal (after the death of P. N. Shah) immediately after the latter's succession to throne. Tibet had resented on Prithvi Narayan Shah's policy and paid disapproval on it as well as had passed

an indication that the implementation of such policy could be a reason for creating hurdle for external merchants to come in Nepal (Markham, 1876/P: 127).

In fact, he was of views that if external merchants were permitted to enter to the country for trading purposes then that would lead huge effect on National economy. Prithvi Narayan Shah's very policy was further taken along by all other Shah Kings as well. But there was no positive outcome of such policy initiated by Prithvi Narayan Shah. It seems that though he had thought to capture and influence Tibet similarly to that of Malla period, the conditions were not that simple and as easy. There had already been the rule of East India Company, who was experienced and powerful in business sector, In India. Furthermore, East Indian Company Government was seeking an opportunity to flourish their trade with Tibet by using various alternative roadways or by any other means. Hence, British consular had reached in a conclusion that trade between Nepal, India, and Tibet was not in position to flourish in a way it was expected to and it was so due to the break on traditional trade method (Markham, 1876/ P: 127). Though Prithvi Narayan Shah had made lots of policies and strategies, none of them reaped fruits till he died, at the age of 52, in1774 AD.

It can be seen that there had been a trade treaty with Tibet, right after the death of Prithvi Narayan Shah, during

Pratap Singh Shah's regime in 1775 AD. (Treaty agreement collection/ P: 72-73). Actually, it seems that an immediate treaty as far as possible was tried as New King's consultants didn't want to provoke and peeve Tibet further. Treaty was done within Nepal's territory i.e. in Khasa and the treaty was named as Khasa Treaty 1775 AD. Some of the key details of the treaty were as such:

- 1) Coins of the proper (i.e. traditional) alloy would be sent to Tibet by the Nepal government as per the prescribed specimen. If other Kings sent the coins similar to that of Nepal then Tibet had to stop them. If anybody brought such coin then Lhasa had to punish them and had to handover coins to the Nepal government.⁵
- 2) Exchange value of Gold and Silvers would be jointly determined by the representatives of both the nations. If it is not done so, both nations' business merchants had to decide the exchange rate in mutual understanding.
- 3) The eastern and western "Madhes-parbat" (plains-mountain) routes to Tibet should be closed even for "Sanyāsis"(Gosains), Madhesis and Māhājans (merchants). They had to

⁵ It can be found that, after the very business treaty, there was huge increment in minting of coins in Nepal in order to send them to Tibet. According to one study, there was the use of more than ten lakh carat of silver for the purpose of minting coins within two years after the accomplishment of treaty (Baidhya and Manandhar, 2053 B.S./ P: 31).

take gold and silver only from the routes of Kuti and Kerung. If they tried to take through those other highways except agreed, Nepal had to restrict them inside her territory and Tibet had to do same inside her territory.

- 4) The position of the Newari *Mahahans* (merchants) and shopkeepers in Lhasa should remain unchanged. Nepal could appoint *Naike* (representative) as per previous practices.
- 5) In case of default, the defaulting party would pay to the defaulted party 50 *dharnis* (125kgs) of gold as compensation.

In this way, according to Khasa treaty of 1775 AD, Nepal had to supply the coins only as per the specimen, form and pattern decided by Tibetan government; and such coins could be used throughout Tibet. Similarly, then onwards, Tibet was allowed to conduct trade only through two trade routes Kuti and Kerung, respectively. Due to this provision, Tibet was not allowed to keep trade relations with the principalities of western Nepal i.e. Lamjung, Parbat, Jumla etc; and, similarly, Nepal was also not allowed to keep trade relations with Lamabagar, Kimathanka, etc i.e. in eastern part of Tibet. Another most important part of this treaty was that the *Naike* (merchant leader) of Newar merchants, who used to stay at Lhasa and Sigatse for business purpose, was treated as trade consular on behalf of

Nepal's government as that was in practice since Malla period. This provision of the treaty had also ended the fear of Newar merchants, who were staying in Tibet, in regard to their future. There was the provision of huge compensation/penalty so that no one could disobey the provisions mentioned in the treaty.

In the very treaty, Pratap Singh Thakur (Thakuri) is mentioned as the person to manage and coordinate for treaty on capacity of *Taksāri or Bhansari*. Though the *Bhansār* (customs) and *Taksār* (department of Mint) were two different departments, the task of both departments was given to the single person since the Malla period and the same provision can be seen to have been continued till the beginning of modern era too. And even the important role played by mint office and customs commissioner can be easily sensed. In a document published in 1790 AD, an individual named Jaya Narasingh is addressed as both *Taksāri* (mint office commissioner) and *Bhansari* (customs commissioner) respectively (Shrestha, 2073 BS/ P: 68).

But, there were no conditions mentioned in that treaty about the sustainable improvement on the subject of long term commercial relation between two countries; and only using trade route from Kerung and Kuti, out of very long east west border, was also not much practical deal. Hence, the strategy of Nepal to close the other border passes

except Kerung and Kuti not only failed but also forced Tibet in opening another trade route through Sikkim. When Tibet started to use the way through Sikkim, Nepal incurred huge deficit in trade and even had diminishing status on almost solo control and monopoly status sustained in trans-Himalayan trade. Similarly, the British India also got a chance to bargain with Nepal. The treaty also failed to solve the problem of debased coins, as it had been omitted in the treaty. This problem had remained unresolved. Due to this main reason, the treaty didn't make its effect lasting and enduring. The unresolved issues of debased coins and its exchange rates ultimately caused a war between Nepal and Tibet in 1788-89 AD; and the confrontation ended into an accord. And as per the treaty of Kerong after that war, the trade routes through Sikkim and Bhutan were closed; and the commercial relation between Tibet and India was supposed to be completely carried only via Nepal. So, Nepal again revived a chance to play a significant role in international trade. But the treaty signed after Nepal-China war (1791-92 AD) posed the problems in trade which was conducted only through Nepal, however, the trading activities were continued even after the war to some extent.

An agreement was also signed between Nepal and British India in 1792 AD. In fact, Nepal had concluded this treaty with British India expecting to get help on the war against Tibet. But British India was not interested in any military support

to Nepal against Tibetan war rather to her trade to Tibet through Nepal. So, Nepal didn't give much importance to the treaty with British India. On the other hand, British India had made continuous effort to implement the provisions of the treaty of 1792 AD. British India government wanted to supply their goods through Nepal after this treaty, and ever tried to get involved in trans-Himalayan commerce themselves. The easiest route for British India to expand her trade to West China could be through Nepal. But this was not possible due to the existing policy of Nepal towards British India. Nepal had extended permission to the British India government only to export Nepal's own domestic products like turpentine, woods, ghee, and other products (Regmi, 1971/P: 149). But, the ratio of Indian merchants entering into Nepal was taking a high rise after the *Sughauli* treaty. Though there was not even a single Indian merchant recorded in Nepal in 1816 AD, there were an excessive number of Indian traders in Nepal by 1829 AD.

Annual customs duty was the main sources of revenue of Nepal Government during Shah regime. In fact, there was need of a huge amount of money while expanding the territory of nation and carrying the unification campaign thus tax and tariff levied on traded merchandises was the only medium to fulfill that need. Hence, departments of customs were established in major trade points and

gateways in north and south border of Nepal in order to collect tax. Exploring the then documents and references, Kathmandu seems to have had a head customs office and there were some more customs departments established for the business in east and west. Evidences evince that customs offices were established at Dhankuta and Chaudandi in the east side and at Palpa and Doti in the west side. In the in case of Terai region, some trusted persons to royal family were entitled to collect customs (Baidha and Manandhar, 2053BS/ P: 46). A separate office named *Bhot Bhansār* was established to collect the customs duty on import and export with Tibet. That office was governed by *Takshari* at the central level. *Takshari Bhansari* was granted with responsibility to conduct, take good care of the trade in Tibet and have delegation cum discussion with Tibet on the capacity of royal representative on behalf of Nepal's government (Shrestha, 2073 BS/ P: 68).

The people from northern districts of Nepal used to import and export goods from and to Tibet. There are some historical evidences that show the government used to collect customs duties from these goods. One similar evidence from a document of 1743 AD includes *one patta purji* issued from Nuwakot customs and that briefs about tariff together with grant of *Trislala ljaaraa* on goods traded with Tibet (Gyawali, 2045 BS/ P: 7).

At the advent of modern era in Nepalese history, people of Terai were excessively engaged with and inclined to India in regard to commercial affairs whereas people in northern part were significantly engaged in trade with Tibet. Basically, Tibet was the main trade centre for the people of Kathmandu. Kodari (Kuti), Rasuwa (Kerung), and Thak were the best passes through mountains for trade to Tibet. A Capuchin priest, Desideri, has mentioned in his travelogue that there were many rich merchants with large houses and warehouses in Kutti, they would receive travellers in their houses, provide animals, men and anything they needed, and help them pass their goods through the customs houses (Stiller: 1995/ P: 27).

As per description of Capuchin accounts, Nepal had its own mechanism of customs since prior to the advent of modern period. They had also mentioned in their accounts about the then customs process and procedure as well. As per their note, the customs inspectors used to come to the factory to inspect the merchandise. Inspected good were then roped up, given official seal, and wrapped in a buffalo hide. The following day the customs inspectors would again visit the factory, confirm the original seal, and then add a second seal to the outside of the package. Once the package would be brought at the border, the seals were inspected, and if they were intact, the goods were allowed to pass.

The customs duty at that time was levied on the basis of Rs. 4.5 (9 *Mahendra Malli Mohar*) per maunds of goods. Besides this, the every single merchant as well as a porter needed to pay passport fee. Customs on clothes and metal handled by non-Nepalese was about sixty per cent higher. The passport tax on Europeans was fifty *Mahendra Malli*, while for others it was two and a half. Traders had to pay much *Tang* (Tibetan Currency) in the Tibetan side too. Newar merchants, however, were charged less by the Tibetan customs authorities than the other merchants (Stiller, 1995/ P: 17). Even though the the export to Tibet of the goods manufactured in Nepal was very limited in quantity, the method used for inspection and assessment of the merchandise was very lengthy and time-consuming. In this way, accounts of Capuchin supply significant information about the then customs mechanics and processes applied in case of Nepal Tibet trade.

Kirkpatrick published his book entitled *An Account of the Kingdom of Nepal* in 1811 AD from London after his visit to Nepal in 1792 AD. This book describes about *taksāli* in course of talking about the administrative system of the then Nepal. *Takslai* was the superintendent of the department of Mint. And the book explains that *Takslai* would even get some commission from the customs collected from export to Tibet; and also, he would get some amount as a commission from the fees and duties

collected from the merchants who would trade goods in Lhasa, Digarcha, or any other parts of Tibet (Kirkpatrick, 1975/P: 201). This shows that even *Taksāli* too worked as an officer at Customs in Nepal Tibet trade affairs. Actually, *Taksāli* was central officer regarding coins and currency at that time and he had rights to involve over all the customs and trade affairs with Tibet.

4.1.1. The Goods Imported from Tibet and Customs Tariff

It has been found in one document that after Nepal-Tibet/China war of 1792 AD, Chinese commander in chief Tungthwang had fixed the rates of customs tariff for the different goods. The document mentioned that there were customs officials on borders deputed from both countries and traders were permitted to export and import goods after collecting the customs duty followed with getting their merchandises properly inspected. In Nepalese side, *Bhansaris* (customs officials) were stationed at border to collect the duty, in Tibetan side, customs duties were collected by local chieftains known as *Dhewā*. But Nepal government had circulated a decree stating to collect customs duty only having compliance with previously indicated and determined tariff as customs officials from both countries were frequently noted of practicing intermittent fluctuation on tariff while collecting the duty. Even the Tibet government, on request of Nepal government, too issued a sealed

circulation to their locals instructing them to collect customs duty only as per the previous agreement.

Sheep, hawk, horses, salt, wool, blankets, Yak's tail, Borax, fragrance, musk, medicinal herbs, cards, suitcase, bronze, oil, ghee, leather of tiger, leather of leopard, wild boar, etc were the major goods imported from Tibet in that time. The tariff on all these goods was 50 paisa (eight *ānā*) at maximum and 1 *ānā* (50/8 *paisa*) at minimum.

This letter makes a hint that Nepal used to collect customs duty in that time from some key customs outposts like Nuwakot Customs, Markhu Customs, Shyafru *Jagāt*, Timurya *Jagāt*, Goljunj *Jagāt*, Timurya, *Taksār* and so on. Words *Jagati* and *Bhansari* were used in that document as well. Besides having a clear indication and use of word customs, that document uses both the terms *Bhansār* and *Jagāt*. This proves that customs system was in practice even in Shah era as well.

Maulvi Abdul Qadir Khan and his party was sent to Nepal in 1795 AD and stayed about six months here in Kathmandu in order to study about the probability of involvement of British India in Nepal-Tibet trade. He assessed the total import export trade transactions of Nepal and submitted a report to British Indian government. In his report, Maulvi Khan also gave the specifications of the articles of merchandise that could have high demand in Nepalese as well as Tibetan market if exported from India

and even mentioned about the profit margin that may have been drawn after selling these goods. According to Maulvi Khan, goods like broad cloth, coral, pearls, cotton cloth, conch shells, Bengal raw silk, woollen carpets, looking glasses, knives and scissors, brass scales and weights, nutmeg, cardamums, assa foetida, sandal wood, googool, allum, chohara, Benares kumtchaub, silk and cotton piece goods, cotton staples, shield made at Murhidabad and Sylhet, tobacco, Benaras sugar, indigo, kurua cloth etc had huge demand in Nepal and Tibet; and sale of such products would turn highly profitable as well. It was estimated that selling those products in Nepal would herald about 25% profit, and about not lesser than 60% profit if sold in Tibet, respectively (Chaudhari, 1960/P: 90-91).

According to the available historical evidences, it seems that there were two types of trade practices in Nepal, one external or entrepôt trade and the other was inter-states trade within the country. In both types of trades, customs duty was levied and goods would be strictly examined on import and export. The system of import and export further developed strong once the practice of local market/bazaar called *Hatbazaar* became popular in Eastern Hilly region, especially in between 1816-1839 AD (Stiller, 1976/P: 120). For collecting revenues on import export trade of both types, two different systems of customs mechanism were in practice at that time.

One is internal customs and the other is external customs. This system sustained as one of key practices even till few decades later after the end of Rana regime.

As the southern part of Terai was connected to India and it was rich in agricultural products, those goods had an extension of market up to Patna and Mursidabad besides border connected small towns and country-sides in India (Regmi, 1999/P: 20). Historical evidences show that even the production of hilly region would get into the market of India through use of trade routes and bypasses passing across Terai region. Since the ancient trade to India, which would go starting from Jumla to Dullu to Surkhet, was still the arch lane for trade till 18th century, it shows that there was trade between India and Tibet through this route of Nepal. Butwal, which lies in Palpa state and was one of key trade marts in that time, was regarded as the main centre of trade for Tibet, Bhutan and India too (Regmi, 1999/P: 20). Such trade activity was a turning point for the people of Palpa as they could earn a lot from this by levying customs duties. One of the British authorities has discussed about Gorakhpur district based traders with a lot of merchandises reaching to remote hilly area called Malewa for trade in 1918 AD (Regmi, 1999/P: 21).

After the unification of Nepal, government has seemed of trying to bring improvement in internal trade; and probably it was due to realizing the huge

profitable potential of trade into whole economy of the state. In 1792 AD, there was an attempt to revisit on the provision that traders had to get their merchandises cross-examined while having inter-provincial export and import. As the system was posing plenty of problem to traders, it was exercised so. And, this effort ensured the existence of customs at that time.

Prithvi Narayan Shah tried to improve then extend the trade relationship with Tibet after conquering Kathmandu valley but he did not pay any noticeable concern to expand the trade relationship with British India. Prithvi Narayan Shah signed a treaty with Tibet in 1744 AD and secured the rights of minting and sending coins to Tibet in exchange of gold and silver nonetheless trade relationship between Nepal and Tibet with virtual monopoly of Nepal could not exist long because of British traders' increasing access and flow in Tibet.

There was relatively small and negligible export of Nepal produced goods but Nepali traders were heavily involved into trans-border import and export with exchange of products made in both Tibet and India. The in-house produced main items in that trade would include metals, skeleton based materials, wooden utensils, homemade clothes. Besides these, garlic, red-chilly and herbs were other key and most produced items. Tibet had products like Borax, mule, Yak's tail, and musk; and those were sold in India.

In one of the chronicles written by a Christian missionary in 1740 AD, it was mentioned that Nepal's foreign trade was in dominant control of some Royal family and some high class trading people (Regmi, 1965/ P: 511).

Patna city was regarded as the major center for trade in India during 19th century. The merchants of Patna used to sell the clothes, silk, muslins, spices and the daily consumable goods (also cosmetics products) in Nepal too. In return, they used to buy and take the waxes of the honey bees, gold items, woolen items, medicinal herbs, musk, tail of the yaks (bull tails), etc. At that period of time, many Nepali traders also went to Patna and engaged in trading (Bakshi and Chaturvedi: 2007/P: 45). As per the writings of Buchanan in 1811 AD, 24 local business agents (banker) also used to involve into those types of trades together with helping those traders in need. They had placed agents into different stations. Among them, one of the agents was in Nepal as well. He used to look after the payments on all the goods.

Being more focused on the unification campaign during the period of six decades from 1767 AD and onward, the Shah Kings were not able to pay much attention in the economic development of the country. However, at that time, the economic growth was taking an increasing curve since Terai stood as the enriched source of the agricultural products and the economy was

accumulated from the benefit out of the tripartite trade relation among India and Tibet.

The foreign trade of Kathmandu valley was still mostly centered to Tibet for a long time. The trade with India, which had started to take positive gear since late Malla era, got a stumbling block once after the victory of Gorkha over Kathmandu Valley then ultimately resulted in the rise of different kinds of the problems.

The trade was badly affected after the conquest of Kathmandu valley by Gorkhali King Prithvi Narayan Shah in 1769 AD. The trade between valley and Bengal also got severely obstructed. The then East India Company was very eager to reestablish the same trade relation with Nepal but since the Kings of Gorkha developed the strategy of not being in contact with them, the reestablishment of the trade was not possible. In this regard, assistant Surgeon of the British Residency in Kathmandu, A. Campbell, had prepared a report titled *A sketch of Political Relations with Nepal* in 1835 AD; and it is found being mentioned "The nature of our first intercourse with Nepal had nothing political in it. It consisted merely of commercial transactions between our subjects of Bengal and Bihar and the Newars of the Valley, with occasional correspondence between our Commercial Agent at Bettiah and the Newar Rajas; there is not to my knowledge much of this correspondence

recorded. This relationship has been obstructed after the invasion from the Gorkha Kings (Sen, 1977/P: 151). The British India Company Government was intensely eager to revive the declining, almost dead, trade relations with Nepal and the opening up of China trade through Nepalese territories. It was the reason for dispatching the successive mission to Nepal. The mission under the commandship of Capt. Kinloch was sent in 1776 AD to help the last Mall King of Kathmandu Jaya Prakash Malla. But this expedition could not become successful (Sen, 1977/P: 19).

Even after this, the British India government tried to establish the trade relations with Nepal time and again. James Logan in 1769 AD had observed and outlined the actual state of commercial transaction between Nepal and Patna. With regard to this, he was sent to Nepal but his mission too was not successful in its main task. So after, the British Government turned to the Bhutan route to gain the control in the Tibetan market. Accordingly, the British Government signed a treaty with Bhutan and endeavoured of using the land of Bhutan to develop the trade relations with Tibet. The Britain- Bhutan treaty of 1772 AD opened a new route for the trade, but the treaty proved unworkable. Thus, the route of Nepal became more and more important for India. Samuel Turner, the leader of Second Trade Mission to Tibet in 1773 AD, recommended the use of Kathmandu-*Kuti* route for trade to Tibet as highly

advantageous route. Tashi Lama of Tibet also wrote a letter to the King of Nepal in 1779 AD and requested to open the trade route through Nepal to encourage unrestricted trade between India and Tibet (Sen, 1977/ P: 19).

In a report written by George Bogle to Warren Hestings, they have mentioned that "the opening of the road through Nepal and obtaining the abolition of the duties and exactions which have lately been imposed on trade in that country appears an objects of great importance towards establishing a free communication between Bengal and Tibet" (Sen, 1977/P: 20). In 1739 AD, Cornwallis also wrote a letter to the King of Nepal mentioning that he had been eager to extend trade between the two countries and for this the *Chowkies* (customs posts), which were stationed along the Nepalese border, were withdrawn and had also abolished all the duties on import and export to and from Nepal (Sen, 1977/P: 20). In response to this, the King of Nepal also agreed to abolish all or most of the frontier checkposts and other collection centres in the border but did not accept on the scrapping of the tariff. Rather, he proposed to fix a single station and to impose only a kind of symmetrical tariff pattern (Sen, 1977/P: 20). These proofs justify that trans-border foreign trade during Shah regime had many problems and difficulties in it; and provisions regarding customs and customs points were the chief among others.

One of letters issued by Duncan in June 1791 AD had requested the customs collectors in different districts bordering on Nepal to inform about the following subjects: 1) import from Nepal 2) Similar details of exports 3) duties collected by both Governments 4) convenient station in Nepal for merchants to pay duty on exports from India 5) grievances in Nepal which Indian traders wished to be remedied and 6) what in the opinion of the collector would tend most towards the promotion of a beneficial traffic between the two states (Sen, 1977/P:21).

On 17th July, 1791 AD, a collector from Saran, Montgomerie, made the answer and highlighted only two problems on the side of Indian traders. The first concern was that it would get delayed to reach on destination due to stoppage at so many *Chowkies* (check posts) and answering each of them in detail. Secondly, they had to spend a lot of money for the safety against the theft and robbery which would take place on the thoroughfare between Hetauda and Buchhakop (Bhikshyakhori) (Sen, 1977/ P: 1). As a way-out to promote the trade traffic, he suggested reduction of duties and their payment confined to one station.

Therefore the government of India ordered Duncan to request Government of Nepal to set up customs posts at a place of convenience and with suitable facility and to reduce the customs tariff instead of removing it. As a result of this,

a kind of trade treaty was signed between Government of Nepal and British India government on 1st March, 1792 AD. According to the treaty, Nepal and British East-India company agreed to impose 2.5percent customs tariff on goods of both countries; and merchants were to be indemnified in case of loss due to theft or robberies. Similarly, merchants of both countries were to be allowed transport their goods for import and export without any hurdle after clearing the duty at specified station (Treaty collection/ P: 22).

As per the treaty, traders had to clear the customs duty only at one place but it was being quite difficult to many. Realizing the difficulties of merchants, government of British India corresponded to Nepal with many letters. In reply of these correspondences, Rana Bahadur Shah passed a rejoinder to Duncan, the chief officer of East India Company government. It reads as since government of Nepal was unable to determine the fixed location to set up customs office, the traders were requested to import and export goods for short time by clearing customs duty only in Kathmandu until and unless the appropriate place of customs station could be fixed.

According to one of the documents from Baishakh 1857 BS (April, 1800 AD), it can be inferred that Chisapani *Gādi* and Sindhuli *Gādi* were major trade routes and the traders were to pay customs

duty (tax) right in these points (Treaty collection/ P:32).

In an another document from 1855 BS (1798 AD), when Rana Bahadur Shah delegated rights to Girwana Bir Bikram Shah, it is written that he allowed traders from both Tibet and Madesh (Terai) to import and export the necessary goods by clearing the customs duties.

It is noticed that the administrative system of customs was regulated with great attention in the regime of Pratap Singh Shah. The import and export of precious items such as Gold and Silver were not allowed through other routes except Kuti and Kerung though who-so-ever was involved in its trading. The reasons for this provision were clearly mentioned in Gorkha Tibet treaty signed during regime of Pratap Singh Shah in 1775 AD. It reads that no merchants from the East, West, Terai or Hills should import and export gold and silver through any other routes except Kuti and Kerung; and the territory of Gorkha Nepal would be restricted by Gorkha Nepal and the territory of Lhasa would be restricted by Lhasa (Treaty collection/ P:72-73).

4.1.2 Customs Tariff in Early Shah Period

The sources to exactly decipher about the provision of customs tariff in the early Shah period are quite limited and less. While deriving the conclusion from so far available records, it can be seen that the same provision, which was introduced in Malla period, remained in continuous

use without having any serious modification even till early Shah period.

The very information can be deduced from tariff imposed on many goods by different customs posts in Dolakha. The tariff levied on different goods, when it was contracted to collect customs in the duration of one year from 1873 BS Shrawan 13 to 1874 BS Shrawan 12 (1816-1817 AD), makes same reading. Amount of one rupee and 50 paise per animal was the standard tariff on the export of horses, hawks and boars. 10 *ānā* for a pair of buffalo or bull; 10 *ānā* for a cartful of hay, tea, papaya, *khaki* fabric, woolen carpets, medicinal herbs, *mainsir* etc; and 4 *ānā* for a cartful in iron, tobacco, *Tamakhu*, paper, herbs; rupee 1 and 10 paise in every musk; and 1 among every fifty for hilly goats and sheep was the standard tariff in use. Looking at this the tax system, it shows no tangible difference in customs tariff between the Malla dynasty and the Shah dynasty, respectively.

There would be a lot of disputes about customs tariff and customs outposts during the Shah dynasty's regime; and those were mostly with southern neighbour India. Actually, even after the demise of Prithivi Narayan Shah, British India had tried to maintain and expand trade relationship with Tibet through Nepal nonetheless British India could not be bequeathed with expected result as Nepalese were not encouraged or rather rigid in considering and conferring additional privilege to foreigners.

In between this, when Nepal came closer to war with Tibet-China, Nepal was probably expecting military assistance from British India to fortify Nepalese soldiers, therefore, as an exchange to that projected support, Nepal agreed to sign a commercial agreement with British India and that took place in Falgun 1848 BS (March 1, 1792 AD). The agreement had stated that both the countries would take part in the trade with each other without any hassle where special emphasis was given on the agreement that both the countries were to abide by co-rate of 2.5 percent tariff on imported goods from each-other. Points and places to pay customs duty for both countries were notified. Rules were also made as of such where goods levied customs tariff at one place would not be re-levied at the other. Also it was stated that any goods, which were paid duty but were not sold, would be allowed to sell to a third country however there would not be charged any additional duty on it.

However, we can notice that Nepal was not satisfied with this tariff. We can observe the various loopholes and subsequent mismatches that had occurred during the negotiation and the collection of the customs tariff. To clear this situation, the British authorities had made various correspondences with the then King. This situation was also highlighted in the royal *Sawāl* and *Rukkā* where the King himself had answered questions of the people. A *Sawāl* like this was issued on 7th Bhadra, 1881 BS

(1824 AD) claiming that it was only related with the people residing at Chisapani Gādi as they had to perform it. The *Sawāl* had caged emphasis on passport issues, concerns related to borders at southern front and tariff applicable in trade between India and Nepal, respectively. The *Sawāl* had further clarified that the customs contractors (*Jagatis*) of that place were not allowed to levy high tariff than necessary and if noted so, affected parties were supposed to file case into King (Treaty collection/ P: 102). This *Sawāl* has pointed finger toward the authorities who collected heavy tariff and that was more than what was required; and also had said that if any of this incident were to take place, this particular complaint had to be sent to the King. This fact also brings reality in light that definitely some customs related problems existed in that time.

To solve these disputes, representatives from both the nations had an extensive discussion where finally, in 1834 AD, both parties came to a common accord along with having a contractual agreement to impose 4 percent customs tariff on the imported goods to both the respective countries (Thapa, Timalisina and Dahal, 2054/P: 312).

Studying the customs administrative system during the Shah regime, it gets into notice that various border based *Gauda* (headquarters of hill region) would impose customs tariff on goods which were traded externally. Like,

districts under Palpa *Gauda* had good trade relation with Tibet in that time. Customs accumulated by this trade was an excellent source of revenue for that particular *Gauda*. In reference to this, a letter posted to *Amalidār* of *Tanausur*, area close to Palpa *Gauda*, gives detail about tariff imposed on goods traded with Tibet.

According to the letter, goods from Tibet to Nepal and from Nepal to Tibet were fabrics, cotton, buffaloes, wholesale goods, copper, and turpentine, tobacco; and there was customs tariff called *Jagāt* on each of all. The tariff was levied on the basis of per load on cotton, copper, whole sale goods and fabric and as per count on buffalos. A contractor would be appointed to collect customs or *Jagāt* levied on these goods with notification of a specific time span as well. If anyone would venture fracas with *ljāradār* while striving to collect the imposed customs tariff, *Amalidār* of respective area was instructed to coordinate and control then mitigate it (Pangeni, 2065B.S./ P: 61).

The very letter had empowered *ljāradār* with much power to impose and collect customs and *Jagāt* duty. All people of 36 castes also, including the state's *Purohit* (priest), *Chautariya* (Supporter), *gotiya*(relatives of same caste and clan), members of royal family, courtiers like *Kaji*, *Sardar*, *Subba*, *Subedar*, *Jamadar*, and all soldiers too, had to pay customs duty as fixed by state if they have brought any goods from outside without the prior notified permission of

government. If anyone denied to pay such customs duty then those goods could be seized by the responsible person called *ljāradār* (Pangeni, 2065BS/ P: 61).

Many proofs unveil a fact that the works related to the customs duty/tariff were intermittently contracted to responsible individual during Shah period. We have lots of proof about this proviso that no single person was entitled with the responsibility to collect duty from all goods. Different people were contracted with responsibility to collect tariffs from different goods. As an example of it, a letter dated on 11th Bhadra 1874 BS (1817 AD) can be refereed as a proof as that it passes authority to Harinarsing Newar for collecting the customs duty on cotton goods for a period of a year from 9th Jestha 1874 to 8th Jestha 1875 (May, 1817-May 1818 AD).

4.1.3 Customs duty Collection Procedure in Early Shah Period

While studying briefly about the collection of customs in the beginning of Shah period, there were two systems in practice at that time: *Amānat* and *ljārā*. The customs tariff that was to be collected from the centre based offices or outposts in other districts would be collected by the government appointed officers; and the customs to be collected from the outposts stationed away from centre would be leased to trustworthy persons. Collecting customs though contract-base leasing was the system

continued from the Malla era and remained usual till during Shah period too. In most of the cases, this kind of responsibility was given by the formal and official bidding process and often it was also handled to those persons who were faithful to the King. Such trusted individual would collect the duty by deploying his men and helpers then would hand-over the amount to the state on the basis of commission ratio. The process of contracting such responsibility during that period was called *ljārā*. Such responsibility to those contractors would be usually contracted for 6 months or 1 year (Bajracharya and Shrestha, 2031B.S./ P: 178) or even for 5 years (Regmi, 1978/ P: 203) sometimes. Contracting such duty would be area based and bounded.

There are lot of evidences those claim that collecting customs duty from different districts, along with Patan, Pyuthan, Dolakha, Hetauda, Chisapanigadi, Saptari Mahotari, Parsa, Syuraj, Morang were contracted to different people (Regmi, 1978/ P: 125-152). In most of the cases, such persons would be granted with all the responsibility to collect customs duty on all the sectors as a whole; and in some cases the collection of customs duty and tax from other different sectors would be assigned separately. In May 1772 AD, a person named Melaham Banda was given responsibility to collect the customs duty from whole country on export and import of cotton; and similarly, in 1805 AD, another person

named Marajaman Singh Newar was contracted with responsibility of collecting customs duty from over the whole state on export and import of buffaloes. In this provision of collecting customs/*Jagāt*, the contractor had to pay fixed amount to the government and rest of the amount exceeding to the agreement could be to the respective person himself.

Those contractors were most powerful people. The central government had been cautious in their security as they were responsible to collect customs and enlarge the state's revenue. They would work on the capacity of royal representatives as well thus would reserve the power of sacking the employees and civil service persons in district on charge of non-cooperating to them, in some cases. Thus, officials in district would be only selected on the recommendation of such *ljāradār* or contractor (Regmi, 1978/ P: 129).

While contracting to collect the customs/*Jagāt*, there would be clear explanation about product wise tariff (Bajracharya and Shrestha, 2031BS/ P: 178). The contractors would try to collect as much as possible from traders because the money in excess than the fixed amount to be paid would be of contractors themselves.

While contracting a person to collect customs or *Jagāt* though *ljārā*, the tariff of amount would be fixed on contract itself (Bajracharya & Shrestha, 2013 BS/P: 178). Under this system, the

collected excess amount than the contracted or bided would be of respective contractor or collector once the committed amount was given or deposited to the government. Thus, contractors would try to take huge amount from the traders as much as possible. Not only in the system of contract, the designated employees often would try to collect huge amount as much as possible even in *Amānat* system as well. Often this would fuel the tension and dispute as well. Complaints would be filed to the King. Those complaints would be investigated minutely. If excess amount was charged that would be returned and a commitment on not repeating this type of act again in future would be made (Bajracharya & Shrestha, 2031/ P: 101). Even the contractor could be changed provided if s/he was sensed on not performing well or under-performing than expected (Regmi, 1978/ P: 203).

Even government is seen to have been collecting tax in *Amānat* system as well. Traders of Patna Mandi were asked to deposit the customs duty on imported goods from Tibet at *Sadar Mulukikhānā*. Since duty was deposited at *Sadar Mulukikhānā* under clause of 'Customs duty on non-Patna export from Tibet', it can be further justified that Indian traders, importing goods from Tibet, could take their goods only after registering it in *Mulukikahana* and collecting receipt for paying customs duty. In this way, the concept of collecting the duty on *Amānat* system

may have begun from the Shah period (Shrestha, 2070 BS/ P: 60). While collecting customs on *Amānat*, the designated employee would be confirmed about yearly pay and perk prior to contracting him/her. In 1873 BS, Gajashing Khatri was assigned to collect revenues from Morang area on condition of receiving annual salary (Regmi, 1978/ P: 201).

In this way, customs duty collected in both ways along with revenue volume generated from other sources used to be brought to district chief and the chief had to submit it to government time to time. There was provision of strict order in case it was not submitted on time. In 1796 AD, a warning letter was dispatched to Dinnath Upadhyaya to submit all types of revenues, collected in Saptari and Morang area, to the office immediately (Regmi, 1978/ P: 124).

4.1.4. Condition of Indo-Nepal Trade and Customs Tariff

In 1795 AD, a British representative named Maulawi Abdul Kadir Khan had come to Kathmandu with the purpose of establishing trade relationship between Nepal and British India. He had estimated that the total export from India to Nepal amounted to 4 to 5 lakh of Indian rupees per annum. He also had mentioned that large section of the Nepalese population had acted as brokers or middlemen between the merchants of India and Tibet. The trade of the brokers was so profitable and Nepal was receiving huge benefit from

this business. This could be a probably the reason why Nepal was reluctant to follow the trade treaty of 1792 both in letter and spirit. Maulvi Khan, in his report to British Government, also suggested the major trade passes to export goods from India to Tibet through Nepal. The passes were as follows;

- (i) Places in India i.e. near to border in Buxadaur district in Kooch Bihar;
- (ii) In Sarkar Champaran;
- (iii) In the Nawab Vizier's dominion adjoining Bhutwal,
- (iv) Near Kumaun in the Nawab Vizier's dominion;
- (v) On the westernmost boundary of the Nawab Vizier's dominion towards Srinagar (Sen, 1997/ P: 25).

Rounds of discussions took place between Nepal and British India government in the 18th century in order to establish the trade relationship between each-other. A treaty was also signed in 1792 AD between these two governments. In accordance to the treaty, both the countries decided to levy tariff worth 2.5 % on imported and exported goods, and to manage compensation by the particular country in case if any kind of destruction or damage was noticed on merchandise (Sen, 1997/ P: 22). But unfortunately, this treaty was not implemented and was never brought into effect. According to the report from Kirkpatrick, Hetauda was the major centre for trade for any type of

trade among Nepal, Vizier and British East-India Company government in India. Most of trade dealings among and between Nepal, Banaras, Awadh along with of other places would be conducted to Chisapani through Golpussara. Besides Seedli, only Chisapani had a customs house station from where traders from Vizier and British company would be asked for duty.

In a report from 1807-1814 AD and is related to Bihar, Dr. Francis Buchanan has mentioned that the total exports to Nepal was approximately worth Rs 71000 and total import was worth Rs 364000 (Sen: 1977/ P: 26). According to a report that Hodgson presented in 1831 AD, 52 Nepalese and 34 Indian merchants were involved in foreign trade in Nepal. In 1830 AD, Nepal had generated revenue worth Rs 1 lakh 60 thousand and 364 from customs duties applied on export and import. Tariff at that time was 6% on the value of stuffs. Couple of goods would even be imported on duty free facility as well.

In 1816 AD, Nepal collected Rs 80,000 from customs duty. This amount increased near to 2 lakh in 1833 AD. This would make a hint on expanding foreign trade of Nepal (Sen, 1997/ P: 27). The overall trade volume of Nepal's over all foreign trade including both the import and export was worth 30 lakh in 1831 AD whereas the trade volume with British India alone had jumped to 3 crore 30 lakh in 1891 AD (Sen, 1977/ P: 33).

There were minimum 10 trade marts in Kathmandu operated by traders from Banaras as well as merchants from Patna too had set up such trade marts (Sen, 1977/ P: 31). The provisions regarding customs tariff in trade affairs between Nepal and India could not come into effect since treaty signed in 1792 and 1801 AD respectively were not adhered rather were renounced and blatantly denied. The traders from Nepal had to pay 2.5% customs tariff on Nepali products in India whereas Nepal would levy up to three to four times customs tariff for the British-Indian goods. Customs was forcefully imposed not only at one place and time but even at different places at different times too (Sen, 1977/ P: 34).

A draft of proposed trade treaty, presented by Hodgson in March 1835 AD to his government, had stressed to maintain 17 customs offices in Indian side and 21 customs offices in side of Nepal across Nepal-India border. Nepal Government had proposed 4 % percent tariff on the goods manufactured in Nepal and Tibet and exported to India and 5% tariff on British and Indian goods exported to Nepal. The proposal also suggested of the establishment of seventeen customs offices in India and twenty one in Nepal. Hodgson also included the suggestion of fixing places for collecting single time customs duty on export and import. The places in the side of India were Dacca, Cuttack, Murshidabad, Ghazipur, Midnapur, Cawnpore (Kanpur), Agra, Barielly,

Chittagong, Hoogli, Patna, Benaras, Allahabad, Farrukhabad, Meerut, Delhi, and Calcutta, respectively. But the Indian board of customs denied for this proposal on charge that customs tariff on goods exported to India from Nepal was relatively very low hence this never came into function. The government of India, in June 1836 AD, scrapped all applicable tariffs while exporting goods from Nepal to India and hoped Nepal government also to reciprocate the Indian move with same type of action.

But the Nepal government, and specially the palace, denied accepting this move. Hence the trade between India and Nepal had tough hours and experience of hurdle for some period of time. However, the Indian trade people would sell their goods in Kathmandu without paying customs duty and this trend continued quite long. The advent and rise of Jung Bhhadur Rana on power starting from 1846 AD introduced change in Nepali politics along with perception towards British people as well. Then after, the trade relation between India and Nepal had improved relatively.

In the period of Jung Bahadur Rana, the government of Nepal had signed a treaty with Tibet in 1856 AD. In accordance to this treaty, the Nepali businessmen got chance to enjoy extra special privilege on trade. In this treaty, it had been provisioned that Tibetan government could not levy duties on commodities brought into Tibet by Nepali subjects.

In the sixth clause of treaty, it had been stated that: Nepal was granted to establish a trading establishment (*kothis*) at Lhasa for the sale of all kinds of merchandises like gems, jewelry, grains and clothing (Treaty collection/ P: 119 and 120).

This treaty guaranteed right to all Nepali trade people to operate freely in Tibet. This treaty also included that China would not charge any taxes to the goods of Nepali merchants . This treaty had stabilized the special rights of Nepali traders over Tibet.

4.1.5 Major Trade Routes for Indo-Nepal Trade

According to an Indian writer, the import and export between Nepal and India in 19th century mostly took place from following Indian routes: 1. Darjeling 2. Purnea 3. Bhagalpur 4. Darbhanga 5. Muzaffarpur 6. Champaran 7. Gorakhpur 8. Basti 9. Gonda 10. Baharaich 11. Kheri, and 12. Kumaun (Sen, 1977/ P: 41).

Due to these routes, trade started to flourish around border areas, near India, of Nepal as well. The trade booming areas were Pashupatinagar, Falelung, Dhulabari near Darjeling, Rangeli close to Purniya, Dibannjung, Shahebjung, Paterdewa, Gogra and Jhandratiyaki etc.

These places have been found mentioned in Hunter's Statistical Account of Bengal, 1877 AD as well. Various trade routes in Morang like Chilgajhi, Aathmaujha, Urlawari, Mohawari,

Jhilmiliya, Pautapara, Lodhawari, Khaniyabhita, Panthamari, Dhonagiri etc are mentioned in Girdstone's list too (Sen, 1977/ P: 44-45).

Birpur, Khandauli etc were trade routes of Nepal to connect with Bhagalpur. Routes that connected Darbhanga to Nepal listed Janakpur, Siraha, Hanuman Nagar, etc. Bara, Rautahat, Salrahi, Mahotari, Simaronaghadh, Simgrampur, Aadhamara, Mugurthana, and Jaleswor were key trade routes of Nepal that connected Nepal with Mujaffarpur. After Muzaffarpur, Champaran was the second major trade route. Trade routes of Nepal those connected with Champaran listed like Chitwan, Semarawasa, Betiya, Simaraungadh. Champaran was also the major gateway for trade from Nepal to Kathmandu to Kolkatta and to Patna respectively. Butwal, Puchmara, Mukundaghar, Piparahawa, Bagauli were major entry points of trade together with Bhrahamdeumandi, Jhulaghat, Golamandi, Dhamgadi, Nepalgunj, Bahadurjung, Kaptangunj, Sirsewa, etc. In the west Nepal, water way was one of the major mediums on import and export of goods at that time. The goods were delivered to Indian market from the means of rivers like Koshi, Gandaki, Rapti, Karnali, etc (For details see, Sen, 1977/ P: 63-70).

4.1.6 Registration of Goods and Customs Outposts

It is found that the practice of customs collection in this or that forms also began

to take place simultaneously right from the time that trans-border international trade started taking place. The traditional trade routes, popularly known as Himalayan trade routes, were used in Nepal in ancient times. Kuti and Kerung were major trade routes towards North whereas Olangchungola in East and Takla in West were other alternative trade routes to trade towards north.

The trade carried out in border of Bengal in North West province and Awadh province situated in southern border of Nepal was also operated through traditional trade route of Nepal. Specially, Darjeeling, Purniya, Bagalpur, Darbhanga, Muzaffarpur, Champaran, Gorakhpur, Basti, Gonda, Baharaich, Kheri and Kumaun were the major entry points of trade between Nepal and India in 18th century (Sen 1977/P: 41).

Finance Department of Bengal Government passed a proposal on 23rd August and decided that this proposal would be implemented from 1st September 1875 AD with the aim of operating the trade between Nepal and Bengal effectively and efficiently. In this proposal, it was written that before this there was no system to register goods and products traded between two nations; and this task was in fact difficult as well due to long and open border. Therefore the task of registration of goods was started as an initial experiment. For this purpose of registration, registration posts were established at Kandeuli and Wirpur in Bhagalpur district, at Sitamari and Pupari

in Mujaffarpur district, at Jainnagar, Kamtol and Madhuwani in Darbhanga district, and in Katkana, Rakshaul and Ghorasan (customs) in Chmparan district on 28th August 1875 AD (Sen, 1977/ P: 81).

Soon after this, H. J. S. Cotton (Officiating Junior Secretary to the Government of Bengal, Financial Department) sent a letter to collector at Purniya on 4th September 1875 AD and informed that the Government had sanctioned the establishment of registration stations at Amona, Sikti, Kalughat of the same district. Registration stations like mentioned above were also sequentially being established at Ghumpahadh, Adhikari, Naxasalbari, Sukhiyapokhari, Kunjuliya and Silliguri in Darjeling district as well. Many of these posts for the trade between Nepal and Bengal were in operation up to the advent of 20th century (Sen, 1977/ P: 81-83).

According to information passed by Abdul Kadir Khan to Company Government on 6th January 1796 AD, there was high demand of the European goods in Tibet at that time and those goods could be traded in Tibet by importing them through following places:

- (i) near to border in Buxadaur district in Kooch Bihar;
- (ii) in Sarkar Champaran;
- (iii) in the Nawab Vizier's dominion adjoining Bhutwal,

(iv) near Kumaun in the Nawab Vizier's dominion;

(v) on the westernmost boundry of the Nawab Vizier's dominion towards Srinagar

(Sen, 1977/ P: 25).

As those were the chief trade centers during that time, it can be predicted that many customs offices were set up at border points of Nepalese side across those places. That time, Nepal was one of the main routes among two for trade between Bengal and Tibet. The next route would pass through Bhutan (Stiller, 1995/ P: 17). Desidary has written that the merchants from Kashmir, Hindusthan, Amerniya and Nepal would engage in trade trough the passes of Kerung and Kuti during that time because route through the west Tibet was not good for trade (Stiller/ P: 28). Turner, who visited Tibet in 1783 AD, has also said that Bengal trade was carried on principally through the same route (Stiller, 1995/ P: 17).

A Capuchin missionary Desideri has written about the then contemporary practice of customs. According to this account, "the customs inspectors came to the factory and inspected the merchandise, which was then roped up, given an official seal, and wrapped in a buffallo hide. The following day the customs inspectors again visited the factory, confirmed the original seal, and then added a second seal to the outside of the package. At the border, the seals were inspected, and if they were intact,

the goods were allowed to pass." Customs duties amounted to nine *Mahendramalli per maund* of goods, plus the payment of a passport fee at the border. Customs on cloth and metal handled by non-Nepalese was about sixty percent higher. The passport tax on Europeans was fifty *Mahendramalli*, while for others it was two and half' (Stiller, 1995/ P: 17).

A letter of 1791 AD mentions that the customs offices and security outposts located in Nepal's border were removed and customs tariffs of all types levied on the goods, which used to be imported from India and exported to India from Nepal, was removed in intent of easing the obstacles of trade between Nepal and East India and to make it further easier (Chhetri, 1998/ P: 1). From this letter, we can clearly understand that there were customs offices and security posts in main routes or borders of Nepal in the purpose of collecting customs duty.

The practice of putting customs offices in the border area had continued even during the ruling period of Bhimsen Thapa. The customs management during that period in India was very developed and it can be known through the then contemporary documents and records. For example, British representative living in Nepal had sent a letter to British Indian government on 20th September 1834 A.D.; and that states...

...the business of Nepal with us is raising very less customs duty (fee) right now; and about around half of the duty is discounted in the name of border side business whereas our all customs houses are very far and in long distance; and Nepal has exported products like wood, copper, iron, food and belongings to the government. Goods equivalent to 11 Lakh were imported without customs fees and first three items were levied only 2.5 rupees or one fourth. ... (Chhetri, 1998/ P: 13).

Even from this, we can know that customs offices were in prevalence during that time. Till the time of Rana Prime Minister Chandra Shumsher, British India had applied different customs tariff on goods, which were exported from Nepal to India, in every different customs outposts. But Chandra Shumsher had spoken about this problem during his visit in India while heading in visit for England. Later on, a system to levy same customs tariff irrespective of importing and exporting from any customs posts was applied after 15th July 1909 AD (Chhetri,1998/ P: 228).

Throughout the 18th and 19th century, customs duty and excise duty were the main sources for government's revenue. But, rulers like Prithvi Narayan Shah and Bhimsen Thapa- before the Rana period- were strictly against of importing the foreign goods. Thus, a high tariff was imposed on imported goods during this period. Oldfield has mentioned in his

book that country's import was worth Rs. 80000 in 1816 AD and worth Rs. 250000 Indian rupee in 1833 AD respectively (Shrestha/ P:169).

There was system of applying customs fees and excise duties on domestic goods as well. Government would appoint contractor in different regions and would delegate rights on them to collect the customs from premises of respective region. A statistical data shows that amount worth Rs 36001 and Rs 410001 had been collected from excise and customs duties on the exports and imports of goods in and from Kathmandu valley and western mountain areas in 1805 and 1806 AD respectively (Regmi,1999/ P: 67).

In that time, there was no separate government institution for the collection of various customs and excise duties (equal to taxes and tariffs) on export and import of different goods. For this, there were two formal practices: 1. *Ijārā* practice and 2. *Amānat* practice, respectively.

In *Ijārā* practice, the licensed contractors or projected *Ijāradār* would bid the tentative amount to the government and government could accept the contractor, who would commit to collect and pay more tax, then authorities to collect tax would be delegated accordingly. If the collected amount was more than the committed amount then that excess would the profit to contractor. Such contractors had full autonomy to collect all types of taxes and fines in the

receptive area and that would definitely attract the customs tariffs too. But, sometimes or in special cases, a separate *ljāradār* would also be appointed for the collection of customs duty. Thus there was probability of appointing one *ljāradār* for collecting other taxes and revenues but next one to collect customs duties. The very fact gets into public even from an instruction issued in July, 1805 AD, which reads that government had appointed *ljāradār* Mahendra sing and *ljāradār* Bhajudhan with responsibility of collecting customs duty from Hetauda and Parsa respectively (Ragmi, 1999/P: 125).

In many of the hilly regions, revenue was collected through the practice of *Amānat* system. In this practice, the officer, who was appointed by the government, had to collect then submit the revenue in amount fixed by the government. In that time, officials like *Daware*, *Subedar*, *Subhha*, *Chaudhary*, *Faujhdar* were appointed for the collection of all types of taxes in the district. *Dware* would be appointed in the district of having less military importance but *Subedar* would be appointed in some districts like Aacham, Bajhang, Bajura, etc. caring the high military sensitivity. Especially, *Subba* would exercise this right of revenue collection in district of high military sensitivity like Jumla, Doti, etc. In 1793, one *Sawāl* was issued by the government to state that *ljārā* practice was taken in force for revenue collection even on the places which were being

regulated by *Dware* prior to this notice (Regmi, 1999/ P: 128).

4.1.7. Policy on Trade and Commerce

The time after the unification of Nepal was time of expansion of the state. In this time, the state's prime policy was to explore revenue sources and collect as much as possible money for military campaign and improvement. The export and import trade was one of the major revenue resources for the government. But for long time period, Prithvi Narayan Shah and his successors kept in adopting a policy of restricting foreign interest in international and internal trade affairs of Nepal. He endlessly believed that if foreign traders were allowed to come here then Nepalese would become poor. He had inspired people to wear national homemade dress and make then install cottage industry equipments for producing clothes in-house. He had a policy to export Nepalese medicinal herbs and many more other things in order to earn foreign currency.

Prithvi Narayan Shah wanted Nepalese to be more engaged and have decisive lead in Nepal based foreign/external business. For this, he would think in establishing factories in north bordered areas like Kuti, Kerung and so on so that Tibetan could buy the needed materials from there only (Regmi, 1999/ P: 147). But, during the period of war between Nepal, Tibet, China (in 1778-1793 AD), the relation and the trade with Tibet got a pause. After some time, the trade was

again started. There are examples to certify a fact that merchants from Patan were trading with Tibet in 1778-1793 AD; and Nepal government earned a huge amount of money as customs duty from that trade.

Nepal signed a trade treaty with Britain in 1792 AD. This treaty had facilitated both governments of Nepal and Britain for unrestricted trade. Both countries had agreed on tariff of 2.5% (for treaty, see Atchinson, 1863/ P: 197). Being based to this treaty, Nepal had willed to develop the trade with India whereas was reluctant to allow British goods being imported to Nepal. Thus, this treaty could not come in force. But, the trade connection and practice between Nepal and India was not fully paused. The traders/merchants from India continued expanding trade in the Terai and Hilly region's districts. Even the government did not pay a minute attention on business of other products and goods expect some valuably important objects like elephant's teeth, rhino's skin and so on. According to Hamilton, Nepal had exported goods worth to Rs 3,64,000 to India and had imported worth Rs71,000 from India in period of 1809-1810 AD (Regmi, 1999/ P: 150-151).

Government introduced a policy of extending needed facility and incentives to the traders in order to promote foreign trade. In 1792 AD, some customs offices, which were stationed across the border and were assigned to collect the customs duty, were shifted a bit inside on the side of Nepal. Thus, there would be no any difficulty in case of checking

goods brought by traders. If any customs collection officer created problem to traders, they would be liable for punishment. Still success on ensuring the trade without any disturbance at all was being quite hard job for the government. Some people in different districts were given special privilege on trade as people of Pachsayya and Ashi villages from Jumla had monopoly right of trade in Dang and Salyan. And, people from Gam village in Jumla had same type of monopoly on business in Achham and Bajura districts.

Similar rules in trade were in existence across the borderline with Tibet. People living in Satsayakhola area in Jumla had special right to have trade with Tibet. Therefore, Tibetan traders would be able to get same volume of trade as these people would either import or export (Regmi, 1999/P: 151). This type of traditional practice was not able to yield expected advantage through the trade.

After 1807 AD, Nepal Government undertook the experiment of opening new markets under its direct control at appropriate places in the Terai and inner Terai areas. Accordingly, new market stations were established at Hetauda in Makwanpur in 1807 AD and at Bhadaruawa in Saptari district in 1809 AD, respectively. Government appointed officials handled trade on a monopoly basis in these markets and the surrounding areas on the basis of fixed prices. These monopolies were operated through individual contractors who were appointed through *ljārā system* (*contractual basis*) by the government.

These types of markets continued to be established even during Rana regime too.

The main objective behind the establishment of such markets in the different parts of Terai areas was obviously to capture the trade which Tibetans used to conduct directly with the British India. Therefore, the traders from Tibet were strictly forbidden to deal directly with the British Indian traders. The establishment of governmental markets and trade points across Terai, inquest of setting state's virtual control and monopoly on trade with the help of locally recruited employees, not only extensively flourished the trade and commerce activities in Terai but also increased the revenue to the country. It also helped local administrator making the territory secure from external encroachment as well as assisted in strengthening in building strong internal security system. Issuing a *Sanad* in 1811 BS (1754 AD), the right to export wood from forest area in Chitwan to Calcutta (Kolkata) in India was solely reserved only for the government (Regmi, 1999/ P: 153-154).

In this way, the major trade policy of Nepal during the early Shah period after the unification was oriented more toward export than import. Customs administration was comparatively not advanced in this era. Due to the Nepal government's policy of maintaining distance and staying un-communicated or uncoordinated with British, there would be frequently repeated ruffle and minor disputes on customs tariffs to be

levied on import and export of goods. Though Indians were strictly prohibited and relatively denied to enter Nepal for trade and commerce, flow of Indian traders in Nepal significantly increased after Sugauli Treaty. Because of this treaty, there was no restriction for them to enter Nepal for trade activities. There was no record of even a single Indian trader in Nepal before 1816 AD whereas flow of Indian trader increased in maximum level in every single subsequent day after Sugauli Treaty. Hodgson had seen 52 Nepali persons involving in foreign trade and commerce from various parts of Kathmandu city in December 1816 whereas 34 Indian personnel too had stayed permanently in Kathmandu and were involved in foreign trade and commerce. But, later, number of Indian traders and commercial persons increased with noticeable trade involvement in Kathmandu. Nepal always had a deep interest in trade towards North. During this time, Nepal unleashed various efforts to establish trade relationship with Tibet.

4.2 Customs Administration in Rana Period (From 1846 to 1951 AD)

4.2.1 Background

Looking at Nepal India trade and development of customs administration in Nepal during Rana period, India's development and progress in Railway service or Train holds a big ground and huge value. Railway service development done by British government

in India during 19th century had contributed Economy of Nepal a lot. India made a remarkable and significant advancement in railway during 19th and 20th century. According to a record, it is seen that India had about 9891 miles railway service in 1881 AD whereas that was extended to approximately 16,977 miles in 1891 AD. In subsequent ten years, it was extended to 25, 373 miles. When Indian Railway service extended up to Nepal borders till late 19th century, different cities across borders had already evolved as the main hub or points of trade and commerce. By 1885 AD, Bengal and north western railway company had extended track-line of railway service in borderline area near Nepalgunj, in Bako district.

Four years later to this, in 1890 AD, the Assam-Bihar state railway established its section from Kushwa, aside Rangeli market of Morang district, to Farbishganj. Likewise, Jayanagar, which is close to Janakpur, and the Indian market Raxaul, close to Birgunj, were also able to be advantaged with rail service in 1897 and 1898 AD, respectively. In this way, the development of railway service up to the border of Nepal-India led the border cities of Terai of Nepal, which were once closed for a considerable amount of time due to the lack of natural border and the very thin settlement of people near the Indian border, to have re-establishment of Nepal- India trade and trade contacts (Regmi research series).

The development of rail service in India subsequently led to the export of agricultural plants to India from Terai region of Nepal via railway. The only medium of export to India in case of mostly wood, cardamom and agricultural productions was the canoe/boat that would run on the river. Evidence of exporting woods in the canoe on Koshi river from the Hanumānāgar of Saptari to the Indian land Nirmali, until mid 20's (During the decade of 1940), can be found. The export of eastern Nepali woods, cardamom and other materials from Farbishganj to Patna via canoe can be fairly noted. Similarly even after the arrival of rail service till Sugauli of India, most of the export materials of Terai were seen to be exported from Birgunj to Raxaul through the medium of Gandak and Budhi Gandak rivers (Look at relationship of usage of water medium for Nepal-India trade, 1977).

The expansion of Indian rail service in the border regions had led to a great impact in the import-export trade in Nepal border based cities as well. Nepalgunj, a western part of Nepal, developed as a main route for India-Nepal trade. Here, *Marwadis* and other merchants had already kept 45 permanent trade marts and above 100 temporary trade stalls till the end of 19th century.

Likewise, Nepal's border city Birgunj also started developing as business centers when Raxaul got joined through rail service in 1898 AD. The government

itself constructed trade marts and houses there and started renting it to traders. With an intention of promotion in trade affairs, the government formed a trade organization called '*Birgunj Mahajani Addā*'. The government started doing trade of raw silk and other materials to India on coordination of this centre. In this way, the development and expansion of rail service in India not only led to a new dimension in Nepal India trade but also unleashed an important contribution to the development of customs administration and management system.

During Rana regime, customs duty played a vital role in revenue generation. The situation of import-export trade during that time is clarified in the following table.

| Year | Import | Export |
|---------|-------------|---------------|
| 1902-3 | 1,43,30,782 | 2,61,58,608 |
| 1903-4 | 1,36,89,255 | 2,66,76,772 |
| 1904-5 | 1,49,86,511 | 2,64,06,493 |
| 1922-23 | 2,75,36,000 | 5,08,03,000 |
| 1924-25 | 2,79,43,000 | 5,82,00,000 |
| 1944-45 | 4,50,00,000 | 5,00,00,000 |
| 1948-49 | 7,80,00,000 | 88,00,00,000 |
| 1949-50 | 8,00,00,000 | 112,40,00,000 |

While exporting from as well as importing to the state, the state would levy customs duty on almost merchandises. For this, offices for the collection of customs duty were established in the main trade centers of

Terai as well as of the Himalayas. Such offices were called '*Bazaar Addā*' in Terai and 'customs' in Himalayas.

Though the *Bazaar Addā* was primarily set up with an intention of developing the market in Terai region, it conducted both the tasks of developing the market as well as collecting customs duties. These '*Bazaar Addā*' conducted both the activities of internal customs and external customs too. Employees to collect the customs duty were recruited from the state. Nepalgunj *Bazaar Addā* and Birgunj *Bazaar Addā* respectively were the pretty good examples in this regard.

Initially the administrative system of customs was adopted in good intent of modernizing trade trends in Kathmandu. The materials and goods imported to Kathmandu from southern side of country would be examined and regulated from customs outposts situated at Chisapani Gādi, Tistung Palung, Khopasi, Amlekhganj, Thankot, Sindhuli, Lele Lapse and Matatitha respectively whereas trade deals towards north, especially imported from Tibet, would be controlled and examined at customs outposts named as Tatopani Central Customs, Khasa sub-customs, Bahadura Siridiwas Customs, Rasuwa Customs, Kandrang Upadrang Customs and Ilam Jyankhola Customs respectively. As a focal point of all these customs mentioned above, Kathmandu central customs would supervise and monitor every single of them (Gyawali, 2045 BS, Nepal's customs administration/ P: 7).

A total of 27 trade routes were in practice for Nepal's export to India through Terai. The routes like Jhulaghat, Banabasa road, Rajapur, road of Nepalgunj, path of Krishnanagar, route of Butwal-Bhairahawa, road of Thori, road of Birjung, road of Malangwa, path of Biratnagar, road to Illam and Bhadrapur were more in regular routine.

4.2.2 Administrative System of Customs in Rana Regime

There was a central customs office in the capital city since the time of Jung Bahadur, which received *ad valorem* duties on both internal and foreign trade, and particularly on goods brought from India via the Raxaul route. Hodgson has mentioned that 'the duties upon imports from the plains, leviable at Kathmandu, are framed by the Government instead of being collected directly.' The chief of the customs was called *Bhansari* (Adhikary, 1984/ P: 79). At the beginning of the Rana regime, the center also had an office called *Taksār Addā*, and the chief was called *Taksāri*. There are proofs found that the very office was functioning as customs since prior to the advent of Rana regime. On the basis of *Sawāl* issued on 5th Bhadra 1861 BS (1804 AD), *Taksāri*, besides responsibility on minting the coins, was delegated with authority of allowing traders from Tibet to import and export goods after collecting customs duty on the products along with right on hearing the case and finalizing the appropriate penalty if complaints regarding customs

duty, measurement of goods and *Taksār* were registered. The very *Sawāl* has used the words *Taksār* and *Bhansār* or customs correspondingly (Adhikary, 1984/ P: 110).

The separate office named as *Taksār Bhot Bhansār* was in existence in Rana regime. To mint and verify currency as well as to collect customs duties on the goods imported from Tibet to Kathmandu via the Kerung and Kuti routes were main duties to this office. *Taksāri* alone would do these both works in this office (Adakhari, 1954/ P: 80).

During Rana regime, Lhasa *Bhot-Bhansār Addā* (customs office at Lhasa) was in function and customs security posts were stationed at Kuti, Kodari, Rasuwagadhi, Timure, Shyfru in order to collect customs duty on the goods imported from or exported to the northern side. In Magh 1944 BS (1888 AD), four new customs security posts were established across the border between Nepal and Tibet. They were Falelung–Myangmijang, Bandake, Chyangthapu and Yerung, respectively (Regmi research collection/ P: 91 & P: 472-75).

In that time, the revenue collected from the *Bhot Bhansār* (Nepal's customs office at Lhasa) would have a big share on the total revenue of the country. At that time, customs offices were the key sources of major revenue for the Nepal government after land revenue and *Rakam Bandobast Addā* (office for investigating different sources of

revenue). The government of Nepal had collected enough revenues from customs duty on Nepal-Tibet trade since prior to 1904 AD. Tukuche customs was in contract in rupee 1.25 lakh per annum. Like that, duty collection at Kerung Kodari (Tatopani) and Lam Bazaar customs was also in contract (Pandey: 2042 BS/ P: 56). But when the trade routes from Kalingpong Yatung towards India came in use then the trade with Tibet deteriorated and customs income from trade with Tibet too bore a diminishing graph. Rana's government brought policy of urbanization and marketization in Terai's border areas in order to overcompensate of loss incurred from trade with Tibet when British India started trade with Tibet using trade route of India. One of administrators from Rana period has opined that the then government had established market areas and trade marts across the border region in 1913 AD in order to increase the revenue from customs. As a result, market stations in Terai and customs offices in hilly region evolved in operation.

Setting *Bazaar Addā* across the border area had two main aims- one, to observe and regulate the market around border areas; and second, to facilitate Indian merchants in quest of increasing the revenue of the country (Pandey, 2042 B.S./ P: 57). Under control of *Bazaar Addā*, there were mini *Bazaar Addās* in every stop or trade bypass. These both markets used to collect the customs duty on the goods that were imported and

exported through the respective routes. There was practice of patrolling with the intention of stopping the trade of theft or illegally imported goods. The head of the *Bazaar Addā* would commit to collect certain amount from customs duty and s/he had to collect that; and in case if s/he failed to do so s/he had to pay the loss and had to compensate the remaining amount through deduction on his/her salary and benefits or even though his/her estate or even from his/her own house hold possessions too (Pandey, 2042BS/ P: 57). So many staffs would even be fired on this ground.

By aiming to gain excessive revenue from the market station, the government in that time used to lease the contract in an auction on the basis of high bidding. The one who used to get the contract would try to ensure import of more foreign goods so that s/he could collect more amount than fixed or agreed to pay. The overall contract process and bidding auction would be operated as according to rules of that time. The customs tariffs too used to be different among the merchants living in the border area and businessmen living elsewhere and bound out of border (Pandey, 2042B.S./ P: 57).

There was a practice of leasing some contracts quite secretly to those persons who would commit relatively high amount. It often used to go so in case of the substance that used to bring more revenue, like cigarette. The government

would confidentially and fully lease such to favorite person of the prime minister by taking some commission as the way of sharing benefits. Some examples of these kinds of cases can be evidently seen in administration during Rana era. For example, *Sardar* Bhatuk Krishna Maitri had received a contract on importing cigarette all alone, even on condition that he only had to pay very nominal amount, as he was favorite of Rana Prime Minister Chandra Shumsher. Similarly *Badākāji* Ratnaman only had to pay one lakh per annum and Hitman Serchan had to pay additional 3 lakh per annum on previous amount and could do monopoly market of cigarette on the ground as they were favorite of Rana Prime Ministers Bhim Shumsher and Padma Shumsher, respectively (Pandey, 2042 B.S./ P:57-58).

The main aim to lease market station and customs stations in contract in Rana period was to gain revenue without having any investment from the side of state. Moreover the ceiling volume of target on customs duty could be increased every year while leasing or sub-leasing it in contract.

Both the customs duty and excise duty were collected even in Rana period. Often this would forge the problem of double tax burden as well. Thus, *Chimpu* system was brought in practice to stop it from happening. The *Chimpu* systems was a method like: the goods to be sent from Terai market stations to hilly customs stations would be packed

and sealed then the detailed list of those materials would be sent for inspection to the customs outposts situated in whichever hilly region the goods had to be sent for. And the respective sending market station would not charge any customs on the goods sent on this way from *Bazar Addā*. But related and respective customs stations at the end point or receiving market stations would inspect the goods and charge the customs duty for import then would inform, in written, about this fact to the customs outposts at sending market stations where it was initially inspected. This was called *Chimpu* customs. In this system, the tariff was only set in the final customs station or outposts (Singh 2010/ P: 38).

Mahajani system was also in practice for short period of time in Rana regime. In this system, the traders/merchants themselves could nominate an outsider person to examine the merchandise and fix customs duty on goods. This type of inspection wouldn't not take place in the customs office; but it used to be in the factory of the respective businessmen. As there was a chance of losing the huge amount revenue, the policy was changed then inspection was conducted only in the customs station. As Nepal was a main route for India Tibet trade in Rana period, customs tariff was one of the main sources of the revenue for nation (Singh, 2010/ P: 38).

4.2.3 Customs Tariff in Rana Period

Looking back to the history of customs in Nepal, there was practice of collecting customs duty on import and export of goods during Rana period. After the treaty of peace and friendship between Nepal and British India, in 1816 AD, the system of imposing tariff on the basis of volume and price of the products was introduced. The tariff at different customs point were different as well as tariff for goods from India, Tibet and other third countries was not similar. The customs duty, as per the prevailing tariff, used to be collected according to the prime minister's order. No any scientific valuation mechanism existed in that time. Goods had 3% of customs tariff but additional 1.5% was charged as per the request of the British government. Following the cancellation of every previous arbitrary order and revoking all the *Sanad*, *Sawāl* and *Istihār* set in past, a new trend of deciding customs duty on the basis of prevailing tariff and importer's declaration and information got into a start since 1846.

During the beginning of Rana period, Nepal would gain huge revenue from customs duty because the business between Nepal and Tibet was increasing quite rapidly. At the advent of Rana regime, in 1846 AD, the trade between Nepal and Tibet was highly flourished. The trade with Tibet was made easy because of the treaty signed after the Nepal-Tibet war in 1792 AD. Though the customs duty to be collected was fixed

and levied accordingly to the previous signed treaty, later on it was noticed as a problem as the additional customs duty was arbitrarily collected, exceeding the actual amount, by customs officials. However, it can be seen that the very problem was solved through a royal sealed announcement. Henceforth, one of the historical documents of 1846 AD disseminates the clear information on business practices and customs tariff implied between Nepal and Tibet. With the help of same document, it can be seen that the customs tariff between Nepal and Tibet was fixed in 1792 AD and it was followed till just before to 1846 AD as well. But, *Jagati* customs officials sometimes imposed much tariff than the prescribed customs tariff. Hence, it's mentioned that a new customs tariff was adopted.

According to new customs tariff, a system was put into effect in which products and goods imported from Tibet i.e. sheep, mountain goat, Chaudhary sheep, Chaudhary mountain goat, hawk, horse, sack of salt, wool, medicines, cards, ghee, oil, paper, tiger skins, musk, herbs, hashish, wild boar's skin, etc would have been levied a maximum of 8 *ānā* (50 Paisa) and minimum of 1 *ānā* (6.5 paisa) (Nepal: Himalkhabar.com 2075 BS, Mangsir/ P: 22).

It is confirmed from the document mentioned above that customs tariff had been going on since the time of Rana regime as similar words like *Jagāt* and customs duty were already in notice and

practice at that time too. It is seen that those who would collect the customs in Nepal was known as customs officer/commissioner whereas, in Tibet, *Dhewā* were the licensed for acting in this regard.

From the same document, it is found that Places like Nuwakot, Rasuwa, Markhu, Syafru, Timure, Goljunj, Balaju, Kerung, Kuti had the main customs offices or outposts in the northern side for collecting customs duty on foreign trade to north side (Nepal: Himalkhabar.com, 2075 BS Mangsir/ P: 22).

According to this customs practice, *Dhewā* at Kuti and Kerung could collect only one *furu Jagāt* for one full sack load of rice brought in export by Nepali traders/merchants . After that, on their reach to Lhasa, they had to pay 1 *kalamohar* customs duty for per one full sack load. This new customs tariff system was introduced as the *Dhewās* form the Tibetan side charged more *Jagāt*. And the new tariff was like: 1 *Kuruwa* per male person load in salt; 3/4 *Kuruwa* per female person load in salt; 1/2 *Kuruwa* per male person load of 18 pieces in blanket; 3/4 *Kuruwa* per goat/sheep; 3/4 *Kuruwa* per horse; 1/2 *Kuruwa* per labour; 1/2 *Kuruwa* per count hawk; 1/2 *Kuruwa* per person load in wool; 1/2 *Kuruwa* per person load in yak's tail; 1/2 *Paisa* per count in musk; 1/2 *Paisa* per person load in herbs; 1/2 *Paisa* per person load in bronze; 1 among 21 sheep or goat during Dashain.

Likewise, varying tariff was adopted at Timurya customs on the way to Shayphru, Nuwakot customs, Balaju customs office and Markhu customs office separately and respectively. A document issued in Falgun 1944 BS (1887 AD), during Jung Bahadur's period, provides information that Nepal had been imposing various policies at the customs offices for smoothing trade affairs with Tibet and India. Further, the document unfolds factual information that Nepal had been fixing varying numbers of officials on duty at different customs outposts. The very document heralds information that Nepal was regularly setting customs outposts at various trade gateways since the commencement of Rana period. It is often noted that complaints used to be filed against those customs officials, who would attempt in collecting more customs duty than fixed on law or prevailing tariff. Hence, Jung Bahadur took a strict action against the officials in customs office located at Falelung Myangmyang of eastern Nepal on charge that they collected much more than the mentioned in prevailing customs tariff on the goods that were imported and exported from and to India and Tibet, respectively. Besides, he even introduced new customs policy. It was written that those, who collected the customs duty exceeding the provision, would be punished; and practice of transporting the goods secretly or without clearing the customs duty would also cause seizing or confiscation of such goods. The fixed customs tariff,

decided by Jung Bahadur Rana, to the officials at Falelug customs named Cornel Indra Singh was like this:

| | |
|---|-------------------------|
| Food grains per one Sack..... | 1' |
| Goats, He-goats, Sheep, for each..... | 1' |
| Ghee, Oil per Sack..... | 1 - |
| Tobacco per full sack load..... | 1' |
| Brass/copper Utensils per piece..... | 1mohor rupee (Nrs.) 1 - |
| Pig, each one | 1' |
| Wine and liquor per sack..... | 1 - |
| Fruits per full sack load..... | 1' |
| Arms weapons <i>Khukuri</i> each..... | 1" |
| Clothes per full sack load..... | 1 |
| Buffalo bulls each..... | 1 |
| Salt full sack load..... | 1" |
| Crude iron per full sack load..... | 1' |
| Wool, wool baked blankets per full sack load..... | 1' |
| <i>Lāhā</i> per full sack load..... | 2 ' |
| Chicken per full sack load..... | 2" |
| Ginger, chilly per full sack load..... | 2" |
| Spade and axe of iron, per full sack load | 1' |

| | |
|--|-----|
| Pigeon per full sack load | 1' |
| Pan brass per full sack load | 1 - |
| Cumin, black pepper per full sack load | 1 - |
| Molasses, <i>sakhar</i> per full sack load | 1 - |
| Condensed citrus juice (<i>Chuck</i>) <i>Amillo</i> per full sack load | 1 - |
| Fermented radish (<i>Sinki Gundruka</i>) per full sack load | 3 - |
| Hawk, each one | 2 |
| Other birds, each one | 1 - |
| Wooden vessel per full sack load | 1 - |
| Cotton per full sack load | 1 |

To demonstrate the example of the then period customs tariff, the customs tariff (rate of duty) exercised in of two different times has been presented below.

The customs tariff to be applied in trade with Tibet, decided, in the year 1944 Magh 3.

Customs Tarriff (*Jagāt*) Schedule

Customs Tariff Schedule

| | | |
|---|----------------|--------|
| Food grains ... | 5 <i>ānā</i> | a load |
| Clothes ... | Rs. 1-4 | do. |
| Sheep and goats... | 5 <i>ānā</i> | each |
| Buffaloes ... | Rs. 1-4 | each |
| Ghee, oil ... | R. 1-4 | a load |
| Salt ... | 2½ <i>ānā</i> | do. |
| Tobacco ... | 5 <i>ānā</i> | do. |
| Iron ... | 5 <i>ānā</i> | do. |
| Metal utensils... | Rs. 1-4 | do. |
| Woolen rugs and blankets... | 10 <i>ānā</i> | do. |
| Pigs ... | 5 <i>ānā</i> | each |
| Lac ... | 2½ <i>ānā</i> | a load |
| Country beer and liquor.... | 2½ <i>ānā</i> | do. |
| Chicken ... | 2½ <i>ānās</i> | do. |
| Fruits ... | 1¼ <i>ānā</i> | do. |
| Ginger, Chillies... | 2½ <i>ānās</i> | do. |
| Weapons, <i>Khukuris</i> ... | 2½ <i>ānā</i> | do. |
| Iron utensils, hoes, axes... | 5 <i>ānā</i> | do. |
| Pigeons ... | 5 <i>ānā</i> | do. |
| Fermented radish(<i>Sinki</i>) and vegetables (<i>Gundruk</i>) | 3 <i>ānā</i> | do. |
| Brass, copper... | Rs. 1-4 | do. |
| Hawks ... | 2 <i>ānā</i> | each |

Cumin seed, black pepper, and other spices ... Rs. 1-4 a load

Other birds ... 1 *ānā* each

Brown sugar, molasses...R. 1-4 a load

Wooden vessels... 4 *ānā* do.

Condensed citrus juice (*Chuk Amilo*) ... Rs. 1-4 do.

Cotton ... Rs. 1-4 do.

Magh 3, 1944, (January 1888)

Regmi Research Collection, Vol. 91, 476-497.

With an order on 11th Ahsad 1948 BS (June 1891AD), the customs tariff on the goods exported and imported through the route of Dailekh district was decided as like.

Customs (*Jagāt*) schedule

Salt : 1 *Mana* per person load

: 2.5 kg per 13 animals

Cotton : Rs.1 ½ per person load

Clothe : 4 *ānā* per person load or

: 1 Paisa per length

Metal utensill : 4 *ānā* per person load or

: 1 paisa per piece

Tobacco : Rs 2 per person load

Iron : 4 *ānā* per person load

Blanket : 1paisa per piece

Sidra (fish) : 4 *ānā* per person load

Horse for sale : 8 *ānā* per NMB
 Paper : 4 *ānā* per person load
Devar (oil) : 2 *ānā* per person load
Khukuri (for sale) : 1 paisa per piece
 Pig : 8 *ānā* per NMB
 Furu (wooden vessel) : 1 *ānā* per piece
 Goat : 1 paisa per NMB
 Bangles : 4 *ānā* per person load

(Regmi Research collection, Number 84)

A historical letter, dated on 1st Baishakh 1991 BS (1934 AD) and reads about customs tariff worth rupees 511 to be collected on contract basis from Mugu based Chirne Bihar Dhungedhara customs outpost, includes tariff schedules on various products at that time thus it helps to gain additional information on the pattern of border trade and customs schedules during Rana regime. The customs tariff that the people from Jumla region had to pay on while having trade in Muglan, India was specified in this letter. Full detail of the tariff is enclosed in the Appendix.

According to this system, every single person from the border region of Mugu district, apart from the Jumla district, had to pay only thirteen paisa customs duty per person full sack load while importing materials from Tibet. It can be inferred from this letter that traders from border region also had the facility to carry the goods, in the year 1918 AD and 1928 AD as well, by paying the defined

customs tariff, and the tariff was slightly amended later.

The profitable trade that Nepal was having with Tibet began experiencing downwards curve by the late Rana period. Nepal Tibet trade became very less after the opening of way through Dhatung in Kalimpong nearby Darjeling. The earning from trade with Tibet was being downsized regularly. To compensate the loss, Nepal began opening new markets or trades and stations in border areas and expected to expand trade with India. New market offices/stations were established with responsibility of customs as well (Gyawali, 2045 BS/ P: 8). During Rana period, there were market offices to perform the job of customs as well. The *Bazaar Addā* (market offices) stationed at Bhadrapur, Birjung, Bhairawaha, and Nepalgunj used to collect the customs duty on the import and export between Nepal and India as per the tariff set from the central level government (Gyawali, 2045 BS/P: 8).

Customs office like Kathmandu *Goshwara*, Matatirtha sub-customs, and Chisapani *Gādi* used to run in *Amānat* system while remaining customs used to run in a contract basis called *ljārā*. The annual contractual settlement of customs in trade with Tibet along with internal trade would be regulated by Kathmandu *Goshwara* Customs whereas contractual settlements of customs in trade from market stations in Terai was done by the Madesh Management office. Customs

contract as well as market contract then after would be given under concept of *Bajra* contract. In *Bajra* contract, broker and government would get to claim equal half of the amount if the amount collected exceeds the contractual amount. The duty that was to be collected by the customs office and market office would be fixed by the government. The customs duty and market fees, based on the prevailing tariff, which the government had confirmed, was to be deposited on presence and witness of officials called *Subedar*, who would remain present in office regularly, of market office and customs office on their respective area. The record of customs collection would be regularly checked by the government. The broker would go responsible to bear everything, even from cost of his/her house and basis of living, if the amount collected was less than contracted sum. On the basis of amount contracted, the officials would be awarded with title among *Nayāb Dīththā* or subordinate to it; and the very acknowledgement had to be registered into department of record as well (Gyawali, 2045 BS/P: 8).

The customs tariff on goods imported from Tibet was based on per sack load of goods while the tariff on goods imported from India was based on its value, weight or size as needed. The onset of fiscal year for market offices called *Bazaar Addā* as well as customs offices would take a count from mid January. It is said that Nepal used to have annual income around 18 to 20

lakh from Kathmandu *Goshwara* Customs at the ruling time of Juddha Shumsher Rana.

The staffs and *Subedars* for Kathmandu *Goshwara* Customs, Matatirtha Sub-customs, Chisapani *Gādi* Customs along with all customs, which were on contract basis, along with market offices were appointed annually by *Pajani* (a system of appointing government officials on the basis of annual renewal of contract on performance basis or close to spoil system of recruitment) system. Moreover, the broker used to appoint the needed staffs in other customs offices running on contract system. While appointing the employee, normally the chief and *Subedar* were appointed from military background as well as among persons, who could be trusted by Rana rulers.

The British government signed a treaty of peace and friendship with the government of Nepal in 1980 BS on being quite satisfied on the military assistance and warfare craft demonstrated by the Gorkhali military personnel deputed in the First World War. Under the treaty, there was a provision of duty free facility on goods imported from overseas that would come to Nepal via India. And an additional provision of having facility to exchange foreign currency and gain import license was added by the British government of India.

While importing the goods under this duty free facility, merchants used to get

the customs duty deposited in Calcutta refunded to them after having the record of it certified by the first secretary of British embassy stationed in Kathmandu. After finding the evidences on abuse of this facility by Indian merchants, who came to Kathmandu for the purpose of misconduct, a separate duty free unit was opened in Kathmandu *Goshwara* Customs in order to control the process and to keep the record of imported goods under this system. But adoption of this system introduced a practice of collecting amount worth 3% of goods' value as customs duty for administrative procedure and expenses; but, this tariff was reduced to 1.5% of the goods' values after an objection from the British government (Gyawali, 2045 BS/ P: 9).

Initially, Kathmandu *Goshwara* Customs was situated at Ranamukteshwar. The goods that were brought from Chisapani and were in form of *Chimpu* were directly taken to the house of merchants. Customs employee used to go to house of every merchant to open the *Chimpu* and make record out of it. The record would be signed by *Subedar* and would be verified by the customs head; and then the officials would collect customs duty.

In 1989, Govinda Prasad was assigned to cross-check the work of customs, because it was, as per the investigation, sensed that there was less record of the import than the real import. Merchants and employee had mutual-cooperation to lower the record thus amount collected from customs duty was relatively very

less than the expected amount. In 1991, Kathmandu *Goshwara* Customs was moved from Ranamukteshwar to Teku and the practice of customs employee going to merchants' house for checking the goods was given an end after this shifting. The imported goods were to be bought directly in customs offices and duty was to be collected in customs office itself after proper inspection of goods/ merchandises. In the context of paying customs duty, Nepali traders had to submit customs duty on the commodity within 14 months of the import; and Indian merchants had to act same within two months of the import.

A uniformed policy in regard to customs duty determination/collection was implemented since Chaitra 24th, 1992 (April 1935 AD) by repealing all the existing dissimilar regulations and practices or *Sanad*, *Sawāl* and *Istihārs*. This initiation can be taken as a good kickoff towards the proper administration of the customs system in the country. This regulation had added to further strengthen the customs administration with some further new policies together with harmonizing all long existing varying *Sanad*, *Sawāl* and *Istihārs* and customs orders issued at different times (Gyawali, 2045 BS/ P:10).

During Rana period, especially foreign traders, who would love to establish shops and operate business in Kathmandu, had to obtain permission from the His Excellency Rana Prime Minister and the permission was called *KhadgaNishānā*. During that time, those

traders who wished to travel in and out of using gateways of any of four sides of Kathmandu had to obtain passport from the governor of Kathmandu *Goshwara* customs-office. Any new foreign trader, who wished to stay here, had to produce the Golden Chain of a renowned previous business person as a security deposit. So, if the new businessman hampered on any kind of governmental money or property or caused an inconvenience to anyone, the backer would be questioned and had to be answerable.

Earlier, the officials at customs outposts had to examine the businessmen's goods, had to make a draft of it, and had to charge customs duty accordingly to the prevailing tariff during a customs process. As this process reckoned faulty provisions, changes were made during the downfall of Rana regime. With this change, the merchants had to fill the declaration form themselves and had to offer the information of the goods as a whole. There had to have a detailed record of depositing the goods even when those products were kept in warehouse. The policy of passing the goods for personal use only through the sub-customs office and the goods for business purposes only through the main customs office was also introduced thereon after.

Before and till 1936 AD, cigarettes were imported in Kathmandu on contract basis. After submitting the committed money, the contractor could import any number of cigarettes from India without

paying any customs duty. When the Rana rulers were reported that customs duty could bring more revenues rather than a contract on cigarette, the contract system was revoked and customs tariff system was adopted from 1936 AD. Expecting the personal benefit gained from the contractor in the contract system, contract system got back again in force in 1946 AD, however, the system of contracting the import of cigarette on bidding payment of certain money came to the end by 1949 AD (Gyawali, 2045 B.S./ P:11).

After the end of the British rule in India, the ultimate Rana Prime Minister Mohan Shumsher signed a new trade and transit treaty with India on 30th July 1950 AD. This treaty resulted in the cancellation of Nepal's internal customs office and caused for the establishment of customs offices across Nepal-India border. According to the section 2 of this treaty, import of goods in Nepal from a third country through India's port would not be charged any customs tariff, and the section three of the same treaty had stated that Nepal could import and export from an area of its region to another area of its region through India without the charge of any kinds of customs. Further, the fourth section had stated that Nepal from specific region of India (which the Indian government had approved) was allowed to import and export goods to or from a third country. Furthermore, section five of the treaty had stated that if Nepal government imported and exported only from or to a third country, Nepal government had to

apply excessive customs tariff on such goods to make it ultimately cost expensive so that it would not hamper the sales of Nepalese products which were exported to India only or similar products which was made in India itself and had paid excise duty (Sharma, 2046 BS/ P: 556) there in.

An executive committee led by Bijaya Shumsher was formed in 2007 Shrawan 26 (1950 AD) for the proper operation and implementation of this treaty. However, the anti-Rana movement was at a rise right at that time so this committee was rather static and could not contribute much. Internal customs were scrapped and the Market posts/offices or stations known as *Bazaar Addā* across the border area started working as provisional customs-office. The duty free provision introduced during the time of British colonized India was partially scrapped and modified into quota-system; and excise duty on Indian made goods, which were imported to Nepal, was refunded to Nepal itself. For this, customs tariff had to be similar to that of India's goods, so, reformative initiations started in that area (Gyawali, 2045 B.S./ P: 12).

4.2.4 Customs Duty Collection Procedure

During Rana period, chiefly contract rule known as *Ijārā* was in force for the collection of customs duty. *Ijārā* (contract rule) refers to a system where a local person was admitted (as contractor) to collect customs duty on the virtue of spoken or promised words.

There were customs offices those would depute the contractors for customs duty collection and then only receive the money collected by the appointed contractors. The contractor had, therefore, the major role to play while collecting the customs duty. The government used to assign job of collecting customs in various areas caring comfort and connection to that contractor who would offer the highest bidding. The contracted amount would be generally determined on the basis of the market area, assumed quantity and volume of foreign trade, import and export gateways and so on. These contractors were also assigned with the post of *Diththa, Laptan, Subba, and Subedar* (normally corresponding to Lieutenants, secretary, assistant executives and executives), respectively.

It can be traced that Colonel Indra Singh Tandan Chhetri was assigned with the responsibility of collecting customs as per as the contract culture, in Falgun 1936 BS (1879 AD), on goods imported and exported for trade with Tibet along with merchandises traded across Arun-Mechi area on condition to collect yearly rupees 500 up to 5 years. But if an individual could not collect the agreed amount then the contract could be breached anytime and could be shifted to others too (Gyawali, 2045 BS/P: 7).

Colonel Indra Singh Tandan was passed a tender on condition to collect yearly 500 rupees customs duty till 5 years from trade activities across Arun-Mechi area. But he renounced the position of

ljāradār as he failed to collect the tendered amount. Later on, the responsibility was handed to Illam district whereas the authority was handed to Simawir Lama Gurung. In this way it can be justified that if an individual could not collect the agreed amount then the contract could be breached anytime and could be shifted to others too (Gyawali, 2045 BS/P: 7).

During Rana regime, in most of the places, customs was collected even in *Amānat* system aswell. Under this system, the government itself used to appoint certain officers and they would be handed responsibility to collect customs duty. Apropos to this, in Shrawan 1944 BS (1887 July), Laxmikant Acharya was given the responsibility to collect customs, with the honorary rank of lieutenant, from west Kirat based areas. He had a condition to bring yearly Rs 5000 to the government excluding administrative expenses. But as he could not collect the agreed amount so he requested for modification in agreement then ensured to pay his officials by himself on cost of approving modification proposal (Regmi Research, Kathmandu, December 31, 1983).

A letter from Janga Bahadur Rana's era carries an information that the customs tariff schedule on goods transported for trade across Falelug customs jurisdiction have been modified as *ljāradār* Laxmi Kanta Aryal requested for so (Letter on 8th Falgun, 1944 BS or 1887 AD). A letter sent from Commander in Chief General Bhim Shumsher Rana

reads that Devi Dat Sedhai was assigned with responsibility to collect tax from Nepali personnel residing in Tibet. Thus it makes hint that tax was collected at Kerung as well.

As per a letter dated in 1919 AD (1980 BS), the word customs is mentioned in clause 6 of Nepal British East India Arms and Ammunition Import Export Agreement. Further, it is also written that if reported to the main officer at the port-based customs office then no customs shall be levied in other customs offices across British India ports (Treaty collection/ P: 148). The word customs officer had already become quite popular in India at that time (see page 150 of very book, treaty collection).

In an exchange of letter after Nepal India trade agreement in 1950 AD, some border line areas of Nepal were considered as convenient trade points, to be connected with train service as well, for trade in accordance with section of 2 and 3 of the treaty. The same areas became famous trade hubs later and they were as follows: 1. Raxaul 2. Jogbani 3. Nepalgunj 4. Nautanawa and 5. Jaynagar, respectively (Treaty collection/P: 156). Nepal had customs office in these places, which were having facility of train service, in order to collect customs tariff on goods that Nepal used to either import or export.

With the treaty that was signed after Nepal Tibet war, Nepalese traders were allowed to do business in Lhasa without the customs tariffs and further duties. In the mean time, Nepal was also allowed

to designate its ambassador in Lhasa for the protection of Nepalese traders. Nepal had 3 main centers and seventeen trade gateways in that time for the trade to the north side of the Nepal i.e. Tibet. Nepal government would collect customs duty from these posts with help of customs offices situated there in. Mostly, rice, wheat, sugar, jute, oil, clothes, utensils, wood, etc were the major products that Nepal used to import to Tibet at that time whereas the major things imported from Tibet were sheep, goats, wool, herbs, leathers, etc.

Majorly, the trade relation with India started to have momentum after the agreement of 1970. But, after second plan, trade activities were broadly diversified and modified on goods and objectives as well. At the early modern time, the products related to handicraft and homemade items had boosted the trade a great deal. Following the agreement between British India and Tibet in 1904, India started doing trade with Tibet straight through Chumbi valley; and because of that, Nepal India trade began experiencing downward and diminishing curve.

The trade practices in Nepal started being more India driven and dependent after the treaty between Nepal and British India in 1923. Importing was at excess than the flow of export. Once a trade route from north east of India to Lhasa came in popular use, Nepal's trade to Tibet had a stumbling setback along with hugely negative impact on India's trade to Tibet via Nepal as they

had direct trade connection. This made Nepal to lose a great sum of money collected from customs duty on those goods (Pandey, 2041BS/P: 303).

During Rana regime, revenue generated from customs duty was one of highly remarkable means to national treasury. Thus, nation would try to generate as much of customs duty as possible. Even Rana family members too would involve in business. Jung Bahadur Rana had made a quantum leap forward heading increment in customs duty after being ascended to the throne. In quest of promoting the trade volume and frequency, Rana Prime Ministers had opted to increase the trade marts and formed market stations called *Bazaar Addā* across the border. Jung Bahadur Rana had developed market at Nepalgunj and Golghat and had encouraged Indian and other normal tradersto engage in business from there. At that time, government would levy tariff of 2 percent even on taking the Indian currency, what was in Nepali market, back to India again (Sharma, 2046 BS/ P: 553).

4.2.5. Institutionalized Development of Customs Administration

The customs practices and patterns in Nepal, which were relatively traditional and somehow unscientific too, experienced some improvements in period of Rana Prime Minister Chandra Shumsher. For the reason, Chandra Shumsher established market points in Terai districts with the aim of systematizing customs practices,

introduced a system to collect customs duty through offices called *Bazaar Addā* on imported and exported goods, and made the customs tariff schedule consistent and uniformed throughout all districts in Terai region. Before that, there was practice of apparently different customs tariff in use in market from Mechi in East to Mahakali in West (Sharma, 2046 BS/ P: 554).

Nepal signed a treaty of peace and friendship with British India in 1923 AD, in Chandra Shumsher's period. The said treaty between Nepal and India had provisioned to make resolutions on many problems noticed on trade between Nepal and India. According to the section six of treaty, Nepal got facility of importing goods from third country through Indian port without paying any customs duty (for details on articles of treaty see Hussain, 1970/P: 391).

One of the authors has written that there were 27 main trade centers and gateways for Indo-Nepal trade during Rana regime. Among them, Jhulaghat, Banbasa, Rajapur, Thori, Birgunj, Krishnanagar, Butwal, Bhairahawa, Nepalgunj, Malangwa, Biratnagar, Illam and Bhadrapur were the frequently occupied routes (Sharma 2046 BS/ P: 555).

A historian has mentioned that Kathmandu had a central customs office named Kathmandu *Goshwara Bhansār* to collect the customs duty in Rana period. This *Goshwara Bhansār*, which existed from the beginning of the Rana

period, used to collect the customs duty on the goods imported to or exported from Kathmandu to/from India and Tibet along with inspection and clearance of goods. Similarly, there was a separate office in the name of *Bazaar Addā* in various major markets. Chief market bureaucrat was called market officer. Once Chandra Shumsher began in opening such markets in different places of Terai, this office commenced both the works of monitoring *Bazaar Addās* in Terai along with customs collection; and this system continued throughout Rana period (Agrawal, 1197/ P: 62).

Customs office was akin to *Bazaar Addā*. But this office in Rana regime would look over the market situation and regulate the customs collection in hilly region along with valley. Establishment of customs office was a reformative deed by Chandra Shumsher for the purpose of increasing the revenue of the state. In 1934, Judhdha Shumsher, for the first time, issued the Customs *Sawāl* in regard to the tariff applicable (New *Sawāl* of customs, 1991) then afterwards commenced to institutionalize this office (Agrawal, 1997/ P: 62-63).

In district level, the chief district administrator would control the customs revenue through the market office called *Bazaar Addā* or customs office (Agrawal, 1976/ P: 90). In the last year of Rana period i.e. in 1950 AD, the government had collected 40,66,000 rupees revenue as customs duty (Agrawal, 1976/ P: 130).

CHAPTER FIVE

Development of Modern Customs Administration

Traditional customs administration in Nepal began embodying an institutionalized change mostly after 1951; and among them few of progress can be summed as: establishment of customs offices and outposts on most of the border areas; improvements, changes and amendments on system of customs tariff imposition and duty collection in quest of standardizing and modernizing Nepal-India and Nepal-Tibet trade; institutionalization and harmonization of customs duties; improvement in the structure of customs administration and so on. Various Nepal India trade treaties were made during the same era; and practices were amended then improved as per those treaties. In the next decade, there were efforts made to update customs administration of Nepal and make it consistent with international customs benchmarks. As a result, customs system of Nepal resulted into higher transparency, higher accountability, and relatively easier functioning as well. This part includes the very changes in customs administration inducted after 1951.

5.1 Onset on Institutionalized Development of Customs Administration

The system of rule of laws began in Nepal after the fall of Rana regime in 1951. Interim Constitution was implemented and various laws and acts were formulated and promulgated for country's systematic operation and scientific administration. After democracy, trade of Nepal was more inclined towards India. As a result, various types of Nepal-India Trade Treaties were signed in 1950, 60, and 1971 AD, and the years later as well. In quest of further advancing and exploring the trade between Nepal and China, many treaties were done in 1956, 1968, 1974, 1977, 1980 AD and in years after then as well (Pandey, 2041B.S./P:303).

International trade has a great role in economic development of Nepal. Nepal began experiencing a rapid rise and positive changes in foreign trade in the years after 1951 since Nepal made remarkable pace on establishment of factories and industries, expansion of road and highways as well as improvement on status of physical infrastructures as well. Nonetheless

export based trade practice of Nepal since ancient time now got a reverse change and began being excessively import oriented. Regularly diminishing production capacity of industries within the country and growing demand of goods and services of the people simultaneously led to the situation to be heavily dependent on imported goods even in case to avail the necessary goods as well. Despite, Nepal's major source of revenue i.e. customs duty has been taking an oversized ballooning growth due to import and export.

Although revenue from customs duty was increasing with the increasing trend on import of Nepal, no any real data or valid information regarding total volume of imported products and total amount of customs duty collected can be traced due to the lack of modern technologies and weighing device to measure the quality or weight of imported goods, no clear mentioning of the details of imported products while filling the customs declaration form (*Pragyapan patra*) and practices of illegal trade or trade through unauthorized route, respectively (Nepal Parichaya, 2032 BS/P: 381).

The series of positive changes in foreign trade of Nepal as well as customs administration were inevitable and expected process after revolution of 1951. In spite of that expectation, customs administration of Nepal had been operating traditionally for sometime even after end of Rana regime. Internal

customs or excise duty system too had been in operation for few years more. Customs duty collection system was still operated traditionally. Even after paying duties/charges, traders/merchants could not get the customs clearance receipt from customs offices due to lack proper system and having no systematized registration and record keeping of the customs clearance. As these problems and grievances still existed in the democratic era too, the government of Nepal published a notice on 16th Chaitra, 2010 BS (23rd March, 1960 AD) on Nepal Gazette mandating and obligating all the customs offices to issue customs clearance receipt to concerned parties with clear notification of key information i.e. details of products, measurement, quantity, rates, and details of the amount paid in the very notice issued on behalf of Income department, Ministry of Finance; and on the same notice, following things were directed:

..."Customs clearance receipt/ sheet has to have signature of respective merchant in its one half, the same details of the duty amount charged together with invoice number has to be recorded in income ledger; and both of these have to be presented to the authority to re-check, and audit too has to re-verify the bill and ledger then has to issue the clearance receipt. But there shall not be necessity of maintaining another ledger for the same purpose (Nepal Gazette, Part 2/ 16th Chaitra, 2010 corresponding to 29th March, 1960)."

Until then, no new customs act had been proclaimed. Thus, the *Goshwara Bhansār Sawāl (Central rule of customs)*, which was in practice from the Rana period, and various other orders and decisions made by the government in different times were considered as main legal source for smooth customs administration, customs tariff determination and its collection before Customs Act, 2019 was enforced. Even after the promulgation of Customs Act, *Goshwara Bhansār Sawāl* was found being followed in many cases. It can also be proved from a notice published on Nepal Gazette, on behalf of His Majesty Government, on 24th Chaitra 1992 BS (April, 1935 AD) as it reads that clause number 41 of *Kathmandu Goshwara Bhansār Sawāl* was scrapped (Nepal Gazette Part 3/ 21st Chaitra, 2023 corresponding to 3rd April, 1967).

Nonetheless, the modernized customs offices were established in Nepal right after the advent of democracy. Mohan Shumsher, the last Prime Minister of Rana regime, had signed a treaty for trade and commerce with the new government of independent India in 1950 AD just after independence from the British rule. The treaty had obligated to immediately open customs offices in 5 different places in Terai of Nepal. So, according to very provision, the customs offices which are mentioned below were established and brought into function from 2nd Magh, 2009 BS (15th January, 1953 AD) as it followed to the decision

made on 18th Poush 2009 (1st January, 1953 AD); and those were...

1. At Biratnagar: Nearby Jogbani,
2. At Janakpur: Nearby Jayanagar,
3. At Birgunj: Nearby Raxaul,
4. At Bhairahawa: Nearby Nautanwa,
5. At Nepalgunj: Nearby Nepalgunj.

These customs offices' works were provisioned to be regulated by customs officers. But as customs officers were not fairly known about modern customs procedures, administration and systems, they were also to be trained by Indian government. So, until the trained officers could not come to assume office, there was as interim provision as that those customs offices would be regulated by local offices or *Bazaar Addā* as previous. According to the treaty for trade and commerce, respective district governors were responsible for works to be done by customs offices along with required supervision for that interim period. At that time, the governor would be the most powerful administrator of a particular district or in a district group. The district governor would exceptionally and additionally exercise administrative, political and economic rights on their particular district under ambit of the *Pahar Goshwara Ain* (Hill District Administration Act) and *Madhesh Goshwara Ain* (Terai District Administration Act), respectively. Other officers or employees in respective areas had to annually submit their report to the

head officers. This provision was explicitly mentioned in *Madesh Goshwara* Ain, 2012 BS (1955 AD) and 2014 BS (1957 AD), respectively.

The very treaty had provisioned the existing *Bazaar Addās* to be continued to function as customs offices as an interim management unless the newly establish customs offices were regulated properly in the mentioned particular places as per the provision of Nepal-India Treaty on Trade and Commerce. Also the treaty had stated about the functions to be carried in interim period by the existing customs offices (*Bazar Addās*) in following ways:

- a) Any good brought into Nepal as imported from India or other countries, on condition that excise duty or import duty for Indian government has been revoked or exempted, or that duty would be refunded, should be inspected from authorized Indian customs officer deputed for the very purpose following with getting the detailed record registered along with other necessary happenings besides levying and collecting duties on such goods as per prevailing tariff on behalf of Nepal government.
- b) While exporting Nepal produced goods to countries outside of India, it should be done on provision of not attracting excise duty or export duty being exercised by the government of India. Goods exported from Nepal by levying the necessary duty as per

prevailing tariff should be inspected from authorized Nepali customs officer deputed for the very purpose following with getting the detailed record registered along with other necessary happenings then should proceed accordingly.

- c) The goods exported or imported should be separately and systematically recorded in accordance to the system developed and dispatched by Revenue Departments along with maintaining separate ledger for volume of revenue generated from these activities. The separate month-wise record should be made and sent monthly to the finance (income) department (Nepal Gazette, Section 2, No.28/ 19th Falgun, 2009 BS corresponding to 2nd March, 1953 AD).

Similarly, some important decisions were made in subject of levying customs duty with the very interim management; and those can be listed below:

- a) Goods which are imported on condition that those don't attract export duty in India or that shall get refunded should be levied customs duty (excluding 10 percent bail amount, to be presented) as per tariff mentioned in Indian customs schedule.
- b) The customs duty on goods excluding cigarette and alcohol, which were excise duty free in India,

or goods which were imported on possible condition of its return or those goods which were subsidized for excise duty in India, should be determined only equal to applicable excise duty in India after minute verification and careful examination of the excise form. However, the cigarette would cost customs duty worth excise duty and additional one fourth amount on the total price of imported volume. And the alcohol would cost customs duty worth excise duty and additional full amount on the total price of imported volume.

(Note: to confirm the excise duty in India and decide the applicable customs duty, it should be based on schedule mentioned on Form B)

- c) The duty on goods those would not attract the export customs in India or exported to other countries except to India on probability of return will be decided later.
- d) The goods which are levied with duty in accordance with tariff or existing *Sawāl*, clause a, b, & c (mentioned annually), those should not be further levied with export or import customs duties, fine or other liabilities as well.
- e) The subsection 7 & 8 under section 4 should not be referred if goods are levied with duty as per a, b, c of section 5; when the value of Indian coin should be converted into Nepalese currency, mostly at the

customs offices having tariff provisions in Indian currency, Indian Rs 100 equals to Rs 125 Nepali.

- f) If the goods are exported to overseas countries from the inner districts in Terai, the owner has to pay customs duty as per prevailing tariff of that respective district as applicable to India then has to collect the necessary receipt mentioning that the goods are exported to a particular country. In case of such export with necessary receipt, the prior paid customs duty on such goods in respective district should be adjusted while charging duty for post-India export on, according to Section 5 (c).
- g) While exporting goods, for which customs duty is paid as per section 5(a) and 5(b) to the market having another customs office, it is must to carry the prior paid receipt and verification document as that the goods are being exported to that respective area. Such goods having the proof as needed shall not be charged with any duty other where.
- h) The customs duty on import or export as per section 5 (a) (c) of this act does not apply to export and import directed to Tibet.
- i) All the *Sawāl*, *Sanad*, instructions and related decrees made in past in quest of prohibiting the goods exported or exported under duty free or facility provision shall be completely dismissed after this

Sawāl comes into effect (Nepal Gazette, Volume 2, No. 28/ 9th Falgun, 2009 corresponding to 20th February, 1953).

The new customs administrative system from this arrangement shows that both the domestic customs practices and international customs provisions had duo and overlapping existence in the country, until the full swing development of the modern customs administration came into practice from post democratic era. Also, there was a tangible difference in customs tariff on the goods in the internal and external export and import, respectively. The new system had removed the restriction over goods imported and exported as per the prevalent duty free or duty facility provision.

5.2 Restructuring and Classification of Customs Offices

With the advent of democracy, the government consecutively had taken some steps with the aim of reorganizing and modernizing the customs system more scientifically. Prior to this, two separate offices named *Bazaar Addā* or market office (in Terai) and *Bhansār Addā* or Customs Office (in the Hills) were in use in two different parts of country. But with a decision on 9th Shrawan, 2013 (24th July, 1956), the government declared to bring all these two types of offices i.e. offices in Terai and Hills, with authority to levy duty as per prevailing tariff on imported and

exported goods, under the same and single name 'Customs'. This decision ensured uniformity in practices and procedures among all customs offices, which were having different names and forms prior to this step (Nepal Gazette, Part 4/ Kartik 13, 2013 BS corresponding to 29th October, 1956 AD).

Until then, there was no difference in the jurisdiction and category of customs offices. Therefore, in the year 2013 (1956 AD), the main customs offices of Terai were divided into the first, second, third and fourth class being based on the volume of export and import via the customs office and on amount collected as duty in respective customs offices. The classes of customs offices were determined as following:

| First Class Customs Offices | Second Class Customs Offices |
|---|--|
| <ul style="list-style-type: none"> • Bhadrapur • Biratnagar • Birganj • Bhairawa • Nepalgunj | <ul style="list-style-type: none"> • Hanumānāgar • Chandragunj • Mahottari • Kaptangunj • Koilabas • Rajapur • Trinagar |
| Third Class Customs Offices | Fourth Class Customs Offices |
| <ul style="list-style-type: none"> • Sarlahi • Gaur • Brahmadeumandi • Jhulaghat | <ul style="list-style-type: none"> • Thori |

Every single one of these customs offices had position of chief of the customs office of different levels according to class of the respective customs office. The official hierarchy to function as chief of the customs office in different customs offices was as like (Nepal Gazette, Part-4/ 13th Kartik, 2010 corresponding to 26th October, 1956):

- a) First class: Gazetted officer for the post of chief of customs office and non-gazetted first class for an immediate subordinate.
- b) Second class: Non-gazetted first class for chief of the customs office and non-gazetted second class for an immediate subordinate.
- c) Third class: Non-gazetted second class as chief of the customs office and first class non-positional

assistant as an immediate subordinate.

- d) Fourth class: First class assistant as chief of the customs office and second class non-positional assistant as an immediate subordinate.

Six months later from grading of key customs offices in Terai area, in 2013/10/11 BS (24th January, 1957 AD), the sub-customs offices under main customs offices in Terai were also graded and acknowledged in different categories. The decision was taken by considering the total revenue earned and goods imported and exported through the respective customs. According to that decision, sub-customs offices were ranked or graded from B to F categories, respectively. The grading for sub-customs offices was as such:

| S.N. | Name of Main Customs Office | Name of Sub-Customs Offices | Rank of Sub-customs Offices |
|------|-----------------------------|-----------------------------|-----------------------------|
| 1. | Bhadrapur Customs Office | Dhulabari | C |
| | | Athmauja | D |
| | | Gherabari | D |
| | | Panthapada | D |
| | | Jhapa | D |
| | | Bahundangi | D |
| | | Chaukimari | D |
| | | Pathamari | E |
| | | Lothabari | E |
| | | Mhabhara | E |
| 2. | Biratnagar Customs Office | Rani | C |

| S.N. | Name of Main Customs Office | Name of Sub-Customs Offices | Rank of Sub-customs Offices |
|------|--------------------------------|-----------------------------|-----------------------------|
| | | Rangeli | C |
| | | Dharan | C |
| | | Kauwakhoj | D |
| | | Shahebgunj | D |
| | | Madhumalla | D |
| | | Doriya | E |
| | | Ghuski | E |
| | | Basmatiya | E |
| | | Kadmaha | E |
| | | Lauki | E |
| | | Lahi | E |
| | | Dainiya | F |
| 3 | Hunumānāgar Cuistoms Office | Hanumānāgar | C |
| | | Lahan | C |
| | | Jhajapatti | D |
| | | Swaim Patti | D |
| | | Thadi | D |
| | | Tilathi | D |
| | | Kodarkatti | E |
| | | Therawa | E |
| | | Kamalpur | E |
| | | Aurahi | E |
| 4 | Chandragunj Customs Office | Inarwa | C |
| | | Badhahari | D |
| | | Bariyarpatti | D |
| | | Bhuksar | E |
| | | Aurahi | E |
| 5 | Mahottari Customs Office | Samshi | C |
| | | Chisapani | C |
| | | Jaleswar | C |
| | | Kha. Mahuwa | D |
| | | Matihani | D |

| S.N. | Name of Main Customs Office | Name of Sub-Customs Offices | Rank of Sub-customs Offices |
|------|------------------------------|-----------------------------|--------------------------------|
| | | Kathal | D |
| | | Mahinathpur | D |
| | | Bhadariya | E |
| | | Bagnaha | E |
| | | Badehi | E |
| | | Fatti | E |
| | | Lamma | E |
| 6 | Sarlahi Customs Office | Tribhuvānāgar | C |
| | | Bhaadsar | D |
| | | Raghunathpur | D |
| | | Fenara | E |
| | | Sanggrampur | E |
| | | Parsa | E |
| 7 | Gaur Customs Office | Bamkul | D |
| | | Ghalra | E |
| | | Ghara | E |
| | | Auraihya | E |
| | | Bhramhapuri | E |
| | | Jaynagar | E |
| | | Khap | E |
| SN | Name of main Customs Offices | Name of Sub-customs Offices | Rank of the Sub-customs Office |
| 8 | Birgunj Customs Office | Amlekhgunj | D |
| | | Materwa | D |
| | | Kachaurwa | D |
| | | Bhiswa | D |
| | | Parsauni | D |
| | | Kawahi | D |
| 9 | Bhairahawa Customs Office | Butwal | B |
| | | Bhagawanpur | C |
| | | not clearly known | C |
| | | Parsauni | C |
| | | Parasi | C |

| S.N. | Name of Main Customs Office | Name of Sub-Customs Offices | Rank of Sub-customs Offices |
|------|-------------------------------|-----------------------------|-----------------------------|
| | | Bethari | C |
| | | Purwa Bhagwanpur | D |
| | | Bhuchibarewa | D |
| | | Mamjhariya | D |
| | | Bhujawa | D |
| 10 | Kaptangunj Customs Office | Chakarchauda | C |
| | | Taulihawa | C |
| | | Gaura | C |
| | | Ghaikhasirsiya | D |
| | | Hardaunni | D |
| | | Dohanni | D |
| | | Badhani | D |
| | | Rangpur | D |
| 11 | Koilabash Customs Office | Khagada | E |
| 12 | Nepalgunj Customs Office | Saigaun | D |
| | | Khadaiya | E |
| | | Bhangotana | E |
| | | Jamunaha | E |
| | | Utharapur | E |
| | | Naraiyapur | E |
| 13 | Rajapur Customs Office | Pakadiya | C |
| | | Dhanaura | D |
| | | Jamunaha | D |
| 14 | Trinagar | Prithvipur | C |
| | | Bandhawa | C |
| | | Sati | C |
| | | Bhadahari | C |
| | | Malakheti | D |
| | | Chaumabasa | E |
| | | Ghuhiya | E |
| 15 | Brahmadeumandi Customs Office | Banabasa | E |
| | | Dhakana | E |

| S.N. | Name of Main Customs Office | Name of Sub-Customs Offices | Rank of Sub-customs Offices |
|------|-----------------------------|-----------------------------|-----------------------------|
| | | Mudhila | E |
| | | Parashan | E |
| 16 | Jhulaghat Customs Office | Sitapul | E |
| | | Jolgibi | E |
| | | Darchula | E |
| | | Ashigada | E |
| | | Dhamaghat | F |

Total number of sub-customs offices in Terai Region: 113

From another decision on same date, required numbers of posts for workers along with their portfolio order and employees in sub-customs offices based in Terai region were fixed considering the grade of sub-customs offices.

The positions for the officials along with portfolio order, and the yearly stationery and other equipment expenses of sub-customs offices were confirmed on the basis of grade of sub-customs offices.

The decision was as like:

For Class 'B' Sub-customs Offices

Head of Sub-customs Office- Non-gazetted first class (*Nayab Subba*).....1

Non gazetted second class official (*Kharidar*).....1

First class non-positional official (*Pahilo Darjako Karinda*)1

Second class non-positional official (*Dosro Darjako Karinda*)....1

Havildar (*Habaldar*)...1

Ardali (peon)....10

Miscellaneous and Stationery expenses per year Rs. 120/-

For Class 'C' Sub-customs Offices

Head of Sub-customs office - Non-gazetted Second class. (*Kharidar*)...1

First class non-positional official (*Pahilo Darjako Karinda*)1

Second Class non-positional official (*Dosro Darjako Karinda*).....2

Ardali (Peon).....4

Miscellaneous and stationery expenses per year Rs. 60/-

For Class 'D' Sub-customs Offices

Head of Sub-customs Office-First class non-positional official (*Pahilo Darjako Krinda*).1

Second class non-positional official..(*Dosro Darjako Karinda*).....1

Ardali (peon).....3

Miscellaneous and stationery expenses per year..Rs..48/-

For Class 'E' Sub-customs Offices

Head of Sub-customs Office-Second class non-positional official (*Dosro Darjako Karinda*).....1

Ardali (*Peon*).....3

Miscellaneous and Stationery expenses per year.....36/-

For Class 'F' Sub-customs Office

If needed, *Ardali* (*Peon*) should be assigned responsibility.

Ardali (*Peon*).....2

Miscellaneous and Stationery expenses per year.Rs.....12/-

The head of the above mentioned sub-customs office could not take the allowance of head and they did not have to report the details of record in Kumari Chowk; it would be enough for them if they submitted the record in main customs office stationed at major trade point. (Nepal Gazette, Part 4, Clause 6, Number 44/ 28th Falgun, 2013 B.S. corresponding to 11th March, 1957).

Although it was said that the customs offices and sub-customs customs offices in Kathmandu and in the hill would be categorized later, the details records on this aspects are not yet obtained.

5.3 Establishment of Customs Commissioner Office and Formation of Revenue Service

A new decision to establish customs commissioner office and to shift all the hither to practiced duties and responsibilities performed by Ministry of Finance (income) in relation to customs under very commissioner office was made on 1st Baishakh, 2014 (13th April, 1957). The motive of doing so was to manage the increasing export/import and to further systematize the customs administration. Apropos to the changes, then, all customs outposts and offices, *Gādi*, *Gauda* and *Goshwara* were instructed to send all customs related reports to the office of customs commissioner from the first day of Nepali new year (Mid April) onwards.

The system of confirming customs tariffs schedule along with confirming customs schedules and types of duty was regulated through tariff board, which was intermittently formed. However, the practice of forming tariff board to determine the customs tariff schedule was already initiated in 1951 AD. The chief in Customs Commissioner Office was called a customs commissioner (Nepal Gazette, Part 4, Clause 7, Number 1/ 3rd Baishakh, 2014 corresponding to 15th April, 1957). But this office did not exist for a long time. About within two years of establishment, the government decided to change the Customs Commissioner Office into

Department of Customs and Excise effective from 10th Bhadra, 2016 BS corresponding to 26th August, 1959.

The government formed the Nepal Revenue Service in 1959 AD and provisioned that all the officials at Department of Customs and Excise would be reconciled under this service (Rules regarding formation of Nepal Revenue Service, 2016 BS (1959AD)). Similarly in the same year, Nepal Revenue Non-gazette Service was formed and all the in-service non-gazetted officials at Department of Customs and Excise were merged and adjusted there in (Rules regarding formation of Nepal Revenue Service 2016 (1959 AD), and rules regarding formation of Nepal Revenue Non-gazetted Service Nepal Revenue). Thus government commenced on carrying out many remarkable deeds for organizational and structural modification of Department of Customs on the purpose of improving and modernizing customs administration.

Government of Nepal had issued a notice on 19th Poush, 2016 BS corresponding to 3rd January, 1960 AD addressing it to the customs offices set up across the border like Phaleluga, Bhadrapur, Hanumānāgar (Rajbiraj), Gaur, Rajapur Brahmdeumandi and Jhulaghat and were established according to Nepal-India Treaty for Trade and Commerce, as those were in function by then, and ordered them to follow and comply with authorized

system while importing goods from India that would attract an excise duty from central government of India (Nepal Gazette, Part/ 4th Magh 2016 B.S. corresponding to 18th January, 1960).

According to very arrangement, the government had operated customs offices at Sarlahi, Thori, Koilabas, Krishnanagar and Trinagar backed with the cabinet's decision on 5th Ashoj, 2017 BS (20th September, 1960 AD). Even the newly established customs offices in those places too had to adopt and comply with approved and authorized working procedure as mentioned into A. R. 1 form while importing goods those would attract central excise duty in India (Nepal Gazette Part 4/ 13th Magh, 2017 BS corresponding to 26th January, 1961 AD).

After the Nepal-India Treaty on Trade and Commerce held in the year 1961 AD, a new system of issuing the import approval license for importing the goods to Nepal from third countries was introduced; and Nepal Government itself had to bear the needed amount of foreign currency that the process would attract (Gyawali, 2045BS/ P: 4)

5.4 Customs Act, 2019 BS and Customs Regulation, 2026 BS.

The customs administration basically regulates and manages the 'export-import trade'. Therefore, customs administration should be strengthened as much as the volume of foreign trade

increases. But, till the Rana period, Nepal's import-export trade was regulated with traditionally operating unscientific customs system.

In order to organize customs administration, Rana rulers, who had time, would issue *Sanad*, *Sawāl*, *KhadgaNishānā* and *Istihār* and so on from time to time. The works related to the customs started taking much consistent and relatively improved pattern almost from the late quarter of Rana era as Bhansār *Goshwara* and Kathmandu *Goswhara* Customs issued *Sawāl* in 1991 BS (1934 AD) and 1992 BS (1935 AD) respectively. The very *Sawāl* was benchmark to regulate and administer the customs practice for few more years as the country, after the advent of the democratic rule, was functioning according to the interim constitution. But there was a situation that the customs administration could not be regulated and systematized only on the basis of *Sawāl* and *Sanad* issued in Rana period.

After 1951 AD, the country's foreign trade began to take a course of change. Nepal's foreign trade has also been influenced by the geographical situation. Business with neighboring India and Tibet and China has set the center of modern Nepalese foreign trade. At present, except India and China, the trade with overseas countries like Pakistan, Bangladesh and the other countries is relatively low.

Similarly, the Customs Act was issued on 6th Marg, 2019 BS corresponding to 21st November, 1962 AD with an objective to facilitate for the development of modern customs administration and more systematic customs practices in the country. By highlighting the purpose of issuing this Act, it was written in the preamble of Act...

"Whereas, it is expedient to consolidate and amend separate orders and regulations issued in the names of Kathmandu General Customs Office and the Customs Offices of the hill and terai areas, as well as the orders and regulations made and framed from time to time and to make uniform arrangements for their application all over the Kingdom of Nepal,... Thus, this Act is promulgated."

It is proved with the preamble of the Act that, before 1962, Nepalese customs was based on traditional rules and regulations such as *Sawāl*, *Sanad* and *Istihār*. There were time to time amendments in this Customs Act as well. The first amendment to this Act was on 13th Bhadra, 2021 (28th August, 1964) followed with second amendment on 27th Bhadra, 2025 (11th September, 1968), third amendment on 6th Ashwin, 2028 (22nd September, 1971), fourth amendment on 20th Ashwin, 2031 (6th October, 1974), fifth amendment on 9th Ashwin, 2042 (25th September, 1985), sixth amendment on 16th Ashwin, 2043

(2nd October, 1986), and seventh amendment on 6th Bhadra 2054 (22nd August, 1997), respectively.

Apart from this, the Government also continued on revising and reforming and retaining various provisions on different acts i.e. Some Nepalese Acts Amendment and Reform Act-1963, which was framed to amend the prevailing Laws and Acts; The Nepalese Acts- 1963; Debt Recovery Tribunal Act-1974; along with on others act and other laws; therefore, these amendments automatically amended some aspects of the Customs Act. These amendments, made in the customs act, improved and modernized the work in the existing customs system. Customs administration became more managed and started progressing and advancing in accordance with international standards.

Customs regulation was promulgated in 1970 in quest of ensuring effective implementation of Customs Act-1962. This regulation had enshrined the key principles and provisions on various issues like: procedures on customs-agent, procedures on customs declaration form, procedures on transporting material from one part of Nepal to another part of Nepal via route of India, procedures on non-governmental warehouse, procedures on demurrage, procedures on auction of confiscated goods and materials, procedures on opening and closing the customs office, procedures on obligation

of parcel customs, procedures on issuing on certificate of customs clearance and so on. (Nepal Gazette, Part 3, Volume 20, No. 3/ 21st Baishakh, 2027 BS corresponding to 4th May, 1970). This regulation had the first amendment on 27th Bhadra, 2042 BS (12th September, 1985) as well as the second amendment was made on 25th Chaitra 2042 BS, respectively.

5.5 Duty Privileges and Exemption Provisions.

Various decisions had been made in different time regarding whether to examine or not and whether to levy customs duty or not on the merchandise, luggage/baggage and goods that Nepal imports and exports for either personal or business purpose. Especially before Rana regime, Rana Prime Ministers and family members of Ranas were excessively enjoying customs duty privilege though no any accurate policy was made for such cases. According to one of former administrators to Rana regime, no customs duties would be charged, in Nepal and India too, on the imported goods belonging to the then His Majesty, Rana Prime-Minister along with other goods brought for government purpose. But Indian government would levy customs tariff, in Calcutta itself, on other goods, which were imported except those (Pandey: 2044 BS/ P: 248).

After the end of Rana regime, a separate regulation regarding customs

facilities and exemption was made to attempt on systematizing customs exemption or duty facility. In this regard, following provisions were introduced in a proposal, which was presented by the Ministry of Finance complying with the cabinet decision on 18th Magh, 2008 BS corresponding to 1st February, 1952 AD, regarding the issues on whether to inspect or not and whether to levy customs tariffs or not on the goods and baggage that Nepal imports and exports for either personal or government uses. It read that all goods, which are to be exported or imported air, road or railways, should be dully inspected then levied the customs duty as per the *Sawāl Sanad* in function. However, goods should not be inspected and levied in following conditions:

1. If the goods belong to His Majesty King, His Majesty Crown Prince, His Majesty junior prince/princess and other royal family members.
2. Only the goods those belong to the chief of the foreign missionaries, foreign diplomats and officers, advisors to Government of Nepal, secretaries of his Majesty Highness and their family members.
3. Only the goods which were carried by the chief of the Nepalese mission and the Nepalese diplomat officers while going to assume office abroad or returning to home after the tenure; or goods that their family members carry while going or returning during tenure or within

additional six months of the tenure time. Such goods can contain a motorbike, a refrigerator and a radio as well.

4. Only the goods those belong to Honorable ministers and their family members.

Customs officer/s can inspect the aircraft and no one can leave airport without having clearance certificate issued from customs officer. Unless the authorized officers at customs allows, no baggages can be taken out of the aircraft.

This rule had repealed all the earlier *Sawāl Sanad* about this matter; and the law also explained that the family means wife and children living together (Nepal Gazette/6th Falgun, 2008 corresponding to 18th February, 1952).

Similarly, the government had made another revised rule of country regarding the baggage on 14th Magh, 2011 corresponding to 27th January, 1955 (Nepal Gazette, Part 2/ 14th Magh, 2011 corresponding to 27th January, 1955). Similarly, on 5th Falugn (16th February) in the same year, there was another decision to release the goods prescribed types in a fixed quantity after levying the customs duty as per the recommendation of the committees on the subject of goods on denial.

After the beginning of air service, the air passengers- who would travel from the aircraft- too started to bring a huge quantity of goods with them therefore

some problems and difficulties occurred in regard to its inspection. Thus Government of Nepal took a new decision, on 12th Chaitra, 2012 (25th March, 1956), and that was said to have come into effect from 1st Baishakh 2013 (13th April, 1956). It read that the baggage bought by the air passenger with them should be examined and released as per the provision enshrined on prevailing *Sawāl* and Gazette; other goods imported by air, in form of cargo, should be sent to Kathmandu *Goshwara* customs and get examined; and other goods imported through Nepal bank and post as well should be followed alike the cargo imported by air along with having updated and intact record of it (Nepal Gazette/ 27th Chaitra, 2012 corresponding to 9th April, 1956).

In the year 1958 AD, the government had issued a new rule by repealing the existing customs privilege and exemption policy, which was mostly based on the basis of *Sanad*, *Sawāl* and other orders in the past, in quest of ensuring timely modification and scientific changes in the practice of customs privilege and exemption. All the institutions and customs related offices were ordered to follow those rules (Nepal Gazette, Part 4, Section 7, Number 44/6th Falgun, 2014 BS corresponding to 17th February, 1958). One of the main features of the new rule was that it had also defined and elaborated that phrases like the customs privilege and duty privilege, respectively.

(A) Customs privilege: The rules issued on 6th Falgun, 2014 (17th February, 1958) has defined customs privilege granted to travellers as they can import and export the goods or personal belongings as baggage, which passenger carry with them or deliver later, only on the basis of customs declaration form even without paying customs duty or even without getting the goods inspected. Under this rule, it had even mentioned about the process to qualify for such customs facility along with officials or individuals to be eligible for this facility. The people and officials of following portfolio of this country had been granted for this kind of customs privilege.

1. (a) His Majesty King. (b). Her Majesty Queen (c). His Majesty Crown Prince and their family members.
 - (d) It would be ensured to His Majesty first junior prince Gyanendra Bir Bikram Shahdev and His Majesty second junior prince Dharendra Bir Bikram Shahdev from the date when the chief secretary of His Majesty Highness informs the same in writing.
 - (e) Her Majesty Highness Grandmother
 - (f) His Majesty first junior prince Himalayan Bir Bikram Shahdev and His Majesty second junior Prince Basundhara Bir Bikram Shahdev and their family.

In all these cases, the customs declaration form should be dully filled by authorized secretary on behalf of His Majesty Highness and other respective echelons.

2. Foreign ambassadors and their family.
3. Embassy's third secretary and the officials up to attaché along with their family.
4. If the ambassadors appointed for Nepal or other officials, who have privilege of customs duty exemption, don't bring goods together thus manage it to be delivered later on, then a certificate to prove the goods and belonging for personal use and being issued from highest official of respective mission or embassy or the authorized officer on behalf should be presented for duty free clearance of such goods.
5. The above mentioned personnel do enjoy customs duty facilities without an end. Apart of them, in case of other special people, the customs privilege can be granted only if their passport has valid diplomatic visa.
6. Customs commissioner can ensure duty free facility or partial exemption provision on time period basis to the specialist VVIP who can come to Nepal without passport and if they are recommended for such by the secretariat of Ministry of Foreign Affairs.

7. Employees and staff in UN or under its specialized agencies, who are working in Nepal as officers or specialist, can have duty facility on goods brought for their personal use at the time when they are coming for first or going back finally. And duty facility can be granted on goods brought other times as well if the authority of mission verifies and requests for the same.

(B) Duty Free privilege: A new rule was issued on 6th Falgun, 2014 BS (17th February, 1958). And it acknowledged the provision of applying duty free facility on goods brought by passenger for their personal use under category of baggage, while in travel or other times. However, there was provision that those goods had to be calculated for customs duty as per prevailing customs tariff and had to be recorded before clearing those goods. Further, it adopted following provisions as well.

1. The Nepali Ambassador along with other officials including third secretary and up to attaché going to serve into Nepali embassy abroad will be ensured duty free facility only when they are in 'going to and coming back from' the very purpose.

If goods are not brought together with respective persons then there must be verification certificate from Foreign

Secretary to assure that the goods are of personal use for them.

2. Officials from United states operation mission, Indian Mission, Ford Foundation & other foreign agencies, which enter Nepal with provision of diplomatic and missionary assistance to government of Nepal, will be accepted for exemption according to scale of agreement if that has been made on past with Nepal government. Apart from these, other foreign officials will be granted duty concession facility.
3. The non-positional employees at embassies in Nepal from abroad, which have diplomatic relation with Nepal, will be provided duty free facilities in their goods. The facility will be provided only for their first visit and last return; and it should be proven according to section A (4) as that the goods are personal use.
4. The duty free provision for sitting ministers of government of Nepal will remain intact and unchanged till they remain on post; and that shall continue even later.

(C) In case of prohibited goods:

- 1) The prohibited goods can be imported for private use, only after notifying its quantity and taking the permission from Nepal

Government, by those persons who have got customs privilege or duty free privilege. But this rule shall not be applied if those merchandises are imported for members of royal palace as mentioned in section A (1) and for personal use of embassy officials deputed in Nepal and can have duty free privilege as it doesn't need to have permission from government in such case.

- 2) Those who receive duty free facilities too should submit the customs declaration form.
- 3) If any good, brought along with the officers or imported later, seems doubtful then those can be inspected fully though brought by officials who get duty free facility.
- 4) If any goods are delivered in name of the person who has no facility of either customs privilege or duty free privilege but felt and found that those goods should be in the name of person who has the customs privilege or duty free privilege and if the mentioned person also accepts it then supreme authority of mission should prove it in case of Foreign Officer and the respective one has to do so in case of others.

(D) By the date and time this law regarding customs facility came into force, all the hither to prevailing laws, *Sanad*, *Sawāl*, instructions and so on in regard to customs facility shall be scrapped. But if the

goods which are imported either on customs facility provision or by paying less than expected and determined customs duty can be transacted only after paying the full applicable customs duty if that is to be sold (or even passed as gift/donation) to persons or individuals having no customs or duty facility. If denied, the punishment equal to customs duty fraud shall be executed as mentioned in Nepal Gazette Part 2, Clause 4, Number 45 on 13th Ashad, 2012 B.S. (27th June, 1955) as this provision is still in motion (Nepal Gazette, Part 4, Clause 4 Number 44/ 6th Falgun, 2014B.S. corresponding to 17th February, 1958).

After this too, Nepal government had enforced a new law in 1968 regarding the customs facilities. In this very rule, it was mentioned that His Majesty King, Royal family members, officers deputed at foreign embassies and the diplomatic mission along with the other officials will be provided customs duty free facility. However the goods, which were brought by the officers or officials at foreign embassies or missions, should be proven by supreme authority or the designated person by the supreme authority of the respective mission as that the goods are of private use. Apart from delivery and warehouse cost, there was provision of exemption on all the customs duties

on such goods, which were brought by officers at various Nepal-based missions under United Nations and its specialized agencies and other personalities holding United Nations' Passport, which were for the personal use and brought within the time limit determined by government of Nepal (Nepal Gazette, Part 3/ 25th Bhadra, 2025 BS corresponding to 9th September, 1968)

Regarding institutions and subjects to have customs duty free facility, only those foreign missionaries, aid agencies, humanitarian organizations, advisor and expert human resources, who had contract with Nepal for customs duty free, could have customs duty free facility up to the maximum ceiling mentioned in the contract. But those goods which Nepal government had restricted could not be brought sans paying customs duty. But this system would not apply for royal family.

Thus, the law about ensuring the customs duty free facility even existed continuously after then. Later on, it was included in the act and regulations as well and further clarified about criteria of goods and persons to have such duty facility. But before the act was promulgated, the government would issue notices intermittently in order to regulate and ensure such facilities.

5.6. Provision of Customs Duty on Internal movement of goods.

The tradition of paying customs duty on importing and exporting goods from one district to another was a usual practice since the period of Shah regime. This process continued during Rana regime too. Not only during the Rana regime, there too existed a tradition of paying customs duty while having inter-district import or export of goods even after the nation moved into the democratic era. This system long existed during the regime of democratic governments as well. Sometimes, the civilians should have to pay the double and repeated duties as well. That was caused because customs duty on the goods, which were exported from Terai to hill, was taken in both of the market offices or *Bazaar Addā* of Terai and customs office in hill as well. There are many evidences found that the government itself had to take many decisions in order to control such dual provision of levying customs duty. Nepal government had issued a strong directive in 1962 (Falgun 2008 BS) in name of the both *Bazaar Addā* in Terai and *Bhansār Addā* (Customs offices) in hills and stated the following rules.

The practice of levying dual customs duty on goods, which are taken to the hills through the *Bazaar Addā* or plains (Terai), at both customs offices, is found not so justifiable. So, now, the goods, which are transported to hills from Terai,

are not to be charged with customs duty at the customs posts/points in Terai. And while handing those goods over to the owner or the porter, in case owner is not available, the customs office at point of departure should mention the quantity and name of those goods. Or, if the goods cannot be identified then those should be sealed in a box or a rucksack with serial number written on them. And the customs office even should mention whether goods were approved by owner or by porter if owner is unavailable. Paper should be drafted including the information and details of the sealed goods and stating the condition which reads that in case if the sealed package is found of being opened and the goods are found to have been used or taken away, the porter would be charged with 3 months of jail sentence. The agreement paper is to be signed by the owner or chief/head porter if owner is unavailable. In case the owner is unavailable, his/her name and address should be mentioned on the agreement and that has to be signed by the person who has been carrying the goods. The quantity, serial number and name of the goods as mentioned earlier are to be registered in the concerned customs office and should be dispatched to the respective receiving customs office through post office. The receiving customs office is responsible to levy customs duty on those goods then to report the respective Terai-based *Bazaar Addā* about the receiving status of goods within 3 days from receiving them. While reporting to the sending

customs posts, some special issues had to be cared i.e. whether goods were received within 15 days, excluding tentative time for road, from the date of issuance; whether goods were intact and sealed as done. But, in case goods were not delivered within 15 days excluding the time to road, respective receiving customs office had to investigate and fine the culprit in accordance to laws. (Nepal Gazette, Vol. 2/ Falgun 13, 2008 BS)

Similarly the merchants should have to pay customs duty on exporting/importing foodstuff and other goods from one district to another and also from Kathmandu to others districts. Because people also had to pay customs duty while taking goods and foodstuff like ghee, oil, rice and others basics goods, which are needed to run daily life or for personal use, normal people's life too was heavily affected. Such difficulty is even proved as that government was known about the problem of the people and had tried to have some decisions in order to mitigate it. For healing this problematic situation, Ministry of Finance had published a notice on 10th Falgun, 2008 BS (1962); on which, it was stated that:

In case of exporting the goods such as ghee, oil, rice, beaten rice etc for private use from valley to outside district, an application should be submitted to the Ministry of Food. If the ministry is convinced and grants the permit then the permission letter should be

presented in the customs office of Kathmandu and its other respective subordinate offices while exporting them; and respective customs office can release the good as per permit after examining the goods and collecting duty based on prevailing *Sanad and Sawāl*. The permission from Ministry of Finance is not required in this case (Nepal Gazette, vol. 2 Falgun 13, 2008 BS).

Government had established *Bazaar Addā* and *Chhoti Bazaar Addā* on status of customs and sub-customs at various major trade points across the border in order to collect customs duty on goods being exported and imported. But on passage of time, places for huge volume business started fading and some no-business place began evolving as trade hub. People started using alternative ways to import and export the goods because of which the place where there used to be excessive export and import diminished heavily in collecting customs duty and vice-versa. Hence it made necessity of re-placing the customs and sub-customs. Thus, government had started a study on this regard.

But publishing the report based on this study was going to take a long time span. So, government had ordered the respective customs offices and sub-customs offices to levy the customs duty on import and export of the goods till the end of fiscal year 2010 BS according to the tariff determined by the tariff board (Nepal Gazette, Part 2, Number 14/ 9th

Magh, 2009 corresponding to 22nd January, 1953).

As the provision of such inter-district customs duty had had a direct and inverse impact on the normalcy in lives of the general public, they had even filed application to the government in very concern; and the government had passed special instructions to some internal customs offices not to impose such customs duty. In an example, as the result of this kind of governmental correspondence, Lapse customs outposts, which would levy customs duty on exporting same district made Ghumsyakhu (traditional type of umbrella) from one district to another, cancelled the practice in compliance with government's decision made on 5th Bhadra, 2012 (21st August, 1955) (Nepal Gazette, Part 2/ 6th Bhadra, 2012 corresponding to 22nd August, 1955).

While studying various decisions made by the Nepal government, different phases of time, it is found that the government had subsidized tremendous discount or even revoked the customs duty on goods imported for certain public institutions or works for public construction. For example, government was considering customs subsidy or concessions for mountaineers on summiting the peaks but it was missed to be mentioned in the latest laws regarding customs. Therefore, government again made a decision on 6th Falgun, 2014 BS (17th February, 1958) then revived the provision of

customs concession or subsidy ensured for mountaineers and members of other scientific campaign in climbing the peak (Nepal Gazette, Part 4, Vol.8, No. 4. / 23rd Baiskhakh, 2015 corresponding to 5th May, 1958).

Similarly, a decision was made to fully exempt the customs duty on the wire, cable and iron items imported to construct the bridge over Badhighat river on the road to Dhorpatan, Ghosa from Burtibang in Dhawalagiri Zone (Nepal Gazette, Part 3/ 30th Kartik, 2022 B.S. corresponding to 15th November, 1965).

The officials of the government offices would also enjoy the customs exemption on the motor, which was bought for dowry in his/her daughters wedding. A decision was made to exempt the full fledged customs duty on the motor which was exported to India as dowry to the daughter of Anirudra Singh (Nepal Gazette Part 3/ 10th Falgun, 2022 BS corresponding to 21st February, 1966). And the customs duty was full freed on Truck imported for Godawari School (Nepal Gazette Part 3/ 8th Chaitra, 2022 BS corresponding to 21st March, 1966). There was example of exemptions on customs duty even for ordinary people as well. For example, the government had decided to exempt the full customs duty for two years (from 2021-4-26 to 2023-4-25 BS corresponding to from 10th August, 1964 to 9th August, 1966) for the people of Thinthopla Chha Gau Manang on the

goods imported and exported via roads of Bhairahawa, Birgunj, Thori and Thakdang customs offices [(Nepal Gazette Part 3/ 21st Ashad, 2022 BS corresponding to 5th July, 1965), and (Nepal Gazette, Part 3/ 18 Shrawan, 2022 BS corresponding to 2nd August, 1965)]. Customs duty on the materials imported by locals for the construction of suspension bridge in Bajhang district was exempted as well (Nepal Gazette, Part 3/ Magh 24, 2023 BS corresponding to 6th February, 1967).

In this way, the government had made many decisions to exempt customs duty on imported goods for public institutions, public works and non-profitable organizations and so on. In particular, the arrangement to be fully disposed of customs duty on the imported goods for public's welfare and for non-profit making community organizations is still in practice in case officially and systematically requested for same.

In 1961 AD, His Majesty's government constituted an act (act for Deciding Customs Tariff and Collection Proceedure-2018) to regulate the practice of deciding customs tariffs schedule and collecting it (Nepal Gazette, Part 2 Volume 11/ sub-volume 1/ 16th Baishakh, 2018 BS corresponding to 28th April, 1961). In the same year, the government issued the 'Customs Laws 2018' in accordance with Nepal India Trade and Transit Memorandum 1961 AD (Nepal Gazette

Part 3/ 23rd Aswin, 2018 BS corresponding to 9th October, 1961). That Law had clearly mentioned customs office procedures with regard to goods being imported from other countries via India and goods being exported to other countries via India. One specific feature of the rule was that, even if anything other was written in the prevailing laws in Nepal, the issues and situation that would attract the provision of this very law would be accordingly assumed and would be applicable in same way to that extent.

Before 1956 AD, there was system of full imposition of tax on exporting the government possessed goods and materials by non-governmental person or organization from one border to another border even within the country. Government of Nepal made a new decision on 11-11- 2013 BS (22nd February, 1957), and provisioned to exempt customs duty on the in-house made goods only after having due examination with record-keeping if written request from secretary of ministry or authorized person was produced to request for such facility. However, the system of producing a completely filled up copy of the customs declaration form by respective and concerned individual before passing the materials on in-house export and import was continued intact and unchanged (Nepal Gazette, Part 4/ 12th Chaitra, 2013 BS corresponding to 25th March, 1957). In this regard, the statement of the Ministry of Finance, issued on 5th

Baishakh, 2013 BS (17th April, 1956), has further clarified in regard to the undertakings of Gauchar Customs Office.

It was provisioned that the goods that were brought through charter had to be sent to Kathmandu *Goshwara* customs office generating the bill of all the goods; and other goods prone to be rotten and spoiled soon along with paper had to be released from Gauchar Customs itself.

Gauchar Customs office had to release it if the spare parts and goods were brought for IAC. Except the good for business purposes, the stock of baggage would also be released by the Gauchar Customs Office itself.

Products approved with customs exemption or duty facility, therefore those had to be recorded officially, could not be released from Gauchar customs office thus those had to be sent to Kathmandu *Goshwara* Customs.

The government of Nepal had made a decision on 6th Kartik 2016 BS (23rd October, 1959), and thereby introduced a system that the goods, which were brought to Kathmandu via Rakxaul and imported as per approved guidelines under Nepal India trade treaty, had to be surveyed by Indian border examiner and had to be cleared from Birgunj Customs office then had to be sent toward Kathmandu (Nepal Gazette, Part 4/ 26th Kartik, 2016 BS corresponding to 12th November, 1959).

In 1961, the government had dismissed the all existing tariff schedules for trade with Tibet and published a new tariff schedule. Similarly, the tariff schedule for trade with India was also dismissed followed by induction of new schedule (Nepal Gazette, Part 4/ 30th Sharwan, 2018 BS (14th August, 1961)/ The Budget Statement of Finance Minister).

The then government of His Excellency promulgated an Act in 2023 BS (1966 AD) to repeal the *Sawāl* that Kathmandu *Goshwara* Customs had possessed and practiced. According to this rule, Kathmandu *Goshwara* Customs office had dismissed the *Sawāl* number 41 which was issued on 24th Chaitra, 1992 BS. It was written in the sub-section that if any post parcel was received from the foreign country then that had to be levied one paisa per parcel as customs duty (Nepal Gazette Part, 3/ 21st Chaitra 2023 BS corresponding to 3rd April, 1967).

As customs liaison offices on behalf of Nepal were already stationed at Kolkata as well as at Barauni in India, the government of Nepal had made a decision on 22nd Mangsir, 2017 BS (7th December, 1960) that every trader importing goods to Nepal from other countries via India or exporting goods from Nepal to other countries via India had to have deep and intact contact and coordination with customs liaison offices (Nepal Gazette Part 4, Clause 10, Number 38/ 3rd Magh, 2017 BS corresponding to 16th January, 1961).

5.7 The Rules for Airport Customs offices

Most of the import and export activities were done by road for long period. However, following the formal advent of transportation by air in Nepal in 2009 BS, Nepal had to introduce customs office on airport as well since the import and export of goods by air was possible or, or in fact, had already been in practice. At the beginning, few staffs from the Kathmandu Goshwara Customs office used to go to the airport customs office on only the days having flights then examine all the goods and used to determine the customs duty. Apropos to the same, the Ministry of Finance had published the rule about releasing the merchandises from airport on Nepal Gazette on 13th Jestha, 2009 BS (26th May, 1952). The very rule reads that right after the plane lands on the ground, the staff of the customs office has to check-out the goods, determine the customs duty on that goods and then ought to make a label as customs cleared and seal the goods and paste the label before passing it to the owner (Gauchan, 2072 BS/ P:38). It is proved from this rule that the airport had customs office and works related to customs duty since 1952 AD.

There were repeatedly many problems noticed since there was no any determined and agreed rule at the beginning in regard to examining and levying the customs duty on the goods transported by air. Thus, government

had to make many decisions intermittently to resolve the cases. For example, Finance Minister had published a notice on 1st Bhadra, 2010 BS (26th August, 1953). Very notice published in Nepal Gazette had stated....

"The passengers, who were travelling by air having their luggage and 'to be exported cargo' checked and having the customs duty paid for the same, had to be refunded the customs duty paid amount in witness of head of office and examiners too if the flight was cancelled because of adverse weather or other reasons or the flight was re-routed or diverted back to the very airport because of other emergencies and then same was presented in written with due verification in regard to flight cancellation or return followed with suitable recommendations from respective authority (Nepal Gazette, Part 2/ 1st Bhadra, 2010 BS corresponding to 26th August, 1953)."

This notice had guaranteed that the customs duty charged on cargo or luggage, after having minute inspection of it, had to be returned if the merchandises could not be exported or delivered on ground of flight cancellation.

After upgrading all the *Bazaar Addā* in Terai on status customs office in the year 2013 BS, a new customs office was set up at Tribhuvan Airport as well. Following this development, the work of

customs on the airport were conducted and operated effectively.

Following the development of air transport, there emerged a necessity of examining the merchandises and collecting customs duty on the goods that the passengers travelling through or on air would bring with them. Due to exchange of goods among different airports within Nepal itself, advanced systematization on the functions of checking them and collecting customs duties was felt as a dire need. Therefore, the government of Nepal had also issued a new law regarding airport customs tariff by publishing a notice on Nepal Gazette on 10th Baishak, 2014 BS(22nd April, 1957).

Provisions according to it were as such:

1. Not to continue the customs related works being done by the aerodrome officers at Simara, Biratnagar and Pokhara.
2. Apart from Pokhara district, other three airports i.e. Simara, Biratnagar and Bhairahawa will be under the jurisdiction of the main customs office of the respective area. Pokhara customs office has been scrapped.
3. Goods of passengers in internal flight, like Simara, Biratnagar, Pokhara and Bhairahawa from Kathmandu or vice versa (the passengers coming to Kathmandu from those locations), will be checked by the Gauchar Customs

office at the time of passenger check-in. A receipt will be given if the person had paid any duty. Even if no duty is paid, it is advised to issue a receipt with notifying the same. On the days of regular service flight, checking the freight and materials along with the passengers will even be conducted on airport at Biratnagar, Pokhara and Simara besides at Gauchar.

4. The check post on Bhairahawa airport shall remain responsible to inspect and examine the passengers' luggage and cargo while flying to Bhairahawa from Kathmandu or vice versa. Such approved luggage and cargoes should be sealed.
5. In accordance with rule, Gauchar Customs office should send those goods, which are commercial and those baggage, which are brought having no corresponding passenger at the very time, to Kathmandu *Goshwara* Customs office; and Bhairawa Airport Customs office has to send the same cases to Bhairawa customs office, respectively.
6. A. If any chartered plane is to be landed on other airport than Gauchar Airport by the special approval of or order from transport department's director then the Aerodrome office of that airport at the same time should inform it to the customs office of respective

area before the plane takes off. Then, the representatives of customs office should seal all commercial goods as well as those baggage, which are brought having no corresponding passenger at the very time then should send it to the customs office. The customs office should charge customs duty on those goods as well. B. Those commercial goods and those baggage, which are brought having no corresponding passenger at the very time, should be checked then sealed and levied duty by customs office's representative, as per applicable tariff, prior to releasing that from airport. The Aerodrome officer and the representative from customs office should let the sealed goods to be exported having an adequate inspection.

7. In case of the internal flights from Gauchar airport and other airports, commercial goods and those baggage, which are brought having no corresponding passenger at the very time, the airport's customs office should let it go after verification. Those should not be sent to the Kathmandu *Goshwara* Customs Office (Nepal Gazette, Part 4/ 10th Baishakh, 2014 B.S. corresponding to 22nd April, 1957).

5.8 Establishment, Adjustment and Management of Main and Sub-customs Offices.

The modernization of customs administration in Nepal had begun only after the Nepal-India trade treaty in 1950AD. Then after, customs offices were opened across the border between Nepal and India to replace and standardize the traditional customs administration system, which was a major customs culture in Nepal. In the years after then, with the goal to further strengthen customs administration, many activities like empowering customs officials, working in quest of capacity building, having timely establishment of new customs offices along with adjustment, re-grading and management of existing customs, overhauling the entire customs management and so on are going quite intermittently in different time periods.

- Five new customs offices were established in nation in 2008 BS (1951 AD). During this, government made a decision, in 2019/11/13 (25th February, 1963), to revoke the sub-customs office situated at Ranibari in Biratnagar, Morang and to merge it with the main customs office situated at Biratnagar then subsequently to shift it (main customs office Birtanagar) in Rani Area (Nepal Gazette, Part 3, Clause 12, Number 49/ Chaitra 12, 2019 BS corresponding to 25th March, 1963)

- Similarly, complying with the Customs Act, 2009 (1952 AD) clause 3, His Majesty Government decided to establish a temporary customs office at Shyamuje Gumba Namche Bazaar, area number 3 in east, on 28th Bhadra 2020 BS corresponding to 13th September, 1963 (Nepal Gazette Part 3, Clause 13, Number 30/ 25th Kartik, 2020 BS corresponding to 11th November, 1963).
- In BS 2021 Mangsir, the Trinagar Customs station located at Dhading in Kailali district was shifted near Chatapur, Malakheti Sub-customs station was revoked then was handed its existing jurisdiction to Trinagar Customs station; and Chaumala Customs station was decided to be shifted nearby Kanari Police Station (Nepal Gazette Part 3, Clause 14, Number 33/ 15th Mangsir, 2021 BS corresponding to 6th December, 1964).
- His Majesty Government decided to rename the Thak Nehchung Customs to Mustang Nehchung Customs in BS 2021/3/4 (17th June, 1964) (Nepal Gazette, Part 4/ 16th Bhadra, 2021 B.S. corresponding to 1st September, 1965).
- According to the decision taken by His Majesty Government in BS 2021/11/13 (24th February, 1965), Bechgua Karwala sub-customs under Koilabas Customs was shifted at Khagada under same Koilabas Customs (Nepal Gazette, Part 4/ 7th Baishakh, 2022 BS corresponding to 19th April, 1965).
- The Butwal Sub-customs office under Bhairahawa Customs was revoked and sub-customs station of grade E was established at Sautihawama (Nepal Gazette, Part 4/ 7th Baishakh, 2022 BS corresponding to 19th April, 1965).
- It was decided in 2022/1/8 corresponding to 20th April, 1965 that Dharan Sub-customs under Biratnagar Customs office will be revoked and the officials there in will be merged in the main customs office at Biratnagar (Nepal Gazette, Part 4/ Shrawn 4th 2022 BS corresponding to 19th July, 1965).
- In BS 2020/3/2 (16th June, 1963), Trinagar Customs station was renamed as Kailali Customs station, Dhangadi and Mahendra Customs were renamed as Kanchanpur Customs & Mahendranagar Customs, respectively (Nepal Gazette, Part 3/ 25th Shrawn 2022 BS corresponding to 9th August, 1965).
- From BS 2021/12/12 (25th March, 1965), sub-customs offices were established at Ganeshpur and Chedapur under Rajpur Customs (Nepal Gazette, Part 3/ 32nd Shrawn, 2022 BS corresponding to 16th August, 1965).
- In BS 2022/6/4 (20th September, 1965), Dhakana Customs office under Kanchanpur Customs at Mahendranagar and Gorkhe

Customs office under Pasupatinagar Customs, respectively, were revoked then Pachui Sub-customs and Manebhanjyang Sub-customs were set-up in respective areas (Nepal Gazette, Part 3/ 4th Ashwin, 2022 BS corresponding to 20th September, 1965).

- In BS 2023/11/28 (12th March, 1967), the Chandrayug Customs office and Inarwa Sub-customs office along with the officials as well were brought into location swapping (Nepal Gazette Part 4/ 18th Baisakh 2024 BS corresponding to 1st May, 1967).
- According to the decision made in 2023/1/5 (17th April, 1966), Narainpur Sub-customs office was brought under Nepalgunj main Customs office (Nepal Gazette, Part 3/ 6th Baishakh, 2023 BS corresponding to 18th April, 1966).
- According to the decision made in BS 2026/12/24 (6th April, 1970), Tapara Sub-customs office under Rajapur Customs office was renamed into Ishwariyug (Nepal Gazette, Part 4/ 21st Baishakh, 2027 corresponding to 4th May, 1970).
- According to the decision made in BS 2027/7/19 (25th October, 1970), Jamuni Sub-customs office under Rajapur Customs office was shifted in Padariya village and renamed as Padariya Sub-customs office subordinate to Rajapur Customs

office (Nepal Gazette Part 4/ 29th Mangsir, 2027 corresponding to 14th December, 1970).

- According to the decision made in BS 2020/1/7 (20th April, 1963), Kakarbhitta temporal Sub-customs office under Mechi Customs office was made permanent and along with officials then was named accordingly; and Janakpur Customs office along with officials was shifted to Jaleswor then named as Jaleswor main Customs office whereas Jaleswor Sub-customs office along with officials was shifted to Janakpur and renamed as Janakpur Sub-customs office (Nepal Gazette Part 4/ 15th Jestha, 2030 BS corresponding to 12th June, 1973).
- As Lodhawari Sub-customs office under jurisdiction of Mechi Customs office was shifted to new place called Kechana, according to the His Majesty Government's decision made in BS 2032/1/7 (20th April, 1975), the very sub-customs office was named Kechna Sub-customs office (Nepal Gazette, Part 4, 14th Poush, 2032 BS corresponding to 29th December, 1975).

According to the decision made on 15th Ashad, 2038 BS (29th June, 1981), the government had appointed Tribhuwan International Airport as a Customs Area of the Tribhuwan Airport customs office (Nepal Gazette Part 3, Clause 31, Number 12/ 15th Ashad, 2038 BS corresponding to 29th June, 1981).

Taratal and Kothiyaghat temporary sub-customs offices in Bardiya district under jurisdiction of Rajapur Customs office were upgraded to the permanent sub-customs offices in BS 2041/6/26 (12th October, 1984) (Nepal Gazette, Part 3, Caluse 34, Number 41/15th Magh, 2041 BS corresponding to 28th January, 1985).

Due to the extension of Nepal's relations and network with the other countries in the post 1951 AD era, the number of embassies and other foreign organizations in Kathmandu as well as other parts of the country increased significantly. Similarly, Nepalese people also increased the range and trend of migration and stay in other countries. Being apparently consequential of the very phenomenon, the tendency of sending and receiving the parcels to and from other countries took a momentum rise. Initially, customs officials would report to the post-office and inspect the merchandises then determine the customs duty to release the parcel if it was noted that the parceled goods or commodities would attract customs tariff. In the year 1960, a new act was promulgated to introduce some new forms of tax and legally accredit the one which was being practiced. It even provisioned tariff in case of transnational postal services. It relatively eased and simplified the transnational postal service customs tariff as well (Nepal Gazette Part 2, Clause 10, Number 2/ 22nd Baishakh, 2022 BS corresponding to 4th May, 1965). But it was being too inconvenient for customs officials to report to post office and inspect the merchandises and impose

the tariff intermittently as the transportation of goods in from of postal parcel continued into large scale. Thus, a new system was introduced from Bhardra 2025 BS (1968 AD) as that international postal office itself would in-house constitute another office called foreign postal customs office. This office is still exists as sub-customs office under jurisdiction of Tribhuvan Airport Customs Office.

According to the government notice, published in Nepal Gazette on 20th Jestha, 2035 BS (2nd June, 1978), issued by the government, the goods-except restricted goods or regularly brought- worth to Rs 3220 could be imported without import permission in case of importing them from post-parcel and exporting the same type of goods worth to Rs 800 was accepted as fair. On the ground of the permission/license for such activities, there would not be any fixed limit for such import and export.

The then government of Nepal decided to have readjustment of the existing number of customs offices and sub-customs offices under the Department of Customs. Accordingly, the total number of customs offices reached to 29 from 27 and 147 sub-customs offices merged into 143 offices respectively on 28th Bhadra, 2050 BS (13th September, 1993). According to this decision, Setubandha sub-customs, which was under the Biratnagar customs, was upgraded into main customs office then was renamed as Sunsari customs office and the sub-customs offices of *Bhantabari*,

Sahebganj, Kauwakhaj, Ghuski, Shishuwa, Lokahi and Lahi, which were under Biratnagar customs in the past, were brought under the jurisdiction of Sunsari customs office.

Similarly, Janakpur sub-customs office, which was under Jaleswor customs office, was upgraded into the main customs office and named as Janakpur customs office and then areas like Innarawa, Khajurimauwa, Mahinathpur, Kathal, Baidehi, Lagma, Khajuri station and Bhadariya, which were under Jaleswor customs office prior to this, were brought under this new customs office.

Sub-customs offices, named Raxaul Saiding and Station Chhoti, under Birgunj Customs office, were integrated to Birgunj Customs (Nepal Gazette, Part-4, Number 43, Volume: 39.a/ 1st Kartik, 2050 BS corresponding to 17th October, 1993).

Thus, the development of the current structure of the customs administration seems to be based on the demand of time as well as the increasing flow of import and export at different times rather than a solid single shot attempt. According to the requirement, many sub-customs were raised in main customs and some sub-customs were replaced too. Having an overall studies about the context of customs and their jurisdiction in Nepal make it to seem that most of them are stationed across the border line between Nepal and India due to the majority of Nepal's trade is being carried out to India and having an open border as well.

5.9 Development of Physical Infrastructure of Customs Offices

With the objective of 'modifying in and developing to' a more systematic customs administration, which was still in a traditional and relatively unorganized form from the long past, and developing the permanent infrastructure of customs offices, there were some efforts made to this respect by the government. The efforts undertaken for the development of physical infrastructures of customs offices in the post-democratic era are presented beneath.

It was decided to get 1 *Bigāhā* & 17 *Kaththa* land in Biratnagar Panchayat ward no. 17 for the construction of building for Biratnagar Customs, in the year 2018 BS (Nepal Gazette, Part 3, Section 20 number 12/ Ashad 22, 2027 corresponding to 6th July 1970).

A decision was taken to get land for constructing office for Gaur Customs office, in the year 2022 BS (Nepal Gazette, Part 3/ 21st Baishakh, 2022 BS corresponding to 3rd May, 1965).

It was decided to get land for constructing a building for Sahebganj Sub-customs office under Biratnagar Customs office, in the year 2025 BS (Nepal Gazette, Part 3/ 4th Bhadra, 2025 corresponding to 19th August, 1968).

It was decided to achieve land for construction of building for Raghunathpur Sub-customs office under Tribhuvānāgar Customs office, in 2025 BS (Nepal Gazette, Part 3/ Kartik

26, 2025 corresponding to 11th November, 1968).

The decision was taken to get land for Birgunj Customs office, in the year 2027 BS (Nepal Gazette, Part 3/ Ashad 1, 2027 BS corresponding to 15th June, 1970).

The decision was taken to get additional land for Biratnagar Customs office , in the year 2027 BS (Nepal Gazette, Part 3/ Ashad 22, 2027 corresponding to 6th July, 1970).

The decision was taken to get land for constructing office building for Kathal Sub-customs office under Janakpur Customs office, in the year 2029 BS (Nepal Gazette, Part 3/ Jestha 23, 2029 corresponding to 5th June, 1972).

It was decided to get land to construct office buildings for Rangpur Sub-customs under Krishnagar Customs office, in the year 2029 BS (Nepal Gazette, Part 3/ Poush 11, 2029 corresponding to 25th December, 1972).

A decision was taken to get land to construct office building for Bara Sub-customs under the Gaur Customs office ,in the year 2032 BS (Nepal Gazette, Part 3/ Jestha 19, 2032 corresponding to 2nd June, 1975).

A decision was taken to get additional land for the construction of the office buildings for Biratnagar Customs office and warehouse as well as expansion of customs office (Nepal Gazette, Part 3/ Chaitra 8, 2033 corresponding to 21st March, 1977).

A decision was taken to get land for the construction of warehouse for Birgunj Customs, in 2033 BS (Nepal Gazette, Part 3/ Kartik 9, 2033 corresponding to 25th October, 1976).

A decision was taken to get land for constructing office building for Milmi Sub-customs office under Krishnanagar Customs office , in 2034 BS (Nepal Gazette, Part 3/ Jestha 17, 2034 BS corresponding to 30th May, 1977).

Thus, there have been many important tasks performed for constructing office buildings for many customs offices situated at the different parts of the country along with constructing warehouse and addressing the needs of other necessary physical infrastructures. These all are aimed at upgrading customs service further modernized and well-managed. It has, in one hand side, simplified administrative work proceedings and works; and, simultaneously, on the other hand, has largely eased and facilitated the quick and scientific inspection of goods and merchandises. Nepal Government has been paying due attention on it as the implementation of modern customs administrative system can be rarely imagined without the development of adequate physical infrastructures.

5.10 Structural Reform on Customs Administration

The span of Ten years time after the Rana period was fairly known as the Interim period in the history of Nepal. The period was loaded with duty of taking quantum leap positive drive from

many challenges i.e. long sustained political instability and incapable governments, the lack of modern administrative knowledge, inexperience and unscientifically old systems along with setting a new trend. Despite this, many important administrative changes were enforced during this period. Some important decisions were also taken to make customs administration even more organized. The new customs offices were established as well as the existing offices also were better organized. However, there were no new rules and regulations formed in regard to the customs during this period thus the conventionality of Rana era's *Sanad*, *Sawāl* and *Istihār* tended to continue further. But government of Nepal introduced ever first Customs Act in 2019 BS (1962 AD) and tried to make customs administration and customs procedures easy, fair, effective and accountable by integrating all the customs related rules and regulations like *Sanad*, *Sawāl* and other decisions.

Nepal India Treaty on Trade and Commerce assures that different customs offices were in operation at different places prior to the time of this treaty. A document from the year of 2016 BS (1959 AD) shows that different places like Phalelung, Bhadrapur, Hanumānāgar (Rajbiraj), Gaur, Rajapur, Brahama Dev Mandi, and Jhulaghat had customs offices in that time. There was an instruction, on 19th Mangsir 2016 BS (December, 1959), that any goods, which were brought from India and had to pay excise duty there in by passing though these customs checkpoints had to be imported

by dully filling the approved and authorized A.R 1 form (Nepal Gazette, Part 4/ Magh 4, 2016 corresponding to 18th January, 1960).

Following India Nepal Treaty for Trade and Commerce, more customs offices were operated from the year of 2017 BS. According to a decision from His Majesty's Government on the date of 2016/6/5 (21st September, 1959), it was advised to all persons to import goods, which would attract excise duty, from India only by dully filling authorized and approved A.R 1 form for the convenience of customs office stationed at Sarlahi, Thori, Koilawas, Krishnanagar, and Trinagar, respectively (Nepal Gazette, Part 4/ 13th Mangsir, 2017 BS corresponding to 28th November, 1960).

According to one major past official from Department of Customs, during the year of 1960 AD, Kathmandu Gauchar Customs office , Phalelung Customs office, Bhadrapur Customs office, Biratnagar Customs office, Hanumānāgar Customs office , Chandragunj Customs office, Mahottari Customs office, Sarlahi Customs office , Gaur Customs office, Birgunj customs office, Thori Customs office, Bhairahawa Customs office, Kaptangunj Customs office, Nepalgunj Customs office, Rajapur Customs office, Koilabas Customs office, Trinagar Customs office, Bhrahmadeumandi Customs office, and Jhulaghat Customs office, all together 19 customs offices in total, were the major customs offices situated in Kathmandu and border area to India (Gyawali, 2045 BS/ P: 14).

In 1961 AD, the government issued 'Customs Related Rules, 2018 BS (1961)' in order to work according to the memorandum of Nepal India Trade and Transit Agreement. This rule mentioned the procedures for customs offices in regard to the overseas import of goods from third country via India (Nepal Gazette, Part 3/ Ashiwn 23, 2018 BS corresponding to 9th October, 1961).

One of the features of this rule was that it was written that this rule shall be overruling and binding over all other rules related to the customs that are in practice during that period or even mentioned otherwise elsewhere. Thus, this was the major law governing on import and export between Nepal and India until the period of that time.

At this stage, the rules regarding baggage were also changed and amended for several times. On this series, the amendment that took place in BS 2035 made a provision of facility on baggage that are brought by the passenger coming to Nepal from Tibet, an autonomous region of people's Republic of China (Nepal Gazette Part 3, Section 28, Number 18, 2035/04/30 (14th August, 1978) and amendment published in the Nepal Gazette Part 3 on 2037/05/30 corresponding to 15th September, 1980). The Excise and Customs were under same department until 2023 BS and then the Excise department got separated from the Customs Department (Gyawali, 2045 BS/ P: 15).

Until the year of 1973 AD, the customs department was located inside

Singhadurbar on the block next to Ministry of Finance. But, after the incident of arson that happened in Singhadarbar, Ministry of Finance was shifted to Babarmahal and the Department of Customs was shifted to one of the guesthouses located at Tripureshwor. In the present days, Department of Customs exists at the same place in its separate building. Its new official building with modern facilities is under construction which is almost in the ready condition to come in full-swing operation.

From the year of 1959 AD, internationally adopted commodity classification system (SITC) in customs administration was brought into practice for the purposes of classification of goods and fixing customs schedule. Then in the year of 1986 AD, Nepal got membership of Customs Cooperation Council (CCC) as well.

5.11 Formation of Tariff Board

After the end of Rana regime, the government started forming a tariff board since 1951 with the objective of bringing uniformity on customs tariff across the country and to systematically organize customs duty collection. Such Tariff Board is formed to suggest the government regarding required needs for improvement in the existing customs tariff and especially to determine that what kind of tariff shall be appropriate. The duty of such board would be to recommend appropriate customs tariff schedule as, initially, customs duty was one and most decisive source of revenue for the country.

But in later phase, the jurisdiction of this tariff board got extended up to determining the excise duty schedule as well along with customs tariff schedule because the share of excise duty started to outshine the ratio of customs tariff in government revenue.

In the beginning, this tariff boards were formed temporarily every year with the responsibility to determine the rate of revenue collection and customs tariff schedule. But from 1972 AD, the trend of setting a permanent tariff board has been introduced. The tariff board is one of the key bodies to suggest government in area of determining tax area and its ceiling. This board had members composed of representatives from related bodies of the government; representative from department of Economics in Tribhuvan University; representatives from Chamber of Commerce and Industry and experts.

Often, tariff board is established to help in development and expansion of agricultural or industrial sector in nation; to endeavor for trade balance by increasing export and lowering the import; to control on price; to have highest mobilization of revenue; and to advise and recommend government on issues in regard to tax and revenues.

Tariff boards were regularly formed from 1951. However, fully detailed information about every single tariff board has not been received yet. Still, information regarding few representative tariff boards is presented below. This enables to realize the changes in

pattern and nature of tariff boards endeavored from time to time.

Tariff Board Reformed in 1953 AD

Though a decision from government in the date of 2010/6/18 (4th October, 1953) has mentioned about formation of tariff board in 1952, nothing in detail about is yet found on it till now. Therefore, the details can't be presented here too. But, in BS 2010 Ashwin 18 (4th October, 1953), Tariff Board was reformed by having few changes along with appointment of Mr. Bhim Bahadur Malla, Secretary at Ministry of Planning Commission as Chair Person and Mr. Niraraj Rajbhandari, Secretary at Ministry of Industry, Commerce and Civil Supplies as Secretary, respectively (Nepal Gazette, Part 2/ 26th Ashoj, 2010 corresponding to 12th October, 1953).

Tariff Board Formed in 1959 AD

With a decision dated on 14th Manshir 2016 (29th November, 1959), the then His Majesty Government formed a tariff board expecting it to recommend government on issue like: ways to increase the Nepal's business in international field, customs duty and excise duty and so on. The board constituted of as following (Nepal Gazette, Part 4, No.42/ 25th Magh, 2016 BS corresponding to 8th February, 1960)

- 1) Mr. Aaishwarya Lal, Member, Planning Board- President
- 2) Mr. Biswa shankar Shukla, Secretary, Ministry of Industry and Commerce-Member

- 3) Mr. Hiranya Dhwoj Joshi, Director, Department of Customs and Excise -Member
- 4) Mr. Pushkar Nath Pant, Assistant Economic Advisor- Member
- 5) Mr. Madhava Kumar Rimal, Acting Deputy Secretary, Ministry of Finance- Member
- 6) Mr. Ashulal Bohora, Biratnagar, Non-governmental Section-Member
- 7) Mr. Babulal Agrawal, Birgunj, Non-governmental Sector-Member
- 8) Mr. Basudev Kediya, Krishnanagar (Shivraj). Non-governmental Sector- Member
- 9) Mr. Omkar Mal, Nepalgunj, Non-governmental Sector- Member
- 10) Mr. Raj Bahadur Chipalu, Kathmandu Valley Non-governmental Sector- Member

Tariff Board Formed in 1961 AD

With a decision dated on 17th Falgun, 2017 BS (28th February, 1961), the then His Majesty Government formed a tariff board expecting it to recommend government on customs and excise duty related issue like ways to increase Nepal's trade in international field, to manage customs tariff and excise duty, to frame the provisions for duty exemption and social security tax and so on. The board was headed by National Planning Council's member Dr. Dhurbaman Shing and constituted following members (Nepal Gazette, Part 4/ 12th Kartik, 2018 BS corresponding to 28th October, 1961).

Government Member

- 1) Joint Secretary at Ministry of Finance and Economic Affairs-Member.
- 2) Joint Secretary at the Ministry of Industry and Commerce- Member
- 3) Mr. Pushkar Nath Pant, Deputy Secretary, Ministry of Finance and Economic Affairs-Member.
- 4) Director, Department of Customs and Excise - Member Secretary

Non Governmental Members

- 1) Mr. Raj Bahadur Chipalu (Lalitpur)-Member
- 2) Mr. Omkarmal Khetan (Nepaljung)-Member
- 3) Mr. Govinda Ram Rungata (Saptari)- Member
- 4) Mr. Ramkumar Rathi (Biratnagar)-Member
- 5) Mr. Triratna Lal Shrestha (Bhadrapur)-Member

Tariff Board Formed in 1964 AD

His Majesty Government instituted a tariff board having following members in compliance to the decision of BS 2020/12/7 (30th March, 1964); and the board was assigned to present recommendations to government on all issues regarding customs tariff along with other subjects of relevance like: to increase and decrease the customs tariff and excise duty as needed, to foster Nepal's international trade and to introduce consideration on customs

tariff and duty for expansion and growth of industries as well as business. This was 9th tariff board formed in Nepal (Nepal Gazette, Part 4/ 2021 BS Baishakh, 1 corresponding to 13th April, 1964).

- 1) Hon. Mr. Nagendra Prasad Rijal, Assistant Minister of Finance, Economic Planning, Law and Justice- Chairperson
- 2) Mr. Gehendra Dev Pathak, Director, Department of Commerce, Ministry of Industry and Commerce- Member
- 3) Mr. Kumar Mani Dixit, Director, Department of Industry, Ministry of Industry and Commerce- Member.
- 4) Mr. Trailokya Man Shrestha, The Coordinator at Ministry of Economic Planning- Member
- 5) Mr. Nayan Raj Pandey, Director, Department of Customs and Excise Duty, Ministry of Finance- Member
- 6) Mr. Shankar Nath Pathak, The Principal at Saraswoti College- Member
- 7) Dr. Krishna Prasad Sharma, The Lecturer at Tribhuvan University- Member
- 8) Mr. Juhda Bahadur Shrestha, Biratnagar- Member
- 9) One Representative from Butwal Business Union- Member
- 10) One Representative from Morang Merchant Association- Member.

11) One Representative from Nepal Chamber of Commerce, Kathmandu- Member.

12) Mr. Aayodhya Prasad Pradhan, Section Officer, Department of Customs and Excise, Ministry of Finance: Secretary.

Tariff Board Formed in 1964 AD

His Majesty Government had formed a tariff board in compliance to the decision of BS 2021/8/22 (7th December, 1964); and the board was assigned to present recommendations to government on all issues regarding customs tariff along with other subjects of relevance like: to increase and decrease customs tariff and excise duty, to foster Nepal's international trade and to introduce consideration on tariff and duty for expansion and growth of industries as well as business. But since the allotted tenure for the nominated chairperson and members on the tariff commission expired, His Majesty Government further instituted another new board then nominated following officials and members in the tariff board in compliance to the decision made on 24th Bhadra, 2023 BS (9th September, 1966) and 30th Kartik, 2023 BS (15th November, 1966), respectively.

Governmental Members

- 1) Dr. Puskarnath Pant, Additional Secretary, Ministry of Economic Planning- Chairperson
- 2) Mr. Nayanraj Pandey, Joint Secretary, Revenue Department, Ministry of Economic, Planning- Vice chairperson.

- 3) Director, Department of Excise- Member
- 4) Director, Department of Industry- Member
- 5) Director, Department of Commerce- Member

Among Traders

- 6) Honorable Mr. Suryalal Shrestha, Member, National Panchayat- Member.
- 7) Mr. Loknath Joshi- Member
- 8) One representative from Morang Merchant Association- Member

Among Industrialists

- 9) Mr. Maniharsa Jyoti: Member

Among Experts in Economics and Commerce

- 10) Mr. Shankar Raj Pathak, Principal, Saraswoti College- Member
- 11) Dr. Krishna Prasad Sharma, Professor at Tribhuvan University- Member
- 12) Dr. Ram Prasad Rajbahak, Lecturer at Tri-chandra College- Member.
- 13) Mr. Ishwor Prashad Rijal: Member
- 14) Section Officer, Department of Customs: Secretary

(Nepal Gazette, Part 4/ Magh 24, 2023 BS corresponding to 6th February, 1967)

Even after then, the government has repeatedly formed such tariff boards, in course of preparing annual budget

statement, to recommend on customs tariff and other applicable taxes and duties. Later on, Division of revenue was formed in Ministry of Finance. From then, various sectorwise sub committees are formed in subordination of main committee, which is headed by chief of this Division along with representation of people from concerned government and private sectors as members, in regard to soliciting different suggestions.

5.12 Customs Act, 2007 and Customs Regulation, 2007

After 1990 AD, the customs administration of Nepal has been rapidly transforming into new systems and innovations. To collect the revenue for country through promoting and standardizing the practices of legal import and export trade has become the main objective of the customs administration. During this period, customs administrations across the country have gone through significant improvements in terms of declaration of goods, valuation of goods, methods of fixing customs tariff schedule, and applying the modernized customs procedures. Therefore, Customs Act 2019 (1962) was repealed right after the changed political milieu in 2007 AD and then new Customs Act 2007 was introduced. This step was taken by considering the very need as well as unleashing a try in making customs administration more systematic, transparent and responsive in quest of facilitating international trade and make it secured, and bearing an aim of modifying and integrating the prevailing

laws regarding customs. This new Customs Act also had paved the way to modernize and improve customs administration through the use of technology as well as with adoptions of innovative customs strategies used in international customs system in order to make customs system more effective.

Even the new Customs Act 2007 AD has undergone some amendments on the reason of Financial act, 2011AD. As the Financial act changes every year, every amendment made in the customs act too has to be included in Financial act. But changing this provision further, Financial act, 2018 AD has provisioned that any amendment brought into effect through an amendment in Financial act shall be automatically deemed as an amendment in main act itself.

This act includes various arrangements as per the international customs procedures. This act obligates to determine the customs duty on goods according to the valuation systems adopted by the World Trade Organization. Similarly, the provision of adopting Harmonized Commodity Description and Coding System (Harmonized System), which has been rendered by the World Customs Organization and is being internationally adopted and accepted in all the countries for the customs administration, is also clearly mentioned in this very act. Many provisions of the revised Kyoto convention, propounded by the very organization in quest of simplified and transparent operations of customs, are also brought into this act. This act has first time enabled customs

administration of Nepal to adopt a method that allows customs officials to examine and investigate the merchandises and release them on the basis of risk and to release the low-risk posing merchandises without having thorough inspection.

Similarly, this act has enshrined many new and unique provisions like: post-clearance audit at customs, ensuring duty free facility to the industries situated in the special economic zone, pre-arrival clearance of imported goods, right of appeal against the customs officers' decision on classification of goods and valuation, protection on intellectual property, maintaining business confidentiality, and advance ruling and so on.

Similarly, the government of Nepal has issued the Customs Regulations- 2064 for the effective implementation of the Customs Act, 2064 BS. This regulation has come to effect from date of 2065 Baishakh 15 (27th April, 2008) (Nepal Gazette, Part 2, Section 58, Volume 1/ BS 2065, Baishakh 15 corresponding to 27th April, 2008).

This regulation holds many issues related to customs like: provision for customs duty facilities; provisions regarding other facilities and arrangements; provision for duty determination on freight items brought into one part of Nepal from another part via route of India; provision for duty collection on freight items taken to one part foreign country from the another part of same country via route of Nepal; provision for duty collection on freight

items taken to any foreign country from the another foreign country via route of Nepal; provision on importing and exporting the goods for maintenance; provision on re-importing and re-exporting the goods which were already imported or exported; provisions related to bonded warehouse, bank guarantee and special economic zone; provisions on customs declaration form, checking the goods and disposing the goods out of use; provisions on post-clearance audit; provisions on purchase of goods imported through the low-cost bidding mechanism; provisions on confiscation of merchandises and auction sale; provisions on customs agent; provision on reassessing valuation; provision on spies and prizes; provisions on demurrage; provisions on information issuance of deadline; provisions on compensation of goods, fine or collection of missed payments; provisions on returning the over-fined penalty or over-paid customs duty; provisions on availing carbon copy of records; provisions on issuing certificate on imported goods; provisions on categorizing or classifying and sub-classifying merchandises; provisions on possible export and import through sub-customs; provisions on warehouse operation by private sector and its responsibilities; provisions on submitting merchandises imported through postal service and many more. This regulation also has ventured a great deal to further standardize and systematize customs offices as well customs related officials as well.

This regulation also has been amended for the nine times i.e. first amendment on 26th Magh, 2065 BS (8th February, 2009), second amendment on 29th Ashad, 2066 BS (13th July, 2009), third amendment on 4th Magh, 2067 BS (18th January, 2011), fourth amendment on 30th Ashad, 2070 BS (14th July, 2013), fifth amendment on 29th Ashad, 2071 BS (13th July, 2014), sixth amendment on 29th Ashad, 2072 BS (14th July, 2015), eight amendment on 15th Jestha 2074 BS (29th May, 2017) and ninth amendment on 15th Jestha, 2075 BS (29th May, 2018), respectively.

There are 35 customs offices in different trade routs of Nepal in the present context. Among them, 25 are situated across border to India, 9 across the border to China and one is instituted at Kathmandu in International Airport premise. There are altogether 135 sub-customs offices throughout the Nepal under the jurisdiction of main customs office. Currently, there are altogether 1130 officials under Department of Customs throughout the country including 266 as gazetted officer, 460 non gazetted officer and 404 as non positional officer.

The methodologies about customs valuation and goods classification system as well as recently adopted efforts by customs administration for innovation and advancement are discussed in following chapters.

5.13. Nepal-India Treaty for Trade and Transit, Trade Routes and Customs Administration

The trade between Nepal and India has been regulated by different treaties. It is necessary to mention the treaty with British India Company in 1792 AD to study about customs administration of modern Nepal. The benefit for British India in Nepal had been overtly prioritized in this treaty. Nepal had to pay 2.5 % tariff to British India for exporting goods. But this treaty couldn't come into implementation.

The Treaty of Peace and Friendship in 1923 AD was first formal treaty between Nepal and British government in India. It had included provisions in regard to trade and transit arrangements. According to this treaty, Nepal would get duty exemption facility on British Indian port while importing goods.

The first treaty of trade and commerce between Nepal and India was conducted in 31st July 1950 AD in regime of last Rana Prime Minister Mohan Shumsher. According to this treaty, British Indian government had legitimized and approved for the provision on import and export of goods via Indian land without any intervention thus prioritized Nepal's immunity right. This treaty guaranteed that Nepal could import goods from third countries using Indian trade routes without any customs duty and Nepal could transport self-produced goods within the country by using Indian land without any excise duty and customs duty. Treaty had

confirmed services of export and import from fixed and authorized commercial transit points without any intervention. Those commercial transit points, accepted for hassle free import and export, were Raxual, Jogbani, Nepalgunj, Nautanwa and Jaynagar, respectively. This treaty was for ten years.

Both of the countries signed in next treaty named Trade and Transit Treaty on 11th September 1960 AD. This treaty provided autonomous power to Nepal to conduct its trade with third countries with according to own law.

There was new treaty of trade and transit between Nepal government and Indian government on 13th August 1971 AD (28th Sharwan, 2028 BS). This treaty mentioned about increasing mutual economic help to uplift the traditional trade relation between both countries i.e. Nepali and India and to ensure transit services on trade with third countries (Nepal Gazette/ 19th Poush, 2028 BS corresponding to 3rd January, 1972)

But this treaty decreasingly renumbered transit points, which was mentioned in previous treaty, for import trade to Nepal from 18 and then limited it to 10. Now, goods could be imported only from Galgalia via Kolkata, Jogbani, Bhimnagar, Jaynagar, Raxual, Nautanwa, Barahani, Nepalgunj, Gaurifanta and Banbasa, respectively.

After this, there was a Treaty of Trade and Transit between the Government of Nepal and the Government of India on 4th Chaitra, 2034 BS corresponding to

17th March, 1978 AD. The treaty made a commitment to ensure Nepal for smooth facilitation and guarantee without any obstruction in transit facility through the sea of India to promote international trade on ground of Nepal being a landlocked nation. The treaty was signed for seven years and had provisioned as that it could be extended with renewal for more seven years along with amendments that was unapproved by mutual consent (Nepal Gazette/ 2035 Ashad, 26 corresponding to 10th July, 1978).

Likewise, in 1991, 1996 and 1999 AD as well, treaties of trade and transit were signed between Nepal and India. The 1999 treaty sustained 15 major export and import transit points from Kolkota to Nepal as those were in practice. Besides those, 22 trade and transit points across Nepal India border along with Nepal to Nepal transit point for transporting goods were considered for business.

Nepal-India Treaty of Trade 1999 AD was renewed in March of 2006 AD, as for the new treaty of trade was signed in 2002AD. Likewise, new treaty of trade was again accomplished in 2009 AD. This latest treaty of trade agreed following routes for mutual trade.

According to the treaty of transit between Nepal and India, following were the specified land routes for traffic in transit via Kolkata:-

- a) Sukhiya Pokhari,
- b) Naksalwari (Panitanki),
- c) Galgaliya,
- d) Jogbani,
- e) Bhimnagar,
- f) Jayanagar,
- g) Bhitamor (Sitamari),
- h) Raxaul,
- i) Nautanawa (Sunauli),
- j) Barhani,
- k) Jarwa,
- l) Nepalgunj road,
- m) Tikoniya,
- n) Gaurifanta,
- o) Banabasa.

| | | | |
|-----|---------------------------------|-----|--------------------------------------|
| 1. | Pashupatinagar/ Sukhiya Pokhari | 2. | Kakarbhitta/ Naxalwari |
| 3. | Bhadrapur/ Galgaliya | 4. | Birtanagar/ Jogbani |
| 5. | Setubandha/ Bhimnagar | 6. | Rajbiraj/ Kunauli |
| 7. | Siraha, Janakpur/ Jayanagar | 8. | Jaleswor/ Bhitamod(Sursand) |
| 9. | Malangawa/ Sonwarsha | 10. | Gaur/ Bairganiya |
| 11. | Birgunj/ Raxaul | 12. | Bhairahawa/ Nautanawa |
| 13. | Taulihawa/ Khunwa | 14. | Krishnanagar/ Barahani |
| 15. | Koilabas/ Jarwa | 16. | Nepagunj/ Nepalgunj road |
| 17. | Rajapur/ Katarniyaghat | 18. | Prithvipur/ Sati (Kailali)/ Tikoniya |

| | | | | |
|-----|---|-----------|-------------------------|---------------------|
| 19. | Dhangadi/ Gaurifanta | 20. | Mahendranagar/ Banabasa | |
| 21. | Mahakali/ (Pithauragarh) | Jhulaghat | 22. | Darchula/ Dharchula |
| 23. | Maheshpur/ (Nawalparasi) | Thutibari | 24. | Sikta/ Bhiswabazar |
| 25. | Laukha/ Thadi | | 26. | Guleria/ Murtiya |
| 27. | All international airports having direct flight connection between Nepal and India (Kathmandu-Delhi, Mumbai, Kolkota and Chennai) | | | |

Presenting compliance with the mentioned treaty, Nepal has been properly managing the customs offices, number of customs officials, necessary regulations on import and export, due management of collecting customs duty as per customs tariff schedule on respective customs offices across the border.

5.14 Nepal-China Trade and Payment Agreement, Trade Routes and Customs Administration

Nepal and People's Republic of China had signed an ever first agreement related with trade gateways in 1974 AD. The agreement was replaced in 1981AD with a new treaty. This treaty had an agreement to set up and smoothly operate following three trade routes on border side between Nepal and Tibet of China.

1. Kodari (Nepal) – Nyalam (China).
2. Rasuwa (Nepal) - Kerung (China).

3. Yari (Nepal) - Purang (China).

In addition to the above mentioned trade outlets, another trade route named Olangchungola (Nepal) - Riwu (China) seems to have been agreed through an accord in 2002 AD. After that, two letters were exchanged between the two countries on 3rd December, 2003; and those letters state that, two more routes i.e. Kimanthanka (Nepal) - Riwu (China) and Nechung (Nepal) - Lizi (China) were added to prior accorded gateways. So far, Nepal and Tibet of China have been operating six trade gateways till present.

Nepal's customs offices at Larke in Gorkha district, Mughu in Mughu district and Lamabagar in Dolkha district respectively, which were in service quite traditional mode and manner from before these two countries reached to sign the ever first trade agreement, are still in function. Thus, there are all together nine customs offices in regular functioning between Nepal and Tibet of China.

Chapter Six

Development of Customs Valuation System in Nepal

The practice of determining the value of the goods being imported or exported is must for the purpose of setting customs tariff and collecting customs duties along with record keeping. At the early stages of the international trade, there were no practices of valuating the goods in the customs because there was system of levying customs tariff on the volume of goods hence cost of goods would not be directly related to the customs tariff in course of determining the duty. Gradually the system of collecting customs duty on the basis of costs or value of merchandises got a rise to remove the possible miscalculations and hurdles on valuations that could be posed to the reference of swiftly uprising volume of international trade. In fact, imposing customs duty on the basis of value than quantity of goods would be worth realistic and fair too. Exploring the history of valuation systems of the goods at the customs around the world, it seems that Article 7 of the General Agreement on Tariffs and Trade (GATT) in 1947 AD is the ever first international formal document. European nations had developed and implemented a separate valuation methods in 1950, and that was known as 'Brussels Definition of Value'. During the period from 1950 to 1994 AD,

there were many negotiations on various stages to make Article 7 of General Agreement on Tariffs and Trade (GATT) internationally ratified and recognized then to take it into effect. Among them, Tokyo round from 1973 to 1979 AD and Uruguay round from 1986 to 1993 AD are the most famous efforts as these rounds made the agreement on implementation of Article 7 of General Agreement on Tariffs and Trade (GATT) 1994 possible then constituted it further accordingly in 1994. According to this agreement, then onwards, all present member nations of the World Trade Organization have been adopting then corresponding to same method in valuating goods in order to define impartial, fair and transparent customs valuation in their respective countries as well.

Development of Customs Valuation System

It is highly desirable to segment it into three phases while describing the development trends of customs valuation on goods in Nepal.

1. Period before the introduction of Customs Act 1962.

2. Period between the enforcement of Customs Act 1962 to enforcement of Customs Act 2007.
3. After the enforcement of Customs Act 2007.

6.1 Period before the Introduction of Customs Act, 1962.

The historical development of customs in Nepal reveals that there was no uniformed and integrated system of customs valuation prior to 1962. No any historical treaties and documents regarding customs tariff before 1962 gives any reference regarding the role of customs offices to set a value of goods for the purpose of determining customs tariff. The customs duties on goods were largely determined in terms of their quantities in general and in terms of their costs in particular. This fact comes in notice as the information published in Nepal Gazette on 4th Chaitra, 2009 BS (21st March, 1948 AD) reads that the customs duty on tractors should be equivalently worth to one percent of its cost. Exchange rate of Nepali rupees into foreign currency is also found of being mentioned in customs tariff schedule itself. In a notice titled 'New Notice on Customs Tariff Schedule' published in Nepal Gazette in 2009 BS (1952 AD) regarding new rate of exchange value also mentioned the exchange rate of 125 Nepalese rupees for 100 Indian rupees as a standard and authorized exchange rate.

In 1953, Customs Declaration Form and Invoice were introduced and made it mandatory to declare and show the value of the goods clearly in these forms by the respective trader as per the requirement of section in the form. At that time, three types of Customs Declaration Forms were introduced. Customs Declaration Form-1 was for commercial merchandises, Customs Declaration Form -2 was for goods related with personal use and Customs Declaration Form -3 was for goods related with government use, respectively.

There was provision of clearing goods of personal use without having declaration of the value of goods and imposing any custom duties on it. The same was applied to the goods of government offices; but keeping the record of all goods was mandatory. For commercial goods, along with Customs Declaration Form (*Pragyapanpatra*), the original copy of invoice was also to be submitted to the customs office. This provision was clearly mentioned in clause 1 under information section of Customs Declaration Form- 1 as that the merchants who import the goods must fill the Customs Declaration Form before displaying the goods at customs and produce the original invoice along with Customs Declaration Form for the purpose of customs clearance. Even on the time when customs duties were collected through contractual basis it was not clear who and how the value of goods and customs duties would be

determined. A Government notice that was published in Nepal Gazette on 9th Mansir, 2009 (24th November, 1952) informs about the procedure regarding valuation of goods while contracting customs duty collection; and it reads that the valuation of goods and imposition of tariff would be done as per recommendation of tariff board. If people are interested, then there shall be auction bidding at Birjung Customs. Though the Gazette mentions about customs tariff, no light is shed in regard to valuation.

The additional provision related to imposition of customs tariff and fixing the duty on goods, exported to and from different overseas countries, was published in Nepal Gazette; and that was said to be implemented from 1st Shrawan, 2019 (16th July, 1962). Regarding the same, the details about valuation of goods mentioned in schedule 7 of the rule was as following;

While valuating the goods being imported to Nepal from overseas countries, the base for it shall be as following: the gross price of goods at the point of purchase; the cost/ expense paid to reach to the India's harbour/port; insurance fee as well if applicable; and fees paid to bring it from India's port to Nepal's boarder along with insurance premium as well. Combination of these all will confirm the customs valuation. But the reasonability and validity of price of goods as mentioned in invoice can be ensured or cross verified, as and when

needed, by customs officer irrespective of the goods bought from either India or any other countries via India's port.

With the information stated above, it is obvious that, since that time, there was a general practice of incurring and compounding all expenses to the total customs valuation and examining the validity and reliability of invoice whether it was prepared on real value basis or not.

6.2. Period between the enforcement of Customs Act, 1962 to Enforcement of Customs Act, 2007.

The preamble of Customs Act-1962 clearly stated that it was promulgated to amend and consolidate all separate orders and regulations issued in the names of Kathmandu General Customs Office (*Kathmandu Goshwara Bhansār*) and the Customs Offices of the hill and Terai areas, as well as the orders and regulations made and framed from time to time, and to make uniformed arrangements for their application all over the Kingdom of Nepal.

Before this Act was enacted, the integrated and uniformed system of customs valuation throughout Nepal was almost rare along with the customs duty determination, the process of clearance and the privileges as well. Similarly, the customs tariff on different products was found to be published in Nepal Gazette several times in a year.

When the Customs Act, 2019 was promulgated, it had following provisions in section 13 regarding the customs valuation of goods.

"13. Right to solicit the documents/necessary testimonies:

(1) The owner of the goods shall submit bill, invoice of such goods and other necessary documents relating to import as requested by the customs officer to the customs office for the certification of value of the goods to be imported. If the value submitted by the owner does not match with the actual transaction value system while determining the customs duty or the description filled up on the customs declaration form prove fake or incomplete, the Customs Officer may order the owner to submit the original invoice, bill of insurance policy, railway receipt and other necessary documents as mentioned in customs declaration form then the owner should go to accordingly and comply with it.

But if the owner presents the appropriate reasons, in the presence of customs officer, of his ignorance and obliviousness about the value of goods, or boxes and parcels of goods then he may take following steps prior to filling customs declaration form.

- To open the boxes or parcels of the goods in the presence of customs officer, or

- Until the owner is able to submit the authenticity of bills, invoices or documents, the goods remain stored in customs warehouse or the safest place in case warehouse is out of space.

(2) If the owner is unable to submit the bills, invoices and other necessary documents, those goods shall be valued with addition of 5 % more than the market price for such goods; and customs duty shall be levied accordingly."

According to the above mentioned provisions, it is found that the customs officer had the ultimate right to determine the value of goods at that time. If the owner presented the authentic price list, invoice and other necessary documents of the goods then the customs officer would determine the value of the goods accordingly. If the owner was unable to file the bills and produce the necessary documents, those goods would be valued with addition of 5 % more price than the market price for such goods then duty would be levied accordingly. By this provision, owners were encouraged to present authentic price-list, invoice and necessary documents by themselves.

There were no changes made in customs valuation procedure during 1st and 2nd amendments on Customs Act 1962. Some fundamental changes related to valuation

practices can be seen in the section 13 in course of the 3rd amendment on Act that was done on 6th Ashoj, 2028 (22nd September, 1971). The amendments made in that time can be presented as following.

1. The right to determine the value of goods was transferred to the His Majesty Government instead of the customs officer.
2. In case the price of the goods has not been fixed by His Majesty Government, price of the goods would be fixed as per the authentic price list or invoice of the goods submitted by the owner.
3. If the owner is unable to present the bill or invoice or the bill or invoice submitted by owner is unreliable to the customs officer, in case of the goods for which His Majesty Government has not set the value, then the customs duty would be determined by the customs officer on the basis of determined reference value, price list or value of similar types of goods documented previously in customs office's record.
4. If the customs office doesn't have the price list of such goods in its record then the customs officer can estimate value on goods approximately costing up to Rs 25000.

5. If the goods may value more than Rs 25000 then the customs officer shall forward a letter to His Majesty Government to determine the value along with tentative valuation from his/her behalf.

6. If the owner wants the goods to be cleared before the His Majesty Government determines the price, owner can make clearance the goods from customs by paying 10% more on the customs duty (on condition of clearing it later) that is calculated on the basis of estimated value by the customs officer.

Although the above mentioned changes in customs valuation procedure ended the existing system of determining value of goods on the basis of market rate, the valuation process became even more complex and time consuming for the importers as ultimate valuation right was now centered to the government.

Government had formed a valuation committee headed by Director of Department of Customs including representative from Federation of Nepalese Chambers of Commerce and Industry, National Trading Limited, Department of Commerce and Nepal Rastra Bank, respectively, on 23rd Poush, 2026 (7th January, 1970) with responsibility to present suggestions and recommendations regarding valuation of goods imported from third country; and it

was expected to make customs valuation more realistic and effective.

The Customs Act 1962 was revised with the fourth amendment in BS 2031/6/20 (6th October, 1974). The amendment in Act added a new section 13A. It inserted the provision for taking action against the goods having underinvoicing. Moreover, the then His Majesty Government has assigned its all rights to the valuation of goods to the Director General of Customs through a notice published in Nepal Gazette dated 2nd Jestha, 2032 BS (16th May, 1975).

There was a practice in use that the merchants used to import goods after making other related documents and bills based on the price list applicable for six months, which would be made and published by Department of Customs on recommendation of government made merchandises valuation committee. The committee used to be formed to ensure uniformity in customs valuation and to inform the importers about price of goods and merchandises prior to beginning the import process. In case of the receipt of the invoice less than the price list published by Department of Customs or price-list confirmed by the Director General, that would attract penalty in accordance to section 13 of the Customs Act, 1962.

Having valuation of goods and merchandises, which were imported from India, from central level, by the customs office had been difficult and impractical try as well though efforts

were paid in considering the variation on the nature and quality of goods during valuation. So, it was felt that it would be simple and pragmatic to practice it from regional level and it would also ensure uniformity in valuation trend among all regional level customs offices. For the same, all customs offices were categorized in 3 regions so that every customs offices in all three regions could organize valuation seminar in the all office of the respective region every 3 months on the basis of rotation, depending on favorability of offices in region. Such seminars would generate an engaging discussion regarding the problems about valuation of goods and merchandises at every customs along with sharing the available price-lists and invoices then on setting the price-list through the open consultation and mutual agreement.

There was also a system that the then His Majesty Government would fix the minimum pricelist of few of imported goods. To recommend on this affair, there was a recommendation committee under the chair of the Additional Secretary at Ministry of Commerce. Representative from Department of Commerce, Department of Customs, Nepal Rastra Bank (Central Bank of Nepal), Trade Promotion Centre, and Federation of Nepalese Chambers of Commerce and Industry would be other members as provisioned in committee.

While having 5th amendment in Customs Act 1962, on the date of BS 2042/6/9

(25th September, 1985), the amendment was applied to section 13, sub-section (4), which was related to customs valuation. From then, the customs officer, in the said subsection, has been allowed to estimate valuation of goods up to 125 thousand instead of Rs. 25000 thousand as determined prior. Apart from this, there was no change in Act through this amendment.

The Customs Act underwent the sixth amendment in BS 2043/6/16 (2nd October, 1986). The sixth amendments in the Act continued the previous valuations provisions. It defined the term 'underinvoicing' for the first time. This amendment added the definition of underinvoicing and adopted a revision in section 13A with replacement of prior 13A in regard to underinvoicing. This amendment provisioned as following: the customs officer could release the goods by collecting duty (as per prevailing tariff) based on valuation of such goods done by His Majesty Government if the goods are underinvoiced up to 10 percent, the customs officer could release the goods by collecting appropriate duty (as per prevailing tariff) based on valuation of such goods done by His Majesty Government; if the goods are underinvoiced from 10 up to 20 percent, the customs officer could release the goods by collecting appropriate duty (as per prevailing tariff) with fifty percent additional fine based on valuation of such goods done by His Majesty Government; if the goods are underinvoiced by 20 percent or

above, the customs officer could release the goods by collecting appropriate duty (as per prevailing tariff) with hundred percent additional fine based on valuation of such goods done by His Majesty Government or to confiscate such goods or to manage such goods to be purchased by either His Majesty Government or institution possessed and owned by His Majesty Government by paying the amount of invoice along with addition of freight expenses and insurance expenses as well. This section has even mandated to levy the import license fee on the amount that is of difference between the value of invoice and the value calculated according to section 13 of this act.

The Seventh Amendment in Customs Act 1962 was made in the year 1997 (27th Jestha, 2054 BS). This amendment brought fundamental changes in valuation systems of goods. There had already been great changes in the international world in valuation system. The agreement made in 1994 to systematize and implement the Article 7 of General Agreement on Tariffs and Trade (GATT) 1947, which was initiated and led by World Trade Organization, had already been approved. Since 2000, Nepal also started adopting WTO valuation agreement. After being the member of WTO on 23rd Jan , 2004, it was mandatory to make valuation system compatible to WTO system. Therefore, in the process of undertaking different fundamental changes and modification, 7th amendment on Customs

Act- 1962 was made in order to ensure customs valuation and rating to have due compliance and consistency with international principles.

The important changes brought with 7th amendment on Customs Act-1962 can be listed in points as mentioned below.

1. The existing section 13 regarding custom valuation was replaced with new section 13 and it provisioned to determine customs duty on merchandises on the basis of transaction value of such goods.
2. The owner shall have the responsibility to provide authenticity of bills, invoices or documents to be submitted.
3. If the value submitted by the owner does not match with the actual transactions value while determining the customs duty on the basis of transaction value of any goods to be imported, the Chief Customs Authority (Director General) or any Custom Officer designated by him/her shall determine customs duties on the basis of value, price list or reference value of such goods.
4. His Majesty's Government of Nepal may take ground on the basis of bills, invoice submitted by owner of the goods, authentic price list of producer or distributor or international market price or suggestion of expert concerned institution related to industry,

commerce or trade while determine the value of any goods or commodities for the purpose of customs duty determination.

5. Repeal of of section 13A related to underinvoicing.

Even though above mentioned amendments tried to obligate the confirmation of customs duty on goods on the basis of transaction value, this amendment still does not define and explain transaction value itself. Though the customs officers are given right for determination of customs value, His Majesty Government has reserved the right to valuation. This amendment is seen to accept only the price as per transaction as it doesn't offer others optional price rating principles against to the transaction value. The law in itself is unclear about what other costs should be added and what is not to be added in the transaction value of goods. This system does not go consistent with principle of transaction value because price list is taken as basis of valuation of goods if the transaction value isn't paid importance at.

Despite all these limitations, it can be taken as the landmark step of the then government in the field of customs valuation. The practice of using six months' price list, which was prevalent for customs valuation, was dismissed from the very time; and the right for customs valuation was given to the chief of customs office situated in the respective district. This provision saved

the time and cost in a great deal for importers by ending the compulsion of knocking Department of Customs for valuation on goods and spending long time span in a wait.

Provision for Valuation and Financial Act

The mentioned provisions related to valuation were not included during 7th amendment in Customs Act-1962 in regard to customs valuation. Keeping all these provisions intact even in subsequent amendments, other amendments and modification in valuation system were brought into force from Financial Act as well. Financial Act, which was implemented after the 7th amendment in Custom Act -1962, included the following provisions in relation to valuation of goods.

Financial Act, 1998

The following provisions in Financial Act-1997 were brought and burrowed exactly same in the Financial Act-1998.

1. To confirm CIF valuation of imported goods by adding cost of delivery up to customs post situated in Nepal along with insurance premium; and to have such valuation normally in foreign currency,
2. The transportation cost of goods imported by airways shall be determined in the same way as the cost of transportation is determined for the goods imported through the landcustoms.

3. While valuating the goods, which are imported under duty privilege, for the purpose of collecting customs duty, the merchandises like vehicles to be used for travel and transport of goods have to be valued considering per year 5% depreciation along with per year 10% at maximum on others goods; and only a period of 5 years at maximum should be considered for depreciation count.
4. While valuating goods, which are imported from India after completing DRP process, for customs purpose, there should be only the addition of delivery cost and insurance premium on goods' base rate in factory or warehouse, clearly excluding the amount of duty or tax that shall be refunded by government of India.
5. Since the value of the goods, for which customs duty is to be paid, is determined in the foreign currency, that particular amount should be converted into Nepalese currency as per the exchange rate fixed by Nepal Rastra bank for that particular day.

Financial Act- 2000

Though having continuity of same provision of Financial Act, 1998 even in Financial Act, 1999, following changes over that ditto burrowed principles were ascertained in Financial Act 2000:

1. Definition of transaction value mentioned in Custom Act 1962, Section 13.

2. If the documents relating to freight, insurance and other payments are not presented then the valuation officer will add the approximately estimated amount and determine the transaction value.
3. The fundamental principles laid down by World Trade Organization and General Agreement on Tariffs and Trade should be taken into consideration while the customs officer is deciding the transaction value.
4. If the amount and conditions of transactions declared by the importer cannot be considered valid and reasonable then the information along with the reason should be given to the importer.
5. To determine the provisional value before the transaction value gets confirmed; thus, importers can get the goods released by depositing the amount equal to the customs duty applicable to the provisional value.
6. If the valuation determined by the customs officer is not satisfactory, then the application can be made before Director General for review within 15 days.
7. The Director General can consult the expert while reviewing the valuation.
8. The Director General can depute any officer for the review over valuation on goods which are examined and released from customs.
9. The customs duty on the goods imported under baggage order (rules) can be fixed by the customs officer.
10. The transportation cost for determining the customs duty on the products imported via airways should be same as per the transportation cost levied upon the goods imported via land route into customs offices across the borders within Nepal.
11. Valuation process of goods that are being imported from India under DRP method.
12. While valuating the goods, which are imported under duty privilege , for the purpose of collecting customs duty, the merchandises like vehicles to be used for travel and transport of goods have to be valued considering per year 5% depreciation along with per year 10% at maximum on others goods; and only a period of 5 years at maximum should be considered for depreciation count.
13. Since the value of the goods, for which customs duty is to be paid, is determined in the foreign currency, that particular amount should be converted into Nepalese currency as per the exchange rate fixed by Nepal Rastra Bank for that particular day.

The underinvoicing related provision was again introduced in Financial Act, 2000. This provision was brought through the 6th amendment in Customs Act, but this provision was repealed through the 7th amendment in Act. When the provision was introduced in Financial Act, 2000, it was re-introduced with some amendments.

The provisions as per Financial Act, 2000, Schedule 1, Section 9, Subsection (1), clause (F) are as follows...

"(f) According to Section 13 of Customs Act, if there are valid reasons to believe that value declared by importer is less than to be real then following actions can be taken: -

1. If the declared value is less by up to 20 percent then to determine transaction value by adding the sum equal to less amount.
2. If declared value is less by more than 20 percent up to 50 percent then transaction value shall be determined by adding the sum equal to less amount along with additional fine of 20 percent in customs duty.
3. If the declared value is less by more than 50 percent then customs officer shall purchase or cause to purchase such goods from importer by paying declared value together with transportation cost, insurance cost along with 5 percent benefit amount on declared value. The information about such purchase shall be passed by the customs officer to the

Director General as soon as possible."

Financial Act, 2001

The two methods of valuation i.e. Identical and Similar as developed by the World Trade Organization were mentioned in Financial Act, 2001. It was provisioned that in determining customs value the Customs officer could seek the reason and proof if the declared value of goods by importer was quite less than previously imported identical or similar goods. And if the submitted evidence proved that declared value by importer to be valid and genuine then customs officer could determine the value accordingly and had to communicate to Director General in this regard. But, if the submitted evidence by importer couldn't prove declared value then there was provision as that customs officer had to determine the price which would not contradict with the basics of valuation methods of World Trade Organization (WTO/GATT) and written information had to be given to respective importer.

This act continued the provision of 'if declared value was underinvoiced then it would be ok to release the goods after collecting the sum equal to less amount with 100 percent fine on it or could proceed for purchase-deal with prior permission of Director General' with some amendment.

The provision of post-clearance audit was included in this Fiscal Act, and the

same post-clearance audit was implemented from very fiscal year.

Financial Act, 2003

As many provisions on valuation of goods from Financial Act 2001 were exactly brought into Financial Act, 2002, there was no vast and notable modification in that act. Besides fully adopting all the provisions of previous Financial Acts in regard to valuation of goods, following additional provisions were added in Financial Act 2003:

1. This Act included World Trade Organizations' principle in the subject of how to have valuation of goods at the time of transaction between related parties.
2. The two Methods of World trade Organization's valuation principle i.e. Deductive Value Method and Computed Value Method were adopted further in this Financial Act.
3. It had made clear the treatment of discount from value by provisioning that no discount should be considered except that it has given disclosing maximum retail price of the imported goods .
4. The amount paid as freight and insurance would be considered to be added in the value if those expenses were clearly and separately mentioned on the invoice or there was separate receipt of such payment; but if such information were not clearly stated

on invoice or the receipt for such payment wasn't presented, the valuation should have been done considering the minimum 5 percent of value of the goods as freight and insurance cost then adding it in the value of imported goods.

Financial Act, 2004

In this Financial Act, everything seems intact and unchanged from previous financial act except the provision of addition of freight to the value of the goods imported by air. Earlier it was mentioned as that the freight of such goods imported by air would be determined equal to the freight in case of goods imported by land if no air freight was mentioned on Airway bill. But later on, it was mandated and obligated to add fright as mentioned on airway bill while having customs valuation on such goods.

Financial Act, 2005

Through this act, the provision of section 13 in Custom Act 1962 in regard to valuation of goods was totally scrapped and systems regarding customs valuation was improved and harmonized with valuation system of WTO. Along with the continuation of previous norms regarding customs valuation process as mentioned in financial act, following notable provisions were included in this act.

1. As mentioned in schedule-1, section 7, subsection (2) of this act, in relation to valuation system, the

definition of transaction value means the total amount of transaction if the total amount of payment is presented on commercial invoice. Then, the transaction value would be decided according to commercial invoice. So, the commercial invoice was known as important base of valuation of goods.

2. The Department could prescribe the form for the declaration of value.
3. If there is a reasonable ground to believe that the value declared by the importer is doubtful then the customs officer could ask for further clarification and other documentary evidence.
4. The all 6 Methods of WTO's valuation along with implementation procedures for those principles were included in the Act.
5. If any importer is unable to show the document related to insurance and other expenses thus applies to calculate the estimated expenses, the customs officer could determine the value by adding estimated amount of insurance and other expenses on such goods and release the goods and within 90 days after clearance of goods the importer could adjust the record by submitting the actual costs on insurance and on other expenses. This provision was also included in this act.

6. The additional duty, which was to be charged on underinvoicing was reduced from hundred percent to fifty percent.
7. To encourage the culture of declaring actual price at customs, this Financial Act had provisioned not to levy the additional duty on charge of underinvoicing on declaring more price than mentioned in invoice in case of the importing goods through already opened Letter of Credit up to end of Chaitra 2062 BS (April, 2005).

Reviewing this financial act shows that it had provisioned for valuation of goods as per WTO's valuation methods, and had further obligated to have valuation of goods on the basis of transaction value or price as well. This provision was followed into the upcoming Financial Act, 2006; and the same is noticed to have been considered as reference in formulating Customs, Act 2007 as well.

6.3. After Enactment of the Customs Act, 2007

Nepal became the member of World Trade Organization on 11th Baishakh, 2061 (23rd April, 2004). Nepal was first among least developed countries and 147th nation to become its member. Being member to this organization, Nepal has an obligation to adopt then implement the customs valuation Systems on imported goods according to the Agreement on Implementation of Article VII of the General Agreement on

Tariffs and Trade 1994. Customs Act 2007 was enacted as those provisions regarding to the valuation systems had to be confirmed into act itself for its effective implementation. After being member of World Trade Organization, Nepal had to implement the very systems of valuation from 1st January, 2007. Nepal had already implemented the WTO's valuation systems through Financial Act, 2005 even before the Customs Act, 2007 was put forward. The financial act keeps changing on the yearly basis and if the customs act is not made according to WTO's valuation process then it would become difficult to clarify whether the treaty was obeyed or not, so, Customs Act, 2007 was enacted and was implemented since 15th Baishakh, 2065 BS (27th April, 2008).

Customs Act, 2007 constitutes provisions regarding valuation system in section 13. To implement the provisions mentioned in act much systematically, Customs Valuation Directives 2068 has been taken into effect. Realizing its importance and relevancy, valuation related main provisions, which are mentioned in Customs Act, 2007 are presented below.

1. The rules, annexes and interpretative notes set forth in the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994 shall be pursued in determining the customs value of imported goods.

2. If there is a reasonable ground to believe that the value declared by the importer is doubtful, the customs officer may ask the importer to produce additional documents or evidence in writing to prove that such value is the actual transaction value. It shall be the responsibility of such importer to provide documents so asked.
3. If the customs value of any goods cannot be determined on the basis of the transaction value declared by the importer or the bills, invoices and documents submitted by the importer, the customs officer shall give a notice, accompanied by the reason for the same, to the concerned importer.
4. If the customs value cannot be determined on the basis of the transaction value, the customs value of such goods shall be determined on the basis of the transaction value of identical goods already imported into Nepal prior to the import of such goods.
5. If the customs value cannot be determined on the basis of the transaction value of identical goods, the customs value of such goods shall be determined on the basis of the transaction value of similar goods already imported into Nepal prior to the import of such goods.
6. If the customs value cannot be determined on the basis of the

transaction value of similar goods and such goods that have already been imported into Nepal and sold at market to a person who is not related to the importer, the customs value of such goods shall be determined on the basis of deductive value method, by deducting the tax, duty levied in Nepal on the selling price of each unit of the maximum unit so sold, and other related costs and profits.

7. If the customs value cannot be determined by deductive value method, the customs value shall be determined on the basis of computed value method, also calculating the costs incurred in the production or manufacturing of such goods and profits made or likely to be made by the seller while selling such goods to the importer.
8. If the customs value cannot be determined by computed value method, the customs officer shall so determine the customs value of such goods on a reasonable basis as not to be contrary to the previous provisions.
9. If the importer makes a request for the determination of customs value by adopting the procedures set forth in Computed value method prior to adopting the procedures set forth in Deductive value method, the customs officer may determine the customs value in accordance with

the provisions of Computed value method.

10. Notwithstanding anything contained elsewhere in this section, if the owner of the goods imported under the baggage order (baggage rules) for personal purposes or the goods received as a gift or specimen and imported from a foreign country or goods imported as relief materials makes an application for the valuation of such goods, showing the reason for failure to indicate the transaction value thereof and if the customs officer considers the matter to be appropriate, he or she may determine a reasonable customs value of such goods.
11. If the value declared by an importer is less than the customs value determined by the customs officer, the customs officer may do the following in relation to such goods:
 - (a) Clearing such goods by collecting fifty percent additional customs duty on such difference value, or
 - (b) With the prior approval of the Director General, purchasing or causing to be purchased such goods in a manner to pay the amount to be set by adding five percent amount on declared value and giving it to the importer.
12. Determining the customs value of the goods to be imported will be usually done in foreign currency. Where the

- valuation of goods on which the duty has to be paid at the time of import is made in a foreign currency the conversion of such currency into Nepali Rupees shall be made on the basis of the selling rate of foreign currency prescribed by the Nepal Rashtra Bank prevailed on the day in which the declaration form is registered in customs office or received in Customs office through computer system of such goods.
13. If the customs value determined by the customs officer pursuant to section 13 seemed against the method and procedure mentioned in that section or there is a valid reason to believe that the value determined is doubtful then Director General may give order to redetermine the value of such goods.
14. Notwithstanding anything contained elsewhere in this Act, the customs officer may, subject to section 13, determine a reasonable provisional customs value of imported goods if:
- (a) The importer makes an application, along with a reasonable ground that he or she is not able to forthwith provide necessary documents and other related information as required for the valuation of goods,
 - (b) The customs value has to be or can be determined only after carrying out the laboratory test or other examination of goods or there appears a need to make further inquiry into the documents and information provided by the importer.
- 15.
- (1) Where, owing to a circumstance beyond his or her control, an importer is not able to forthwith submit documents of freight, insurance or other related expenses incurred in the importation of any goods, the importer may submit an application, accompanied by the reason for the same, to the customs officer for the fixation of the estimated amount of such freight, insurance or other related expenses.
 - (2) Where, in inquiring into the application referred to in sub-section (1), the contents appear to be reasonable, the customs officer may fix the estimated amount for freight, insurance or other related expenses likely to be included in the transaction value of such goods.
 - (3) The concerned importer shall submit documents and evidence relating to the actual freight, insurance and other related expenses no later than ninety days after the date of fixation of the estimated amount of freight, insurance or other related expenses pursuant to sub-section (2). If the amount set forth in the documents and evidence so submitted is more than the estimated amount fixed pursuant to sub-section (2), the importer shall pay the duty

chargeable on such excess value, and if it is less than that, the customs office shall refund the remaining amount, upon deduction of the chargeable duty, to the importer.

16. Where the concerned importer fails to submit documents and evidence within the period of ninety days from the date of provisional valuation or unless it is proved otherwise, the estimated amount fixed by the customs officer shall be considered as the final amount of such freight, insurance or other related expenses.
17. The invoice value declared by an exporter shall be the customs value of the goods to be exported. Notwithstanding anything contained, the Government of Nepal may, if considers necessary, determine separate customs value of any goods of specific nature to be exported, by notification in the Nepal Gazette.
18. In determining the customs value of goods to be exported, the customs value shall normally be determined in a foreign currency. Where the

valuation of goods on which the duty has to be paid at the time of export is made in a foreign currency, the conversion of such currency into Nepalese rupees shall be made according to the buying rate of foreign currency which is prescribed by the Nepal Rastra Bank and prevailing on the day in which the declaration form is registered in customs office or received in Customs office through computer system of such goods.

Thus numerous legal provisions have been made in Nepal to make customs valuation on imported goods to comply with the World Trade Organization's valuation principles and procedures. The detailed information regarding customs valuation and implementation methods have been explained in customs valuation directives. These directives have been amended for the first time in the year 2015 and have been kept updated.

Chapter Seven

Development of Goods Classification in Nepal Customs

7.1. Introduction

In earlier time, there was a trend of levying customs tariff on goods by indicating and mentioning the name of all respective goods when goods in international trade were transacted in limited quantity. But the practice of naming the goods and materials individually for the purpose of imposing customs tariff was not further possible due to the many-folds increase in international trade. Therefore, a practice of coding seems to have been started from quite early in quest to maintain the trade statistics accurate and to ensure collection of duty on goods go simple, scientific and easy. Due to the increase in the volume of international trade and the production of new goods almost every new day because of the technological advancement along with vast industrial modification, it was not possible to name every single of all the goods on import and export for the purpose of maintaining statistics and levying customs tariff.

Owing to the difficulty in individual count and naming, many attempts were made over the years to develop the universally acceptable and understandable

commercial language in nomenclature on such commodities. Hence, it was expected that customs affair in international trade would go easy. The methodology of classifying goods, by caring their identical nature, into many categories then coding them separately as per nature of goods is called goods classification, which shall be quite helpful in collecting customs duty and other duties on the goods, which are either imported or domestically produced. For the purpose of having the accurate data and easing the customs duty collection, those goods- either imported or produced within the country- are classified in the definite digits/numbers as per international commodity classification system adopted by the Government and the classification will be based on the nature, characteristic, function, degree of manufacture and other relative properties of the goods. There is one specific type of coding system being applied for statistics and duty collection in international trade whereas another distinct type of coding system is being used for economic and trade analysis.

7.2. Development of the Goods Classification System in the World

7.2.1. International Statistical Nomenclature (ISN)

Looking at the development of the goods classification, International Statistical Nomenclature (ISN), which had been signed by various 29 countries as an international convention and had been brought into effect then used from 1853 to 1922 AD, can be considered as a remarkable reference point. In this system, the goods of 186 types were divided into 5 groups i.e. live animals; food and beverage; raw and simply prepared goods, manufactured goods, gold and silver, respectively.

7.2.2. Geneva Nomenclature

The League of Nation, which was established in 1920 AD, had also contributed significantly to the field of goods classification. As the Conference of the League of Nations held in 1927 recommended to build a systematic and modified nomenclature, the first draft of Geneva Nomenclature was published in 1931. It contained 21 sections, 86 chapters and 991 headings where 86 chapters were organized in 21 sections and 991 headings were organised in 86 chapters systematically. This was also revised in 1937 AD. The Geneva Nomenclature is considered as a remarkable landmark in purpose of goods classification system though the Second World War had posed an

obstruction or hurdle in its implementation.

7.2.3. Standard International Trade Classification (SITC)

Geneva nomenclature had not just only made the task of customs duty determination quite easy but had also provided a basis of statistics for international trade. Geneva nomenclature for goods classification system was the key base and reference for list of basic and fundamental goods (called minimum list) for international trade statistics that the United Nations had published in 1938 AD. The United Nations Statistics Commission revised the *minium list* published by the United Nations in 1948 and 1950 AD and named it Standard International Trade Classification (SITC). This Standard International Trade Classification (SITC) had 570 items, 150 groups, 53 divisions and 10 sections. This was composed of 5 digits/numbers. To know about any items, five digit number was used. The use of this classification was focused on collection, compilation and analysis of external trade data rather than collection of customs duty.

7.2.4. Brussels Tariff Nomenclature (BTN)

On 12th September 1947, European Economic Community's 13 member-nations in Europe announced to set up the Customs Union. The member nations established European Customs Union Study Group in Brussels. This study group further instituted another group named Permanent Tariff Bureau's

(PTB) as an assisting body. This organization (PTB) did a deep study on Geneva nomenclature. Then, this union followed Naming Principle in classification of goods assimilating few facts i.e. there was lack of progressive classification method, which everyone inside European Union should compulsorily implement it; Naming Principle was understandable by everyone; and it was based on new technology as well. On the basis of progressive principles on commodity classification, that particular union had published the first draft of commodity classification at the middle period of 1948 AD and 1949 AD. This draft had 1360 headings, 4360 subheadings and also a range of legal notes as well. Geneva nomenclature's observation was adopted to structure its sections. For more refinement in this method and also for drafting international convention for its execution, Special Nomenclature Committee was constructed in 1950 AD. The International Convention on nomenclature, which was prepared by this committee, was published and placed for signature on 15th December, 1950. In this method, there were 1097 headings, 99 chapters and 21 sections.

7.2.5. Customs Cooperation Council Nomenclature (CCCN)

Customs Cooperation Council was regularly working in refining Brussels Tariff Nomenclature as and when needed. In 1974 AD, the naming of this was changed as Customs Cooperation Council Nomenclature (CCCN). There

were 1241 headings, 99 chapters and 21 sections in this classification. This Nomenclature was already made relatively structured and comprehensive till this time. Both the Interpretative Rules and Explanatory Notes in Nomenclature had been slightly refined for the uniformity. This method was hugely based on Brussels Convention developed in 1950 AD. 47 nations had already signed and world's more than 100 countries had brought this system into application. But world's two major trading nations America and Canada had brought their own method into application.

7.2.6. Harmonized Commodity Description and Coding System (HS)

Customs Cooperation Council Nomenclature (CCCN) formed on the basis of Brussels international convention of 1950 had included some broad categories of merchandises in it because of having only four digit coding system. It was being uneasy to make this method all acceptable since it was inefficient to have accurate and detailed description of goods for trade statistics.

For the consummation of this objective, Customs Cooperation Council formed one Commodity Coding Study Group. This study group's core objective was to formulate most possible, undisputed, single and all acceptable classification system applicable for both Customs Tariff Classification and Compilation of International Trade Statistics, respectively. The particular study group

studied the possibility and recommended Harmonized Commodity Description and Coding System at Customs Cooperation Council, in May 1973.

Customs Co-operation Council formed the Harmonized Committee in September 1973. This committee expanded the four digit headings propounded by Customs Co-operation Council Nomenclature (CCCN) into a 6 digit subheadings. And then, at the same time, it developed the harmonized system by studying basis of the 15 different systems being used by various countries in course of collecting and compiling of international trade statistics and imposing the customs tariff, respectively. This system was published by Customs Co-operation Council (CCC) in 1983 AD. This system was applied from 1st January 1988 through International Convention on Harmonized Commodity Description and Coding System.

This system contains total 21 sections. The 21 sections are further divided into 97 chapters, and the very chapters into 1222 headings of 4 digits level each, and every heading into 5387 sub-headings of 6 digits level, respectively. In this system, the first two digits denote chapter, second two digits denote heading and last two digits denote subheading of goods. Here, according to the need of the country, member country can add chapter 98 and 99 after chapter 97 then use it accordingly along with a

facility that these countries can advance or modify 6 digit subheading system up to eight to 10 digits as needed. In quest of ensuring the timely revision and update on this system, it has already been amended six times serially as in 1992 AD, 1996 AD, 2002 AD, 2007AD, 2012 AD, and 2017 AD, respectively.

The harmonized system is designed to cover the important aspects of the system of categorizing or classifying goods and being used in the international world thus it is called harmonized system. This is multi-purpose goods classification system.

7.3. The Evolution of Goods Classification System in Nepal

While looking at the history, the classification of goods or nomenclature in Nepal can be traced up to 2016 BS. When studying customs tariff related legal documents prior to the year of 2016 BS, the orders, which were issued to regulate then systematize the customs duty collection, have mentioned only the name of the goods. Thus, it is clear that there was no trend of having number based classification or coding systems of goods. Reviewing the Nepal Gazette, published on 9th Magh, 2009 (22nd January, 1953) in regard to the provision of contracting for customs duty collection, the tariff schedule applied on the goods being imported or exported seems as of the following.

| Goods/ Commodity | Company Rupee (Indian) | | Nepali Rupee (Mohar) | |
|------------------------------|------------------------|---------------|----------------------|-----------------|
| | Export | Import | Export | Import |
| Food Grains | | | | |
| Paddy 1 <i>Mân</i> | 8 <i>ānā</i> | 1 <i>ānā</i> | 63 <i>paisa</i> | 8 <i>paisa</i> |
| Rice 1 <i>Mân</i> | 12 <i>ānā</i> | 1 <i>ānā</i> | 94 <i>paisa</i> | 8 <i>paisa</i> |
| Pulses/ lentils | | | | |
| Unsplit Lentils 1 <i>Mân</i> | 8 <i>ānā</i> | 8 <i>ānā</i> | 63 <i>paisa</i> | 63 <i>paisa</i> |
| Oil Products | | | | |
| Mustard 1 <i>Mân</i> | 8 <i>ānā</i> | 12 <i>ānā</i> | 63 <i>paisa</i> | 94 <i>paisa</i> |

Similarly, customs tariff for herbals too has been set as per the information published by the Finance (income) Department of Government of Nepal on 22nd Baishakh, 2010 (4th May, 1953). The information too doesn't contain any of the indicated numbers or coding for classification of goods.

Reviewing on documents related to imported or exported goods till the year 2015 BS, none of these goods under any

code number or heading or subheading number are mentioned for classification so that it can be concluded that there was no provision of coding based classification system.

A notice published by the then His Majesty Government regarding the tariff applicable on goods traded with India, on 25th Shrawan, 2016 (31st July, 1959), mentions following coded classification of merchandises on export and import with India.

| S.N | Item name | Measurement | Tariff | |
|---------|------------------------------------|----------------------|--------|--------|
| | | | Export | Import |
| 001 | Living animals | | | |
| 011-011 | He buffalo | Per count Rs. | 5/- | 5/- |
| 001-012 | Calves | Per count Rs. | 2/- | 2/- |
| 012 | Dried meat of all types | | | |
| 012-09 | Dried meat all types (except beef) | In percentage | 5/- | 5/- |
| 023 | Ghee & Butter | | | |
| 023-011 | Ghee | Per 1 <i>Mân</i> Rs. | 10/- | 10/- |
| 023-012 | Butter (Packed in cane) | In percentage | 5/- | 10/- |

As the above listed codification of goods seems similar to the internationally used Standard International Trade Classification (SITC), it can be concluded that Nepal started classifying the goods traded with India putting code number from 2016 BS onwards.

Customs Tariff Act (number 2), 2018, was published in Nepal Gazette special issue On 16th Baishakh, 2018 (28th April, 1961). The very act was implemented from 16th Kartik, 2017 (1st November, 1960). The Act, in Schedule-1, includes goods' list (normally imported from other countries through India). As the very tariff schedule codes all the goods as per Standard International Trade Classification (SITC), it seems that Nepal had adopted modern classification system of goods from the very year with legal status and back up.

This system of goods classification was used in Nepal till 2036 BS; it can be

sensed on the basis of a notice published in Nepal Gazette on 25th Asadh, 2036 (9th July, 1979) on behalf of Ministry of Finance as the notice's schedule-1 follows SITC method on goods classification while mentioning about applicable tariff on those goods.

A notice issued from Ministry of finance, published in Nepal Gazette, Part 3, Schedule 1, on 24th Asadh, 2037 (7th July, 1980), mentions 4 different rules stating them as interpretative rules in regard to customs tariff. According to this classification, all the goods are classified in 21 sections and 99 chapters; and further, the items are categorized on of 4 digit heading and are further subdivided into A, B, C, and further subdivided into 1,2,3 thereto and so on as and when needed. A portion of the classification of goods along with tariff adopted in 2037 BS for the fiscal year 2037/38 is listed below.

Section-1

Live Animals; Animal Products

Chapter 1

Live Animals

| Code number | Description of goods | Import Duty per 100 Kg or percentage (except otherwise specified) | | | |
|-------------|--|---|---|-----------------------|--------|
| | | | Import | | Export |
| | | Standard | Especially preferential country (except India and PRC's Tibet) | India and PRC's Tibet | |
| 01.01 | Live horses, asses, mules and hinnies | Free | Free | Free | Free |
| 01.04 | Live sheeps and goats 1. Goat 2. Sheep | Free | Free | Free | Free |

Chapter 4

Dairy produce; bird's eggs; natural honey; edible products of animal origin, not elsewhere specified or included.

| Code Number | Description of goods | Import Duty per 100 Kg or percentage (except otherwise specified) | | | |
|-------------|---|---|---|-----------------------|--------|
| | | Import | | | Export |
| | | Standard | Preferential Country (except India and PRC's Tibet) | India and PRC's Tibet | |
| 04.03 | Butter | Free | Free | Free | Free |
| | Refined Ghee | 46 | 44 | 44 | 100 |
| | Other Ghee | Free | Free | Free | Free |
| | Other Butter (Packed in Tin) | 265 | 255 | 255 | Free |
| | Other butter (Not Packed in Tin) | Free | Free | Free | Free |
| | | | | | |
| 04.05 | Birds' eggs not in shell and egg yolks, fresh, dried or preserved wether or not sweetening. | | | | |
| | Egg in shell: | | | | |
| | (1) Egg of Hen or Duck | Free | Free | Free | Free |
| | (2) Other | | | | |
| | (B) Other | Free | Free | Free | Free |

The goods which are mentioned above are coded and classified as per the system developed by CCCN (Customs Cooperation Council Nomenclature) thus Nepal seems to have adopted the very method from 2037/38 BS itself on all goods of export and import.

Exploring the historical background in regard to goods classification systems, we can see that Nepal had been following Standard International Trade Classification from 2016 BS to fiscal year 2036/37, Customs Cooperation Council Nomenclature from fiscal year 2037/38

to fiscal year 2048/49, and finally the Harmonized System after fiscal year 2049/50 to till the date, respectively.

7.4. Legal Provisions Related to Goods Classification

7.4.1. Custom Act, 2019.

Customs Act, 2019 was implemented from 6th Mangsir, 2019 (21st November, 1962). No any legal provision had mentioned any thing clear about goods classification before or till the time Customs Act came into existence. The 5th amendment on Custom Act 2019 made on 9th Mangsir, 2042 (24th November, 1985) included section 44A, which had provisioned as that 'If there is any difficulty in valuating any merchandise on export or import due to confusion on its customs tariff code number then it shall be as fixed by the chief customs authority'. The 5th amendment made on this provision included that: if the customs official is in confusion in classifying goods then that is to be reported in written at the Department of Customs and then the Director General will take further decision regarding classification along with circulation of respective message. Apart that, no other provisions were made in the Customs Act 2019 regarding classification. This act was later replaced by Customs Act, 2064.

7.4.2. Financial Act, 2051

Some additional provisions relating to goods classification were made in section 9 of other provisions regarding importation of Financial Act, 2051. This

section reads that 'if any confusion takes place while deciding the customs duty on imported goods because of having no clarity about rightly corresponding classification of respective goods as per prevailing customs tariff, the Director General's decision on designating code and classification as per Customs Act 2019, section 44 (a) should be in accordance with International Convection.

It was written that the English version document of Brussels based Customs Cooperation Council, for which Nepal was also a signatory party, would be deemed as major reference for this purpose. The provision was continued in Financial Act, 2052 whereas inherited further with minor amendment in Financial Act 2053. Furthermore, the very provision was inherited in subsequent Financial Acts in 2054, 2055 and 2056 respectively.

Every other thing as usual was kept same in Financial Act, 2057 except taking a minor change as: naming previous system as heading, adding a phrase 'export or', omitting phrase "heading number" then placing phrases like "heading" and "subheading'.

7.4.3. Financial Act, 2058

Additional provisions were made regarding classification of goods in the Financial Act, 2058. The Section 12 of Schedule 1 in Financial Act provisions that Department of Customs can confirm the heading of goods if any importer or exporter requests in written to confirm the headingt of goods prior to the assumed export or import. Similarly, the

report from customs laboratory or other laboratories or experts on the related goods can be taken as reference in the classification of materials, and the customs officer also can send the sample goods to the laboratory for classification during the process of clearance, if deemed necessary, the act has provisioned.

As said in the act, for statistical purpose the Director General can add more digits on eight digit subheading which is for the customs tariff purpose in the commodity classification.

In Financial Act, 2059, sub section 12 of section 4 of financial Act 2058 was revised but all other provisions were burrowed intact and same. According to the revised sub-section 4, the Director General could give an order for clearance of goods only after testing it in the laboratory.

The Financial Act, 2060, the Financial Act, 2061, the Financial Act, 2062, and the Financial Act 2063, respectively too had the continuity of the provisions of Financial Act, 2059.

7.4.4 Customs Act, 2064

It has been mentioned above that Nepal has been adopting the harmonized system since 2049/50 BS in the classification of goods. Convention on Harmonized Commodity description and Coding System is the legal means to apply this system. After the membership to this international convention, the member states are compelled to enforce this system. Nepal has formally been the member to this convention only on 25th

August, 2006, only after 13 years of using the method. This system was developed in a modern and scientific way along with addressing the limits and weakness in the past classification systems, that is why Nepal was using this system even before being formally subscribed to it; and Nepal had also been making relative changes time to time on the existing laws.

As Nepal had already become a member to the respective International Convention prior to the promulgation of existing Customs Act 2064, the act seems to be in the form of the complete compliance with the harmonized system, which is used in coding and classifying the goods.

The act has been amended through changes in Financial Act as per the situation and need of time. In course of protecting the rights of the owner of the goods, following provisions are enshrined in this act: application can be given for the classification of goods before importing, if not satisfied with the classification from customs officer then can be requested for a review from Director General; and again if not satisfied with that too, can appeal for a reexamination by revenue Tribunal. The provisions of section 22 in Customs Act,2064 in regard to goods classification, section 61. A in regard to the provision of the review or appeal, and the provisions of section 62 sub section (5), are kept beneath as usual for reference:

"22. Goods Classification and Determination of Duty:

- (1) After determining customs value as per section 21, the customs officer shall have to examine the declared goods as if classified into fixed headings and subheadings according to the current financial act. In such a case, the customs officer shall make sure that the classification is correct in accordance to the subsection 3 in section 61A.
- (2) The customs officer shall determine the duty for such goods if goods are found ok, during examination, regarding goods classification as specified in sub-section (1).
- (3) If the classification of goods is noticed not proper in accordance to subsection (1), during examination, then by informing the declarant, customs officer will amend the subheading, and then the customs duty will be determined according to the same amendment.
- (4) Those importers who are not satisfied with the amendment made by customs officer according to subsection (3) can present the application of appeal before Director General to review the amendment in accordance with section 61A. Before requesting in such method, the importer should clear the goods by paying duty determined by customs officer.
- (5) The importer, during payment of duty in accordance to subsection(4), can submit the application before

the customs officer, for keeping partial or full amount of duty as collateral on provision that final duty shall be as determined during their final classification. In case of acceptance of such application, the customs officer can hold the bail and the goods can be released after inspection.

- (6) If the customs officer is uncertain about confirmation of the classification of goods in accordance with sub clause (1) then s/he can send application to Director General mentioning the reason behind the uncertainty along with the sample of uncertain goods.
- (7) If application in accordance with subsection (6) is received by Director General then s/he should inform customs officer after taking the decision to classify the subheading. Customs officer should also classify the goods and determine the customs duty in accordance with the decision of Director General."

"Section 61.A. Provision of Review on Classification of Goods

- (1) If a person is not satisfied with classification of goods done by customs officer, in accordance with section 22, then that person can appeal or present application before Director General to review the classification within 30 days of date of clearance.
- (2) Sample of goods and documents to confirm the facts of the application

should be presented with application in accordance with sub clause (1).

- (3) Director General, while reviewing the decision on classification of goods in accordance with this section or while taking the decision as per subsection (7) of section 22, can take the prevailing financial act, Harmonized Commodity Description and Coding System established by World Customs Organization, General rules for the interpretation related to this system, explanatory notes, decisions related to classification of goods made by World Customs Organization, opinions of Harmonized System Committee of World Customs Organization as base while making decision.
- (4) Before taking decision on classification of goods, Director General can examine the goods in laboratory under its department or any other governmental body. And s/he also can take opinions of related experts or opinion of national or international body.
- (5) The decision on application for review, which comes under subsection (1), shall be provided within 60 days.

But those decisions, which shall be given by taking the opinions of international organization or body, shall not be bounded by time limit of this subsection."

"Section (5), Sub-section 62

In the case of not being satisfied with any decision made by the Director General regarding goods classification in pursuant to section 61, the desatisfied party may file an appeal to the Revenue Tribunal no later than thirty five days from the time of such decision."

Nepal has been taking the opinion and using the published materials of World Customs Organization, has been a regular part of the discussion of Harmonized System Committee and has also taken part in its election in regard to systematize the practice of goods classification. The intermittent amendments in the Harmonized System made by the World Customs Organization has also been amended and applied through the amendments in Financial Act in Nepal. The latest amendment, which took place in 1st January, 2017, has already been into application in Nepal through the amendment of the Financial Act in 2074 BS. The Department of Customs has been regularly publishing and updating reports, in the format of World Customs Organization, about the various decisions taken from the time since the use of Harmonized System (Fiscal Year: 2049/50 BS) along with other self-made decisions regarding goods classification. The assistance provided by the World Customs Organization on proficiency empowerment of officials at Department of Customs and for successful application of this system is also unforgettable.

Chapter Eight

Reform And Modernization in Nepal Customs

The efforts hitherto undertaken for the reform and modernization in customs administration are covered under studies on customs reform, customs reform and modernization plans, customs automation, development partners in customs reform and reform in customs clearance.

8.1 Studies on Customs Reform

Series of studies are conducted for reform and modernization in customs administration. Some of the recommendations included in the studies are briefly mentioned below.

8.1.1 Revenue Committee's Report BS 2048 (May 1991)

Revenue committee formed under the chairpersonship of Mr. Bhubaneshwor Khatri had advised the government some key suggestions related to customs. Those are as follows;

- To expand the tax base in order to have accurate and fair valuation of goods,
- To adopt the principle of lesser tax and more tax collection, as far as possible, with due analysis of all tax rates,
- To shift the revenue patrolling from the Revenue Investigation Division to the Department of Customs,
- To facilitate automatic exchange of information among revenue departments,
- To form revenue service group,
- To change the specific duty to ad valorem duty to the extent possible,
- To periodically update and make available price and valuation of the goods,
- To reduce customs tariff slabs,
- To increase the number of main customs offices and to delegate authority to the sub-customs for clearance of goods worth to Rs. 5000/,
- To treat personal belonging as actual personal baggage only,
- To arrange monitoring in a regular, sudden and random basis of goods from the department,
- To control the misuse on imported raw materials,
- And to ensure regular amendments in Customs Act and Rules as and when necessary.

8.1.2 Tax System Review Taskforce Report 2052 BS (June 1995)

Many suggestions in regard to the expected reform in customs administration were forwarded by the committee formed under chairmanship of Professor Dr. Madan Kumar Dahal. Those are listed below;

- To accept invoice value for goods attracting customs tariff up to five percent.
- To accept invoice value for goods having customs tariff up to 10 percent and imported by the importers registered in sales tax.
- To form a valuation information unit at Department of Customs.
- To make valuation of local imports realistic.
- To extend facility for trade from Tibet under Bank Guarantee to those who resides beyond 30 kilometer from border.
- To gradually reduce the rate and slab of Customs.
- To make baggage rule quite pragmatic and realistic.
- To provide at least six months training for officials, who are transferred to customs administration.
- To establish center laboratory.
- To revoke the export service charge.
- To deploy green channel facility at Tribhuvan International Airport.

- To use computer system, so on.

8.1.3 International Customs Day Compilation 13 Magh 2053 BS (26th January 1997)

A compilation entitles "Proceedings of the Seminar and Other Matters on the Occasion of International Customs Day (26th January 1997)" was released in on the occasion of the International Customs day to smooth the implementation of ASYCUDA. The collection constitutes of working papers like: Customs Act, Regulation (Mr. Madhav Prasad Upadhaya), Classification Of Goods (Mr. Dwarika Prasad Upadhaya), Customs Valuation (Mr. Madhav Pokhrel), ASYCUDA (Mr. Dipendra Raj Sharma and Mr. Sharad Bikram Rana), Some Acts, Regulations and Conventions Relating to Customs Enforcement (Mr. Madhu Sudhan Pokhrel), Trade Treaties and Agreements of Nepal (Mr. Durga Prasad Bhattari) along with reforms that may need to be addressed through amendments in customs act, regulations, valuation and classification with regard to ASYCUDA implementation.

8.1.4 Tax Reform in Nepal: A Comprehensive Review (May 1997)

The study and research carried on behalf of Harvard University has prescribed the following recommendations.

- To immediately scale down the customs tariff slabs on imports into five and gradually arrive at 1 or 2 slabs.
- To limit the scope of tax exemption.
- To provide enough salary to the employees.
- To adopt Customs valuation system of World Trade Organization.
- To base customs tariff as an import policy than to base on customs valuation.
- To implement the pre-shipment inspection.
- To remove the export service charge.
- To improve Duty Refund Procedure of India
- To make duty refund scientific and repeal income tax exemption.

8.1.5 Strategic Planning of the Ministry of Finance (November 2001)

This plan, published by the Ministry of Finance, has included the vision, mission, objectives, strategies, policies and programs of Department of Customs. The strategic objective obligates customs to comply with the various international conventions released by World Trade Organization and World Customs Organization.

Its programs includes as to modify the customs act and regulation, to formulate code of conduct, to facilitate the customs

clearance process, to try in maximum use of computer system, to implement single window in customs clearance, to improve the customs tariff schedule, to implement Arusha declaration, to upgrade the efficiency of customs agent and freight forwarders, to develop human resources, to share information about customs with other countries, to ensure effective patrolling at the border, to make record-keeping system effective, to systematize customs exemption and to develop a database.

8.1.6 Trade and Competitive Studies, 2003

This study has recommended formulating a customs reform plan as an immediate action related to Customs. As a medium term recommendations, the study recommends: to include and adjust the customs valuation in customs act and regulation in accordance with the World Trade Organization's Customs valuation agreement, to implement ASYCUDA selectivity module, to establish co-ordination between the customs laboratory to other laboratories, to automate transit documents, to increase the office-hours of customs, to train the customs personnel, to formulate the code of conduct, to form post-clearance audit section, to study the customs administration structure under Revenue Board, to manage weighing equipment, laboratory equipment and cold storage etc in main customs offices, to construct dry ports and container service stations in Kathmandu,

Tatopaani and Kakarbhatta, to expand computer system and wide area network at major customs offices, to have voluntary compliance of customs legislation, and to implement simplified customs clearance.

8.1.7 Next Step in Tax Reform Report, 2003

Mr. J. King had carried out a study for the International Monetary Fund. The report has recommended to Customs reform in the areas of legal reforms; process reforms; selectivity module, information technology; formulating comprehensive strategy incorporating organization, integrity, service orientation components of customs administration and implementation; reducing exemption; removing export duty; ensuring effective implementation of ASYCUDA; consolidating different excise duties into uniform duty on tobacco and alcoholic items, removing excise duty on few products; integrating some import customs tariff; lowering customs tariff at maximum 35 percent and adjusting some customs duty into the excise duty; applying exemption monitoring system; employees training, detailed procedure and valuation database to ensure reform in valuation system; implementing performance based monitoring system; changing specific duty on fuel into ad valorem duty in excise; designating a separate HS code for goods in seven or eight digit for exemption provided code is assigned; reflecting SAARC and MFN tariff rate in

the tariff schedule; implementing automation after process simplification; reducing the number of documents by incorporating information in the computer system; computerizing the value of the sensitive commodity to easy access through HS classification or nomenclature; providing more autonomy to the customs department; enhancing integrity by adopting transparent policy structure, simple procedure, professional human resources, performance standards, code of conduct and effective internal audit system.

8.1.8 Financial Reforms Taskforce's Report 2059 (March 2003)

This study advises to transform customs as a tool to ensure trade facilitation under regional and international structure instead of considering customs as a main source of revenue. Regarding reform in customs, this report suggests to form revenue security force; to encourage people for accurate declaration; to encourage for advance declaration; to make effective the proper identification, classification and verification of goods; to strengthen the practice of levying duty on transaction value; to limit the exemption regime; to improve the customs tariff structure; to adopt effective measures to ensure duty exemption for export; to automate the customs clearance processes; to encourage transaction through banking channels; to equip and strengthen customs administration; to provide

facilities to employees; to manage border crossing points; to reduce formal and informal costs; to reform customs processes as per international standard; to maintain morality; to impose anti-dumping duty; to scrap provision of duty exemption and concession based on recommendations; to manage trade with international companies; to systematize the local imports from India; and to manage Tatopaani customs. The report has also provided measures to implement those recommendations.

8.1.9 Task Force Report for 'Department of Customs and Customs Offices Reform' (July 2003)

This report was tendered by the taskforce headed by the then senior Economic Advisor at the Ministry of Finance Dr. Madhukar Shumsher Rana. All suggestions in this report were divided into two parts i.e., immediate reform agenda and long run reform agenda. The reforms to be done immediately included comprehensive restructuring of Department of Customs proposing new units as Internal Inception Unit, Program Management Staff, Intelligence Unit, Legal Unit and expanding customs positions from 85 to 124. The submitted report has suggested to induct officers oriented customs administration and limiting customs offices to 13 main customs offices under A, B, C, D grading with a reduction of 94 positions. The report recommends to reduce the number of

sub-customs. In long term, the suggestion relates to leadership and supervision development, job specialization, public administration, increase in revenue, consolidation of customs and concept of sub-customs, arrangement of officer oriented customs administration, ratio of the gazetted and non-gazetted officials, number of staff, commencement of cadre oriented promotion system, development of supervision, job description, financial and administrative autonomy, removal of informal payment system, new arrangements for salary or allowances, determination of working hours, role of customs in dry ports, installation of National Customs Service, adequate budget, reduction in the number of the DRP entry points, training and development for staff, code and conducts and discipline, development of grievance handling unit, and so on.

8.1.10 Task Force Report and recommendations for Reform in Revenue Administration Organizational Structuring (May 2006)

This task force was chaired by Mr. Narayanraj Tiwari and the report consolidated recommendations for reform in many areas such as reform on organizational structure; revising customs act and regulations in accordance with the Kyoto convention; implementing full automation system with commitments; providing training on

customs automation; implementing risk management with high priority; making effective post clearance audit; prioritizing and implementing comprehensive reform program; use of performance based indicators; arranging revenue security forces; developing transit corridors; improving physical infrastructure; transforming customs administration into officer oriented customs administration; preparing simple customs valuation procedure and so on.

8.1.11. WCO Diagnostic Mission on Implementation of SAFE Framework (June 2007)

The study, which was headed by the Mr. Cristain Anderson and Mr. Jerry Salonimi of the World Customs organization under the Columbus program, included suggestions in areas

of strategic management, resources and human resource management, legislation, procedures, post clearance audit, enforcement, information technology and communication, external communication, governance and coordination of development projects along with time line and priority indication for each recommendation.

8.1.12 ASYCUDA Mission Report (March-April 2009)

A mission report from senior expert of UNCTAD, Mr. David Right, has suggested the reform in customs automation. Those reform covered areas such as transmitting customs declaration using ASYCUDA; providing customs

declaration entry and transmitting center to customs agents; introducing separate Customs Declaration for personal and commercial use; removing manual customs registration; implementing computer generated receipt; introducing duty payment through bank; modifying the declaration processing steps and issuing the delivery order from computer; recording the errors in system identified during the clearance process; refraining in giving the Customs Declaration to the custom agent before clearance; considering legal recognition to computer generated Customs declaration; redefine the tax point for the rate of exchange to be the registration of the declaration, and legislative reform for period rate of exchange; using same exchange rate in import and export; legislative of flat rate of duty; improving Taxation Management of ASYCUDA; reducing physical verification not exceeding to 10%; making goods and cargo vehicles checking comprehensive and scientific; and making post-clearance audit effective.

8.1.13 Customs Administration Reform Information Technology Strategy Report (November, 2011)

This strategic report related to development of information technology at Customs and prepared by Mr. Bruce Hill with financial support of International Monetary Fund (IMF) consists of many suggestions. The suggestions include: Informix data should be converted into

Oracle and the employees should be trained; automatic system should be adjusted as per Nepali style; ASYCUDA duty payment module should be used; ASYCUDA World project should incorporate the unit of measurement in the tariff; separate server should be used to reduce the workload of production server at Birgunj Customs etc. This study has elaborated issues in with respect of Business Service Architecture, Future Application and Information Architecture, Future IT Technical Architecture, Strategies for Delivery of IT Services, and IT Development Plan.

8.1.14 Restructuring Customs Revenue in Nepal (February, 2013)

This study conducted by Mr. Craze Robert Mac Fi with financial support of USAID consists of four options in which effects on collection of customs revenue have been projected. These options included 23 percent growth in customs and VAT revenue in case of end of all exemption and constant import, 16 percent growth in customs and VAT revenue in case of end of all exemption but import demand elasticity = -1, 16 percent growth in customs and VAT revenue in case of keeping few exemption and raising tariff from 8.2% to 12.2% and 10 percent growth on VAT collection in case of end of all VAT exemption.

8.1.15 Nepal Customs Human Resource Strengthening Plan (March, 2013)

This study was conducted by Mr. Alan Hall and Mr. Bal Govinda Bista in support of the World Bank and detailed about 'ten year strategic plan' for human resource empowerment. This study consists of suggestions like: there should be balance between workload and responsibility; there should be clear division of work among deputy directors so that the Director General can devote his/her whole focus on overall management of customs administration; there should be monitoring and reporting of the policy in order to complete the National Policy; the ratio between officer and assistant level employees should be made 1:1; customs subcommittee should be formed; automatic system for human resource management should be launched; human resource strategy (2013-23) should be implemented; detailed job description should be prepared and implemented; transfer policy should be systematized; Director General, Deputy Director General and other directors should be posted contract basis for 3 years; customs department should launch training programs; detailed training module should be prepared; independent training unit should be formed; adequate resources should be managed; employees should be provided appropriate bonus as reward for motivation; training plan should be implemented; at least 5

percent budget should be allocated for training etc.

8.1.16 Customs Infrastructure Master Plan (April 2013)

This study was conducted in financial support of the World Bank; and short term (1 year to 5 years), medium term (6 years to 10 years) and long term (10 years to 20 years) programs are recommended for various customs offices as per their need. These recommendations included the areas of infrastructure development required for customs offices and required financial resources, devices, vehicles, IT equipment replacement, X-ray replacement and Budget etc.

8.1.17 Restructuring Nepal's Customs Organization and Management (February, 2013)

This study, done by Mr. Narendra Bhattarai as well as team, with the financial support of USAID consists of suggestions like: the customs administration should delegate a Deputy Director with responsibility to ensure proper implementation and regulation of law; another Deputy Director should be delegated with responsibility to ensure trade facilitation and effective customs operation; Human Resource Development and Training Centre should be established; Director General should be delegated with adequate authority; Customs Reform and Modernization Unit should be made

inviolable and strong; unit to audit and regulate integrity should be established; Intelligence and Risk Management Unit should be installed; legal section should be set-up; the offices should be divided into 5 grades according to the workload; Airport Customs should be divided into Cargo and Passengers Customs etc.

8.1.18. E- Customs Masters Plan (September, 2015)

Department of Customs had drafted and developed the master plan for customs automation in the financial help of Asian Development Bank under guidance from the national and international experts. This master plan has estimated the tasks and financial sources required in every year to ensure a full-automation of the customs. In first phase, the necessity of automation shall be assessed and the automation shall be experimented into three customs offices. In second step, the initiated and experimented automation shall be further expanded in more customs offices, followed with interfacing it with single window in the third phase along with transforming in paperless customs administration in fourth phase.

8.1.19 Report of High Level Tax System Review Commission 2071 (July, 2015)

A taskforce constituted on chairpersonship of Mr. Rup Bahadur Khadka, offered the following suggestions:

- Remove tax exemptions;
- Make mandatory to mention details of goods, in invoice and when the Letter of Credit is opened for imports;
- Arrange to purchase excessive under-invoiced imported goods (by below of more than 20 percent of reference price) by the customs itself or through any other corporation, institutions, office or person;
- Honor invoice value as transaction value for raw materials imported by industries and clearance of the goods;
- Accept transaction value of the goods to be imported by the government agencies and corporation based on the submitted documents, while clearing the goods;
- Adopt simple valuation system and facilitate clearance based on revenue risks on the imported goods which attract up to 5% duty;
- Levy zero percent customs duty on the primary raw materials imported by domestic industries in the fiscal year of 2072/2073 and gradually expand the facility to other industrial raw materials, auxiliary raw-materials, chemicals, packing materials and industrial machineries imported in subsequent years;
- Levy zero duty on primary raw materials, 2 percent duty on multi-purpose raw materials, chemicals, machinery, and semi-refined goods and 5 percent duty on other goods;
- Gradually withdraw the goods from sensitive list to comply with the Nepal's regional commitment in course of implementing SAFTA;
- Introduce imports of goods from Tibet, Autonomous Region of China, under Letter of Credit;
- Encourage the use of Letter of Credit above certain value of goods for imports from the Indian local market;
- Encourage the pre-arrival declaration of goods and duty payment in order to make the customs process more simple;
- Make effective post-clearance audit;
- Adopt Trusted Traders Program/Authorized Economic Operator (AEO) in Nepal and implement gradually as a concept identified at the international level for trade facilitation;
- Develop a system to enable ASYCUDA, which is being used for clearance of goods, furnish the data and information at real time as and when needed for customs management;
- Make customs procedure quite simple, fair, easy, and capable by amending the existing customs law in accordance with Revised Kyoto Convention regarded as a blue print for simplification and harmonization of customs processes, for which Nepal is a signatory;

- Allocate separate identification EXIM code for traders for import and export of goods;
- Reduce the number of required documents to be presented during import and export and so on.

8.2 Customs Reform and Modernization Plans

The customs reform and modernization plan commenced from 2060 BS (2003 AD). Since then, first three year customs reform and modernization action plan was implemented in 2060-63 BS (2003-2006 AD), the second three year customs reform and modernization action plan was implemented in 2063-66 BS (2006-2009 AD), the third four year customs reform and modernization action plan was implemented in 2066-70 BS (2009-2013 AD), and fourth four year customs reform and modernization strategy and action plan was implemented in 2070-2074 BS (2013-2017 AD). The fifth four year customs reform and modernization strategy and action plan is currently under implementation from 2074 to 2078 BS (2017 - 2021 AD).

8.2.1 First Phase (FY 2003/04 - 2005/06 AD) and Second Phase (FY 2006/07 - 2008/09 AD) of Customs Reform and Modernization Action Plans

The customs reform and modernization action plan was prepared in the context of the policy statement to implement a three-year plan for customs reform reflected in the budget speech of the

fiscal year 2060/061 BS (FY 2003/04). The three-year customs reform and modernization action plan was guided and based on the suggestions included on the draft report entitled Trade and Competitiveness Study conducted under the World Bank support and Next Step in Tax Reform Study conducted under International Monetary Fund support. The action plan had included activities focusing on improvement in valuation system, simplification and harmonization of customs process, improvement on physical infrastructures, risk management, customs integrity, improvement on passenger clearance system and training. The second phase of the customs reform and modernization action plan was the continuation of the first phase of customs reform and modernization action plan.

8.2.2 Third Four-Year Customs Reform and Modernization Action Plan (FY 2009/10 - 2012/13 AD)

In the process of concrete commencing the formulation of third four years customs reform and modernization action plan in 2009, the diagnostic study report prepared under Regional Office of the Capacity Building (ROCB) of World Customs Organization served the foundation. A workshop was organized from the same organization to develop an action plan based on the same report. Technical assistance extended by International Monetary Fund and other donor agencies, while finalizing the

action plan, were assumed to be an important input in this regard.

This action plan had identified objectives, performance indicators, time frame and responsible officials under nine different strategies. Those strategies are, (1) Facilitate legitimate trade and industry, (2) Protect society and ensure compliance with the law, (3) Collect the correct revenues to be paid to the Government, (4) Compile and maintain imports and exports statistics, including an information database, (5) Modernize and enhance Customs management, Administration and infrastructure, (6) Promote a culture of integrity within Customs and identity measures to combat corruption, (7) Maximize the computerization of Customs processes, (8) Improved and efficient passenger clearance systems in the Airport and Land Customs Offices, (9) Effectively communicate the business of Customs, both internally and externally and promote cooperation with stakeholders.

8.2.3 Fourth Four-Year Customs Reform and Modernization Strategy and Action Plan (2013/14-2016/17 AD)

The fourth action plan has been developed taking into consideration of four building blocks propagated at different occasions by the World Trade Organization. These building blocks are (1) business facilitation, (2) enforcement and compliance, (3) organization and human resource development and (4)

customs automation. Eleven strategies, twenty-one objectives, seventy five activities have been grouped under the four building blocks of this action plan. The eleven strategies that this action plan has adopted are (1) Facilitate legitimate trade and industry, (2) Promote communication and cooperation (with stakeholders including C2G, C2C and C2B), (3) Protect society and environment, (4) Ensure compliance with the law, (5) Appropriate and Fair Revenue Collection, (6) Modernize and enhance Customs management system, (7) Develop Infrastructure and physical facilities, (8) Promote a culture of integrity, (9) Enhance passenger clearance systems,(10) Develop Information Warehouse, (11) Transform all Customs processes to E- Customs.

8.2.4. Customs Reform and Modernization Strategies and Action Plan (2017/18 - 2020/21 AD)

The 5th customs reform and modernization action plan is formulated under three output levels where 11 strategies, 92 activities and 340 tasks are grouped along with responsibility, time frame and financial resource estimates.

The three achievement levels include of creating of professional and competitive customs service, ensuring fair and accurate revenue collection and fostering social safety and security.

Similarly, the 11 strategies consist of: (1) Expedited Legitimate Trade Facilitation, (2) Promoted Integrity and Good Governance, (3) Enhanced Customs Automation and Data Management, (4) Strengthened HR Management Capacity, (5) Developed Infrastructure and Physical Facilities, (6) Enhanced Passenger Clearance, (7) Fair and Accurate Revenue Collection, (8) Strengthened Compliance Management/Voluntary Compliance, (9) Advanced Risk Management, (10) Protected Society/Safety & Society, (11) Promoted Integrity and Good Governance. The customs reform and modernization strategies and action plan has been integrated with the functional action plan of eleven main field customs for the first time.

8.3 Key Outcomes of the Customs Reform and Modernization

8.3.1 Reform in Custom Declaration Form

A customs declaration form is a format that has to be filled in by the importer or exporter with the details of the commodities in order to get clearance at the customs office.

Customs Declaration Form (1953 AD)

The format of declaration form, in domain of Nepal customs administration, is found to be published in the Nepal Gazette of 2010 BS (1953 AD). As per

this Gazette, there are 3 types of formats; and at the end of each format, instructions are given out in order to make it convenient to fill in the details. The details in the first among three of the formats should be filled in by the importer or exporter/ owner of goods; and in case of their inability to do so, the customs official can do it by referring a provision for which the trader has to pay additional 5% of the customs duty. If the details filled in by the owner of commodity are forged, a fine should be paid as per the customs *Sawā*/ 50; and if the customs official is found guilty of doing such act they are liable to pay the fine of *Rupee 50* for the first offence, and if found guilty for repeating the same offence then they are referred to be terminated from the job.

The second declaration form is designed to be used in the import/export of private or personal goods. Similarly, the third declaration form is designed to be used in the import/export of goods for the use of the government. In the instructions of the third format, it has been stated that even if the import/export of governmental goods (for use or to sell) is being carried out through the contractor or person then those goods shall not be the subject to any customs duty exemption; if the government itself issues clearance then its record should be kept and then it should be submitted to the related ministry within 7 days of recording. If the customs officials are found guilty of any malfunction during the procedure then those in such foul are liable to pay a fine

in accordance with the amount of the initial fee; and if found guilty for repeating it for the second time, they are referred to be terminated from their job; and if the goods receiving office is incapable to record the details and the tariff then it should write-off the duties on record within 35 days. If not, the officer in charge is liable to pay 10% of it as a fine. The sample of the customs declaration form is in the appendix.

Customs Declaration Form (1970 AD)

The customs declaration form is seen to have been replaced in 2026 BS (1970 AD). In Schedule 3 of Part 3 of Nepal Gazette, it has been mentioned of as being improved that now a single declaration sheet should be drafted for both import and export instead of filling three declaration forms. The statement of quantity/count, cost should be filled in by the owner of the goods and the commodity code, tariff rate and total duty are to be filled by the customs inspector, in the declaration form. In case of import/export not exceeding Rs.200, a separate format of declaration form for miscellaneous import/export was given in appendix 4. The sample of the declaration form is given in the appendix.

Customs Declaration Form (1981 AD)

On 6th Poush 2038 BS (21st December, 1981), the then formats of customs declaration form was replaced by the Government of Nepal with two separate

declaration form, one for import (Auditor General form no. 89) and second for export (Auditor General form no. 91). Four copies of forms were to be filled in for each of the imported/exported goods and the guidelines for filling in these forms were provided on the back of each customs declaration form. The sample of above mentioned declaration forms are given in the appendix.

Customs Declaration Form (1988 AD)

Nepal government published a notice in Nepal Gazette on 2045/03/20 (4th July, 1988) and replaced the Schedule 3 of Customs Regulation 2026 to revise the formats of import and export customs declaration form effective from 4th July,1988. This form would require details about goods' owner, details of goods, quantity of goods and weighing of goods, to be entered by the importer along with other details such as commodity code, quantity, value, normal duty, additional duty, countervailing duty, sales tax, etc which were to be entered by the customs office; and 4 copies of customs declaration form had to be prepared. The sample of the customs declaration form is given in Appendix.

Customs Declaration Form (2000 AD)

The customs declaration form of old format, which was in use till the end of Ashad 2057 (July 2000), was replaced with new customs declaration form named *Bhansār Pragyapan Patra* (BPP)

with the approval from Department of the Auditor General and it was implemented from 1st Shrawan, 2057 BS (16th July, 2000).

Customs Declaration Form (2007 AD)

The customs declaration form, which was issued in 2000 AD, was modified through Customs Rules 2064 BS (2007 AD). The revised customs declaration form in both Nepali and English languages were formatted and were included in Schedule 3. This customs declaration form came in use from 2008 AD. The format of this customs declaration form is based on the layout key included in the appendix 2 of Specific Annex of the Revised Kyoto Convention. Instead of mentioning registration number manually at the customs office, the registration number issued by ASYCUDA (Automatic System for Customs Data and Management) system was used from 1st Shrawan, 2066 (16th July, 2009). From 16th Kartik (2nd November) of the same year, instead of using handwritten customs declaration form in Nepali language, the custom agent in Birganj customs implemented the system generated customs declaration form in English language using broker module of ASYCUDA, and submitting it to the customs office along with other necessary documents. And, the very provision was later on rolled out to all the customs offices.

8.3.2 Customs Automation

The customs administration has been implementing ASYCUDA system to automate all the customs processes as an effective tool to mitigating the challenges of revenue risk, social security, and trade facilitation. The chronological development of the ASYCUDA and the implementation of ASYCUDA World are mentioned below.

- September 1996 (commencement): Customs automation in Nepal was initiated with the financial support from the Asian Development Bank from 1996 to 1998 with the installation ASYCUDA in Cargo Complex of Tribhuvan International airport and at the Department of Customs.
- October 1998 (Roll-outs): In this process, ASYCUDA was rolled out to Biratnagar, Birganj and Bhairahawa customs offices with the help of World Bank in between 1998 to 2001 AD.
- 2002 AD to 2007 AD (Further roll-outs): The Government of Nepal, in its own resources, rolled out ASYCUDA in 8 additional customs offices i.e., Mechi, Krishnagar, Tatopani, Brigunj dry port, Nepalgunj, Kailali, Gaur and Jaleshwor.
- July 2007 to 2010 (Additional module): With the help of the Asian Development Bank from 2007 to 2010 AD, the automation process

was further enhanced in customs offices through introducing removal of manual registration, extending printing facility of system generated customs declaration at customs premises, introducing broker and selectivity module of ASYCUDA, issuing cash receipt by bank, deploying wide area networks and so on.

- From April 2011 to 2016 (Implementation of the ASYCUDA world): An agreement was signed between Government of Nepal and Asian Development Bank to commence Sub Regional Transport Enhancement Project (STEP) in 2010 AD, in order to automate customs administration further. As per the decision of Ministry of Finance (Ministerial level decision) on date of 13 March 2014 (2070/11/29), Department of Customs and UNCTAD negotiated on 31st December, 2014 to upgrade ASYCUDA to ASYCUDA World. This project was started in 2014 and was completed in February
- 2016.
- Current status: As of now, ASYCUDA World has been rolled out to 21 customs offices along with other achievements like wide area network installation in 21 customs offices, revenue receipt being issued by bank through ASYCUDA World in 17 customs offices, central online monitoring of 16 customs offices

from the Department of Customs through Internet Protocol Camera, and video conferencing facilities extension between Department of Customs and 9 customs offices.

8.3.3 Improvement in Customs Clearance Process

Generally, the process starting from the submission of customs declaration from by traders till the completion of customs clearance at customs office is called declaration-processing path. In the past, all the goods had to be physically inspected during the clearance and customs duty was to be collected at customs office. Now, the steps of clearance at customs offices, by having ASYCUDA world and selective module in implementation, have been changed. The system itself will route the customs declaration to green lane, red lane and yellow lane. Customs declaration selected in green lane shall pass without any checking, customs declaration form selected in yellow lane shall pass with the documents checking, and customs declaration form selected in red lane shall pass through the physical verification of goods. The selection of the lane is determined by the risk indicators deployed in the ASYCUDA. These indicators are identified based on the Risk Management Principle. The declaration-processing adopted in the customs offices where the ASYCUDA World and selectivity module are in practiced is as follow;

- Cargo loaded vehicles should enter into customs area (Note: customs agent can even declare the goods to the system before the vehicle arrival into customs premises).
- Customs agent should register the customs declaration form into ASYCUDA system and should scan the bill/invoice then upload it in the system.
- Customs officials should assess the declaration in ASYCUDA system.
- Customs agent can get an automatic notification about lane selection of their declaration through ASYCUDA system. At present, three lanes are being implemented for customs declaration form, among these lanes: customs declaration form in red lane warrants detailed physical inspection, customs declaration form in yellow lane is to be subject to documents checking, and customs declaration form in green lane shall be released without physical verification or document checking.
- After that, customs agent should print 2 copies of customs declaration form from the computer terminal.
- Assigned customs official performs the physical inspection of goods.
- In case of any mismatch or discrepancy in details, customs declaration form should be amended; details are to be recorded in the system.
- Then, customs official has to re-route and send the customs declaration form to green lane.
- Customs agent should print the customs declaration form if the earlier one has been changed or modified.
- Customs agent pays the duty in the bank and receives revenue receipt.
- Customs agent takes the signature of authorized customs officer assigned by customs in the customs declaration form.
- Customs office's authorized inspector issues the exit note.
- The customs staff stationed at gate will have to verify the exit of the goods on system through the barcode.
- The cargo vehicle exits from the customs compound.

Following steps are needed to be adhered, if the customs declaration form is selected for red lane and, thus, physical verification of goods is required.

- System assign customs inspector and information is passed about the physical inspection of goods, after the lane is specified.

The steps to be followed are as below for the yellow lane declaration and if the documents are to be checked;

- System assign customs inspector and information is passed about the document checking of the goods, after the lane is specified.

- Assigned customs official performs the document checking.
 - In case of any mismatch or discrepancy in details, customs official will send the declaration to red lane.
 - Goods are physically verified.
 - The official will amend the customs declaration form.
 - The official assigned for physical verification of goods will record the details in the system.
 - The official assigned for yellow lane will re-route the declaration.
 - If the customs declaration form ought to be amended then the customs agent should print the new customs declaration form.
 - The customs agent will have to pay the duty in the bank and take the revenue receipt.
 - The customs agent will have to get the signature on the customs declaration form from the assigned customs officer.
 - The assigned customs inspector will have to issue the exit note,
 - The customs staff stationed at gate will have to verify the exit of the goods on system through the barcode.
 - The cargo vehicle exits from the customs compound.
- documents checking, then the following steps will take place;
- The customs agent will have to pay the cash in the bank and will have to collect the revenue receipt.
 - The customs agent will have to get the signature of the assigned authorized officer on the customs declaration form.
 - The next assigned inspector at customs will have to issue the exit note.
 - The customs staff stationed at gate will have to verify the exit of the goods on system through the barcode.
 - The cargo vehicle exits from the customs compound.

8.4 Development Partners in Customs Reform and Modernization

A number of development partners have been offering financial and technical assistance in the various stages of customs reform and modernization process. The development partners, who have been remarkably extending instrumental espousal during different passages of time are Asian Development Bank, the World Bank, International Finance Corporation, International Monetary Fund, World Customs Organization, Government of India, People's Republic of China, The Republic of Korea and the United States of America.

If the customs declaration is selected in Green Lane, where there is no need of physical verification as well as

Asian Development Bank

The Asian Development Bank has provided assistance in five projects for customs reform and modernization effective from 1996 AD to 2018 AD. The first project (TA 2459-NEP) in 1996, which came into implementation for the purpose of improving the efficiency of the customs, helped in the implementation of ASYCUDA in the Department of Customs and cargo complex at Tribhuvan International Airport Customs Office in course of automation of customs administration. In the second phase of support, functionalities such as broker module, selectivity module of ASYCUDA, issue of revenue receipt from bank, installation of wide area network were accomplished with the implementation of project from 2007 to 2010 AD, in addition to financial support for the construction of dry ports in Mechi. Similarly, formulation of Custom Reform and Modernization Action Plan, preparation for the Ratification of Revised Kyoto Convention, drafting the new Custom Act, Implementation of ASYCUDA and other customs reform program were completed under the SASEC Trade Facilitation Program (G0322-NEP) and Technical Assistance (TA8442) from 2012- 2016 AD. In this process, activities such as drafting new customs act to align with international standards, strengthen customs automation, simplify customs procedures, revise customs organization structure and enhance capacity of the Customs are being

carried out under the Customs Reform and Modernization for Trade Facilitation Program (L3546- NEP) and Technical Assistance (TA9346-NEP) planned for 2017- 2019 AD.

International Finance Corporation and the World Bank

Technical assistance for 'Customs Act Amendment, Risk Management and Process Simplification' was offered from the International Finance Corporation. Similarly, financial and technical assistance had been made available for development of Nepal National Single Window along with Institutional improvement under the World Bank, India-Nepal Regional Trade and Transport Project (IDA Credit 5273-NP/IDA Grant H-863-NP). Additionally, the World Bank has provided technical assistance in the formulation of master plan for infrastructure development along with strategic plan on human resource development for Nepal Customs.

International Monetary Fund

In the past years, the International Monetary Fund has extended valuable assistance to the customs administration; and they are like: to offer recommendations through the annual mission visits, to avail expert services in the field of customs reform and modernization, and to extend other assistance in the domain of policy and procedure simplification and so on. In the period from 2010-2013 AD, International Monetary Fund had

provided various suggestions on the customs reform alongside finalizing the third customs reform and modernization plan, assisting to develop the fourth customs reform and modernization plan and developing post-clearance audit training together with information technology strategy report.

World Customs Organization

The World Customs Organization has been making continuous support in capacity-building of Nepal's customs administration. Apart from this, in quest of the reform and modernization of the customs administration of Nepal, experts services under the Columbus program have also been made available for diagnostic study of customs administration, formulation of customs reform and modernization strategy, procedure development on clearance of relief materials, and time release studies as well.

India

The government of India has been providing untiring support in the construction of integrated customs check posts in Birgunj, Biratnagar, Bhairhawa, and Nepalgunj, and in the development of capacity-building of customs officials in customs administration.

United States of America

The government of the US, through the Nepal Economic Agriculture and Trade Activity (NEAT), under the US Assistance

Mission (USAID), has extensively availed expert service on: customs officials and staff training, study on customs organization structure, translation of book 'explanatory note on commodity classification', study on restructuring customs tariff, revision of the Customs Act, review study reports on Nepal accession to Revised Kyoto Convention, and strategic plan formulation for customs.

People's Republic China

The People's Republic of China has provided financial support in the construction of dry Ports at Larcha, the border of China. In addition, People's Republic of China has provided financial assistance on capacity building of customs officials for ensuring easy customs clearance including of availing X-rays and Non-intensive equipments.

Republic of Korea

The Department of Customs and the Korean Government Aid Agency (KOIKA) have signed a Memorandum of Understanding in April 2011 AD in quest of the reform in customs administration in Nepal. Ministry of Finance and KOIKA have signed another accord on 21st July, 2012 in order to commence the reform program. According to the agreement, Korean government has supported Nepal government financially and technically to develop Agent Module, Valuation Database Software, Risk Management Software and Data Warehouse.

Appendix

Appendix-1

***Dharmapatra* written by Jaya Prakash Malla to Prithvi Narayan Shah (Abstract translation)**

Me, His Excellency Honorable Highness King Jaya Prakash Malla Dev has written this *Dharmapatra* to His Excellency Honorable Highness Prithvi Narayan Shah Dev. Let's agree on the following: to use Gorkha minted coins in Kathmandu; not to do fraud in minting or mix copper in coin or debase it by any means; to apply same rule while minting coins in both the states; to use Gorkha's currencies in Kathmandu and vice versa; to send equal amount of goods and rupees from the both country to Tibet; to station *Vakils* (representatives) on behalf of Gorkha and Kathmandu both in Tibet; to inspect all the goods and loads that pass to and fro between Nepal and Tibet; to confiscate and share all the goods not examined by the *Vakil* (representatives) equally by the King of Gorkha and Kathmandu; to penalize the Gorkha if it disagrees to use the currencies minted in Kathmandu; to do the same if Kathmandu disagrees to use the currencies minted in Gorkha; not to plunder the merchants coming through Patan; to station the *Vakil* (representatives) of Gorkha to

Kathmandu and vice versa; to inspect and examine the goods and loads with the consent of *Vakil* of respective country; to use the route of Nuwakot for trade to Tibet; not to confiscate the examined and inspected goods of Gorkha and Kathmandu but confiscate all goods imported through illegal or unauthorized route by the respective country; and both Gorkha and Kathmandu equally share the gold, silver and coins coming from India and Tibet.

Occupy Patan by Gorkha; and leave Naldum to Kathmandu and has to do work for Kathmandu. If Patan revolts against Gorkha Kathmandu shall come to the front to support Gorkha and if Patan comes under the hand of Kathmandu then it shall be surrendered to Gorkha. Don't persuade the Tibetan for plundering in Gorkha. Let's promote virtue by following words and letters of this treaty. Otherwise God shall punish the contravening party.

Date: 9th Poush, 1814 BS, Tuesday (Correspondently 25th December, 1757).

Appendix -2

Treaty of Commerce with Nepaul, 1st March 1792

Article-1. In as much as an attention to the general welfare, and to the ease and satisfaction of the merchants and traders, tends equally to the reputation of the administration of both the governments of the Company and of Nepaul; it is therefore agreed and stipulated, that $2\frac{1}{2}$ percent shall reciprocally be taken, as duty, on the imports from both countries; such duties to be levied on the amount of the invoices of the goods which the merchants shall have along with them; and to deter the said traders from exhibiting false invoices, the seal of the customs houses of both countries shall be impressed on the back of the said invoices, and a copy thereof being kept, the original shall be restored to the merchants; and in cases where the merchant shall not have along with him his original invoice, the customs house officers, shall, in such instances, lay the duty of $2\frac{1}{2}$ percent on a valuation according to the market price.

Article-2. The opposite stations hereunder specified, within the Frontiers of each country, are fixed for the duties to be levied, at which place the traders are to pay the same; and after having once paid duties and receiving a rowānāh thereon, no other or further

duty shall be payable throughout each country or dominion respectively.

Article-3. Whoever among the officers on either side shall exceed in his demands for, or exaction of duty, the rate here specified, shall be exemplarily punished by the government to which he belongs, so as effectually to deter others from like offences.

Article-4. In the case of theft or robberies happening on the goods of the merchants, the Foujedar, or officers of the place, shall, advising his superiors or government thereof speedily, cause the zemindars and proprietors of the spot to make good the value, which is in all cases, without fail, to be so made good to the merchants.

Article-5. In cases where in either country any oppression or violence be committed on any merchant, the officers of the country wherein this may happen, shall, without delay, hear and inquire into the complaint of the persons thus aggrieved, and doing them justice, bring the offenders to punishment.

Article-6. When the merchants of either country, having paid the established duty, shall have transported their goods into the dominions of one or the other State, if such goods be sold within such State, it is well; but if such goods not meeting with sale, and that the said merchants be desirous to transport their

said goods to any other country beyond the limits to either of the respective States included in the Treaty, the subjects and officers of these latter shall not take thereon any other or further duty than the fixed one levied at the first entry; and are not to exact double duties, but are to allow such goods to depart in all safety without opposition.

Article-7. This Treaty shall be of full force and validity in respect to the present and future rulers of both governments, and

being considered on both sides as a Commercial Treaty and a basis of concord between the two States, is to be, at all times, observed and acted upon in times to come, for the public advantage and the increase of friendship.

(This English version of the treaty is quoted from Asad Husain (1970), British India's Relations with the Kingdom of Nepal, London: George Allen and Unwin p.337-38.)

Appendix-3

***Rukkā* issued by the King of Dolakha in 1873 BS (1816 AD) in regard to the contractual agreement to collect customs (*Jagāt*)**

Order from His Majesty Excellency Highness issued in the name of following local functionaries -Amalidār, Dwarya, Talapya, Bitalappya, Chhapchhapyali and others functionaries of Chhankhu, Dolakha district.

Mr. Kulanand Jha has been assigned the contract under *ljārā* system, for the collection of customs duty in Dolakha area for a period of a year starting from 13th Shrawan, 1873 BS to 12th Shrawan, 1874 BS, respectively. You are hereby ordered to assist him to collect customs duty from merchants of this area and all the merchants of this area are also requested to pay duty as per the schedule given bellow. You shall be punished severely if you create any difficulty or obstruction in the work.

Details:

- Textiles (Pasamina), crude cotton clothes, hawk, elephant and horse .rupee-111.

- Heavy loads, bull in pair, tea, papaya, fabrics or cotton, musk, borax, yak per person load rupee-11#.
- Iron, tobacco, herbs, papers, per load -1
- Cotton, seeds, salt per load-11
- Yak's tail, bronze per person loa-11,.
- Musk per Ser -rupee 11#.
- Goat and sheep per 50 NMB.....1

Bhadra, 1873 BS

Source: Dhanavajra Bajracharya and Tek Bahadur Shrestha (2031). An Outline History of Dolakha (*Dolakha ko Aitihāsik Ruprekha*). Kirtipur: Tribhuvan University and Asian Research Center, no.72.

Appendix-4

Customs Tariff on Goods Imported from Tibet

Earlier in 1849 BS, Chinese army commander Tung Thwang, in an agreement after Nepal's war with Tibet (China), had fixed customs tariff or *Jagāt* to be applicable on the goods on border based customs outposts while having trade between these two countries.

Quite later from the time of this accord, customs officials of both sides are reported of taking high customs duty/*Jagāt* but have been handing the government quite less. Traders from both sides have been complaining as these customs officials (*Jagatis*) have begun serially breaking the prevailing practices of customs collection and creating more trouble and difficulties to us by taking customs duty quite randomly. Once this complaint was made then Nepal's government has ordered to collect customs duty (*Jagāt*) as per previous norms and practices.

Then it was even requested to Tibet as well to order to its offices and *Dhewā* (Tibetan local customs official) of their side to take customs duty (*Jagāt*) only according to previous rules. A copy of royal sealed customs tariff schedule for Tibetan traders, while coming to trade with Nepal, was published thereon.

Tariff on Goods and Materials Imported from Tibet

Sheep and its other breeds, goat and its other breeds, hawk, horses, slaves, salt, wool, woolen blankets, yak's tail, musk, borax, herbs, cards, bronze, oil, ghee,

tiger's leather, leopard's leather, boar's leather, bronze would be levied *Jagāt* for each; and it was fixed as 8 *ānā* or 1 *mohor* at most and 1 *ānā* at least on the basis of per person load or per count.

1. Written from His Majesty Highness of Gorkha Government to Chhintarin Muntarin Amba of Lhasa: A fact that customs duty at Kerung has been arbitrarily increased and it has come to notice from our traders there in; thus, customs *Jagāt* rates allocated by ours chief in year 1856 BS should be charged accordingly now and onwards. Tariff rates increased on both sides (Gorkha and Tibet) should be lowered down and should be made it to comply with previously applied rate.

Please be advised and remain informed that *Dhewā* stationed there in levy no excess amount than approved from us and Potala Lama pay consent for the same; and even if our *Jagati* herein start charging excess, they shall be liable for punishment.

Sunday, 14th *Jeshta*, 1904 BS

Copy of Lālmohar in regard to Tariff Applicable on Tibetan Traders while Trading with Nepal.

Customs offices at Balaju, Nuwakot, Bharkhu, Syarfū, Tirmuya, Goljung and across the border along with *Jagati* or *Taksāri* therein have been collecting customs duty in excess amount than the rate prevailing since long and mutually

agreed. Our merchants and traders/merchants too have been facing difficulties when Dhewā in Kerung are reciprocally doing same.

There have been many petitions and appeals in us stating that the commoners and traders/merchants are upset due to those *Jagātis*, who have been increasing money for the other things as well. They urged to us as that since no any strict rule against this has been made, they have been facing many problems. When those stakeholders told this, *Kaji* Surath Panth and *Sardar* Ranajung Karki were also instructed to check and verify the situation at Kerung; and even from their observation too it is found that goods imported from Tibet are being taxed in excess.

It is even proved that tax in excess was being collected from our side too. Therefore this appeal is published to order to revive the same tariff that both countries had mutually agreed in 1857 BS; and the prior levied excess should be adjusted into other transactions carried on later time. The detail of this decision is dispatched to Lhasa as well. The tariff to be applied to traders and Newar merchants going to trade in Tibet is fixed for long; and Dhewā at Kerung and Kuti should charge only 50 paisa *Jagāt* per person load. No thing other in cash or kind should be charged than this. Once goods are taken to Lhasa, *Jagāt* in per load shall be collected examining goods and updating about its status or state of goodness.

Even the small load is also charged with *Jagāt*. Even the people and merchants from Kerung itself also reported to us that excess amount is being charged

with Gorkha's merchants too. So they are requested to reduce then adjust the excess amount charged prior to this order.

As the same reporting in written is received from Lasha's Bada Amba and Potala's Taloya Lama, our *Kaji*, *Sardar* and traders, as a joint and uniformed perception, have decided to reduce the tariff, adjust all the excess in later deals and revive the tariff as per that was mutually agreed in 1857 BS. The person who pays the tax can settle and do trade in any land according to his/her wish. The person giving or taking extra amount of tax shall be punished according to their caste.

Tariff

When the Tibetan people/ traders come toward Nuwakot, *Jagāt* will be like this: per person- load 1 *kuruwa* in salt; same amount in load of woolen blanket of 18 pieces; same in goat and sheep per count; same in horse per count; same in slaves per count; same in hawk per count; same in wool per person load; same in Yak's tail per person load; same in borax per person load; 1 paisa on musk per count; same in herbs per person load; 1 sheep per 21 during festival; 1 goat per 21 during festival.

***This is approved for Timurya customs on the way of Syafru.

Customs at Bhakhu

While people from Tibet come towards Nuwakot, food grains in ratio 1 Pathi per human count and 1 sheep or goat per 25 count shall be deemed for consumption during travel hence that should be excused for *Jagāt*. If any sheep or goat

dies on the way, the same should be done.

***During festive season, 1 per 40 count in Carpa Hircus, 1 per 40 count in sheep, 1 per 30 count in yak-sheep, 1 per 30 count in yak- Carpa Hircus will be the standard customs *Jagāt*.

Nuwakot Khani Customs Office

Salt per 10 Pathi- 3 mana/ sheep per count Rs,SII, Himalayan goat per count Rs,SII,

Balaju Customs

3 sets of baggage require 1 *mana* of salt; a herd of sheep or Himalayan goat is taxed 1 *mohar*; a herd of sheep/goat during festive reason is required to pay 1 goat/sheep

Kathmandu City

A hawk's tax is amounted to Rs,II, while returning from Kathmandu to Tibet

Nuwakot customs

Sheep per count... Rs,SII .../ Himalayan goat per count... Rs,II..

Bharkhu Customs

Release after examining the bearer and letter/document carried with.

Syafru Jagāt

One big grocery stock per person load Rs,II One small grocery stock per person loa Rs,SII, *Bhusahatta* per person load Rs.II, Oil per person load Rs.II, Ghee per person load Rs.II, ... Paper per person load Rs,II, Slaves per person count Rs.II, Tiger's leather per person load Rs.II , Leopard's leather per person load R,s.I Boar's leather per person load Rs.I.,Coral per Pathi Rs.II.

***Tariff for Timurya and Galjung shall be the same as to Syafru.

Timurya Taksār

A big grocery stock per person load is subjected to Rs.II, Small grocery stock per person load Rs.I, *Bhushatta* per person load Rs.II, Boar's leather per person load R,s.I.

8th Jestha, 1904,

(Source: *Gyanmani Nepal, Himalkhabar.com, 22nd Marg 2075.*

Appendix-5

A *Rukkā* (letter of instruction) issued by Jung Bahadur Rana on 8th Falgun, 1944 BS and extended to colonel Indra Singh in Falelung regarding customs duty collection.

On behalf of His Excellency highness divinely blessed noble soul Prithvi Bir Bikram, Junga Bahadur Rana has issued a decree stating to increase the duty or *Jagāt*, which is in practice since 1944 BS, on the goods and commodities, except for that of the courtiers and commoners, which are commercially imported or exported with/in Muglana (India and Tibet) via the main route of Falelung Myang Myang.

Now onwards, the import and export of all the goods and commodities which are mentioned in the particulars are supposed to be paid for fees/customs duty at the customs office except for the military treasures, explosives, bullets, revolver/guns, cows and ox as these exceptions are prohibited to be imported or exported. If anyone is found guilty of smuggling these exceptional goods, such goods are bound to be seized and auctioned along with the culprit for the same being ruthlessly punished.

If anyone is found transferring such goods without clearing customs duty or if the person is found to be misbehaving with the customs officials then s/he is expected to face repercussion as per the law.

If trader/merchant is charged with excessive or more amount than the

prescribed one then they can file a complaint against the customs officials in the Court in Dhankuta; and the court is responsible to return the excessive amount and take action against the customs officials.

The goods and services shall be applied in the name of others than the courtiers. This order has been passed but not circulated all over. And the very condition is reported to us by Bhakta Bir Rajbhandari, the *Sardar* of Dafdarfkhana and Mr. Madraj Kumaratmaj, Commander-in-Chief's General.

Thus, except for the goods and commodities as mentioned in the particulars, other commodities which are exported or imported in/from Muglana are supposed to be levied with the prevailing fee as provisioned therefore an office is set up for the very purpose since 1944 BS.

Now onwards, the import and export of all the goods and commodities which are mentioned in the particulars are supposed to be paid for fees/customs duty at the customs office except for the military treasures, explosives, bullets, revolver/guns, cows and ox as these exceptions are prohibited to be imported or exported. If anyone is found guilty of smuggling these exceptional goods,

such goods are bound to be seized and auctioned. If anyone is found transferring such goods without clearing customs duty or if the person is found to be misbehaving with the customs officials then s/he is expected to face repercussion as per the law.

If merchant is charged with excessive or more amount than the prescribed one then they can file a complaint against the customs officials in Dhankuta based Court; and the court is responsible to return the excessive amount and take action against the customs officials.

Details

Tariff contracted in name of colonel S.P. Indra Singh

Food grains per load Rs.1'.....

Goat, sheep and its breed per count...Rs.1'.

Ghee and oil per load Rs.11-

Tobacco per load.... Rs.1'

Brass vessel per load Rs.11-

Pig per count Rs.1'..

Alcohol per load Rs. 11"

Fruits per load Rs.1'.

Arms or Khukuri per load Rs. 11"

Clothes and textile per load Rs.11

Buffalo and bull per count Rs.11

Salt per load Rs. 11"

Crude and unrefined iron per load Rs.1'

Wool and woolen blanket per load Rs.1'

Lac per load Rs.21'

Ginger and Chilli per load Rs.2"

Chicken per load- Rs.2"

Iron Spade and Axe per load Rs.1'

***The goods on which the tariff is hiked, thus to levy as per new rate

Chicken per load Rs.2" additional.

***The new tariff as per requested by Captain Laxmi Kanta Acharya.

Pigeon per load... Rs.1'.

Copper and brass per load... Rs.11-

Cumin seed, black pepper and spices per load... Rs.11-

Vinegar (*chuk amilo*) per loa Rs.11-

Molasses and Jaggery per load Rs.11-

Dried radish and lettuce (*sinki, gundruk*) per load Rs.31-

Hawk per count Rs.2

Other birds per count Rs.1-

Wooden vessel per load. Rs.1-

Cotton per load Rs.1

As an exception, military treasures, explosives, bullets, revolver/guns, cows and ox are prohibited to be imported or exported. If anyone is found guilty of smuggling these exceptional goods, such goods are bound to be seized and auctioned.

Date: 8th Falgun, 1944 BS, Sunday

Appendix -6

Tariff Schedule (*Jagāt*) to be collected from Mugu Chhirne Vihar Dhunge Dhara

A copy of contract to lease customs duty collection worth rupee 551 in total (rupee 550 as *Jagāt* and Rs 1 as service charge) effective from 1st Baishakh, 1991 BS up to the end of Chaitra of the same year.

According to *Sanad* issued on 7th Jestha, 1975 BS, Monday, the customs duty to be collected- when the people from Jumla region travel to Tibet for trade as per royal order of 1903 BS and order slips 1913 BS respectively has now changed. Now onwards, it ought to be collected in cash though, earlier, it was collected on kind on the basis of 1 *mana* per person load.

***In case of food grains and other commodities,

| | |
|--|---------------|
| Black lentils, per load: | 5 paisa |
| Rice, per load: | 6 paisa 1 dām |
| Buck wheat, per load: | 5 dām |
| Wheat, barley, millet, wool, per load: | 10 dām |

Though food grains carried by goat/sheep were charged other way in past, now that is to be counted and collected in cash.

| | |
|-----------------------------------|----------|
| Rice, per 8 loads- | 15 paisa |
| Barley, wheat, wool, per 8 loads- | 6 paisa |

| | |
|---------------------------------|---------------|
| Meat, per 8 loads- | 12 paisa |
| Buck wheat, per 8 loads- | 12 paisa |
| Butter and oil, per load- | 6 paisa 2 dām |
| Textile, per full length gauge- | 2 paisa |
| Musk, per count- | 6 paisa 1 dam |
| Soft wool, per load- | 6 paisa 2 dam |
| Sheep woolen coat per count- | 2 paisa |

****Jagāt* to be collected from market.

Not to be levied with any *Jagāt* when Tibetan do come to trade salt in our market. If brought sheep/goat, the *Jagāt* should be charged as per following system.

| | |
|----------------------|-----------------|
| Herd of 1 to 20- | 50 paisa |
| Herd of 20 to 40- | Rs 1 |
| Herd of 40 to 60- | Rs 1 & 50 paisa |
| Herd of 60 to 80- | Rs 2 |
| Herd of 80 to 100- | Rs 3 |
| Herd of 100 to 1000- | Rs 4 |

Those traders often take their better half as well while going for trade thus whenever they come to city, *Jagāt* per person will be Rs 1.

Other people except from Jumla should be levied 13 paisa per person load for rest of things what so ever they do carry if they are returning with load of salt.

Since there are chances of smuggling herbs via Mugu, load of goods brought into market should be levied 13 paisa per load.

No *Jagāt* to people of Karan Dara while going to trade in Muglan; but for wool, 6 paisa 2 dām.

The information missed in *Sanad* issued on 7th Jestha, 1975 which was approved on 29th Ashad 1983.

The *Jagāt* tariff to be applied now and onwards; if merchants bring it for sale

Chilly per load- 5 paisa

Honey per load- 7 paisa

Jaggery per load- 8 paisa

Leather of tiger or bear per load- 4 paisa

Yak per count (if brought by merchant)- 50 paisa

If brought by merchant for trading, Horse per count- 50 paisa

If merchants from Muglan (India and Tibet) bring for trade, sheep per count- 2 paisa

If merchants from Muglan (India and Tibet) bring for trade, Yak per count- 24 paisa

Horse per count- 50 paisa

Date: Monday, 12th Asad, 1991BS.

(Source: *Devi Chandra Shrestha (editor) Economic Nepal Year-2 series-9, 2040 Magh-Poush, P24*)

Appendix-7

The name-list of various offices under Department of Customs as per the structure approved on 19th November, 2018.

"Part 5

Government of Nepal

Ministry of Finance

Notice

In exercise of the powers conferred by section 4 of Customs Act 2007, Government of Nepal has set-up following customs offices and sub-customs offices and has published this notice to the public.

Details

| S.N | Office Name | Sub-customs Offices |
|-----|--|--|
| 1 | Post Clearance Audit office, Kathmandu | |
| 2 | Pashupatinagar Customs Office, Illam | 1) Manebhanjyang 2) Tumling 3) Chhiruwa 4) Hile (Chhabise pass) 5) Memeng 6) Chyangthapu 7) Banduke 8) Mai Majuwa |
| 3 | Mechi Customs Office, Jhapa | 1) Nakalbanda 2) Bahundangi 3) Aathmauja (Gauriganj) 4) Gadagalli 5) Satighattâ 6) Mahâbhâra |
| 4 | Bhadrapur Customs Office, Jhapa | 1) Kechana 2) Gherabari 3) Pathamari 4) Kumarkhod, Jhapa 5) Panthapada |

| | | |
|----|-----------------------------------|---|
| 5 | Biratnagar Customs Office, Morang | <ol style="list-style-type: none"> 1) Rangeli 2) Mayaganj 3) Dainiya 4) Doriya 5) Chunibari 6) Kadmahâ 7) Madhumallâ 8) Chaukighat 9) Tarigâmâ |
| 6 | Sunsari Customs Office, Sunsari | <ol style="list-style-type: none"> 1) Bhandabâri 2) Kauwâkhoj 3) Laukahi 4) Sahebganj 5) Ghuski 6) Sisuwalahi |
| 7 | Rajbiraj Customs Office, Saptari | <ol style="list-style-type: none"> 1) Kusahapâto 2) Govindapur 3) Kodarkatti 4) Banainiya 5) Swarnapatti 6) Hanumânâgar 7) Velhi |
| 8 | Siraha Customs Office, Siraha | <ol style="list-style-type: none"> 1) Bariyarpatti 2) Lagdigadyani (Sikhâjyoti) 3) Aurahi |
| 9 | Thandi Customs Office, Siraha | <ol style="list-style-type: none"> 1) Nawarajpur (Jhanjapatti) 2) Kachanari (Narangi) |
| 10 | Janakpur Customs Office, Dhanusa | <ol style="list-style-type: none"> 1) Lagma Jatahi 2) Bhadariya 3) Mahinathpur 4) Khajuri Mahuwa 5) Inarwâ 6) Khajuri station 7) Baidehi 8) Kathâl |

| | | |
|----|---|--|
| 11 | Jaleswor Customs Office, Mahottari | 1) Matihani 2) Samsi 3) Siswa (Kataiya) Katti Kataiya 4) Bathnâhâ 5) Raghunathpur 6) Pokharbhidâ |
| 12 | Sarlahi Customs Office, Sarlahi | 1) Tribhuwânâgar 2) Balarâ 3) Dharmapur 4) Phenara 5) Parsa 6) Sangrampur 7) Bara |
| 13 | Gaur Customs Office, Rautahat | 1) Bramhapuri 2) Bamkul 3) Ouraiya 4) Rampur Khap 5) Mathiya |
| 14 | Birgunj Customs Office, Parsa | 1) Sirsiya Naka 2) Alau 3) Gadhparsauni Bhathâ 4) Janakitola 5) Bhiswâ 6) Amritdhârâ (Thori) 7) Simraungadh 8) Matiarwa 9) Kawahi 10) Kachorwa 11) Piparpâti |
| 15 | Dry port Customs office, Parsa | |
| 16 | Tatopani Customs Office, Sindupalchowk | |
| 17 | Tribhuvan Airport Customs Office, Kathmandu | Foreign Post office |
| 18 | Rasuwa Customs Office, Rasuwa | |
| 19 | Mahespur Customs Office, Nawalparasi | 1) Bhujhawa 2) Tribeni 3) Bishnupura 4) Parsauni |

| | | |
|----|---|--|
| 20 | Bhairahawa Customs Office, Rupendehi | 1) Lumbini 2) Paklihawa 3) Buchchibarewa 4) Amuwa 5) Thumuwa 6) Manjhriya 7) Bethari |
| 21 | Suthauli Customs Office, Kapilbastu | 1) Rangapur 2) Gaura 3) Chakarchauda 4) Dohani |
| 22 | Krishnanagar Customs Office, Kapilbastu | 1) Bhilmi 2) Hariharpur 3) Kusaha 4) Banagangâ |
| 23 | Koilabas Customs Office, Dang | Dechangwa |
| 24 | Nepalgunj Customs Office, Banke | 1) Nairanapur 2) Saigaun 3) Bhagwanpur 4) Bhaghotona 5) Khadaichâ 6) Udarapur 7) Suiyabaghauda |
| 25 | Rajapur Customs Office, Bardiya | 1) Gulariya 2) Tapara 3) Dhanaura 4) Chedapur 5) Padariya 6) Kothiyaghat 7) Taratal 8) Ganeshpura |
| 26 | Sati Customs Office, Kailali | 1) Prithvipur 2) Badarwa 3) Sonafantâ |
| 27 | Kailali Customs Office, Kailali | 1) Belauri 2) Parâsan 3) Bhadari 4) Kanari 5) Ghuiyafantâ |
| 28 | Kanchanpur Customs Office, Kanchanpur | 1) Pachui 2) Chândani |

| | | |
|----|---|--|
| 29 | Mahakali Customs Office, Baitadi | 1) Darchula 2) Tinkar 3) Jholungebagar 4) Dharmaghat 5) Byaschhangru 6) Dattu |
| 30 | Olanchungola Customs Office , Taplejung | |
| 31 | Kimathanka Customs Office, Sankhuwasabha | |
| 32 | Lamabagar Customs Office, Dolakha | |
| 33 | Larke Customs Office, Gorkha | |
| 34 | Mustang Customs Office, Mustang | |
| 35 | Mugu Customs Office, Mugu | |
| 36 | Yarinaka Customs Office, Humla | |

Appendix- 8.1

Customs Declaration Form (1953 AD)

(Nepal Gazette)

Government of Nepal

Serial Number.....

..... Customs Office

Date.....

Customs Declaration Form- 1

From the description below, I declare that the packages of the goods mentioned in particulars are exact and true. Any sentence is acceptable according to the act if found otherwise in writing.

Description

Place where goods are exported or imported

| Package | | | Goods | | | Remarks |
|----------------|----------|--------|-------|----------|------|------------|
| Identification | Quantity | Weight | | Quantity | Rate | Total cost |
| | | | | | | |

From customs office-

Owner's or authorized one's sign-

Among witness-

Full address-

Full name owner's-

Government of Nepal

.....Customs

Serial Number.....

Date.....

Customs Declaration Form -2

From the description below, I declare that the packages of the goods mentioned in particulars are exact and true. I request to release these goods without any customs duty as these are for personal use. Any sentence is acceptable according to the act if found otherwise in writing.

Description

Place where the goods are imported from or exported to:

| Packages | | | Goods | | | | Remark |
|-----------------|----------|--------|--------------|----------|-------|-------|---------------|
| Kind/ type | Quantity | Weight | | Quantity | Piece | Total | |
| | | | | | | | |
| | | | | | | | |

Sign of officer from customs office Date..... Full name who issued
DeclarationForm

Sign of witness Date..... Sign of owner or nominee
Full Address...

Government of Nepal

.....Customs

Serial Number.....

Date.....

Customs Declaration Form -3

From the description below, I declare that the packages of the goods mentioned in particulars are exact and true. These goods are imported by government for government works. None of these are imported by or on behalf of individual or contractor and none of these are for sale. Hence it is requested to release these goods without any customs duty. Any sentence is acceptable according to the act if found otherwise in writing.

Description

Place where goods are imported from or exported to:

| Package s | | | Goods | | | | Remark |
|------------------|----------|--------|--------------|----------|-------|-------|---------------|
| Product code | Quantity | Weight | | Quantity | Piece | Total | |
| | | | | | | | |
| | | | | | | | |

Sign of Officer from Customs office

Date:.....

Sign of Witness

Date.....

Applicant's sign.....

Name:

Office...

Appendix-8.2

Customs Declaration Form (1970 AD)

(Nepal Gazette)

Nepal Gazette Part-3
(13)

Schedule-3

(Related to rule 5(1))

Customs Declaration Form

***Note: Fill up the form only after reading information given on the back of this form

- 1) His Majesty Government, customs office
- 2) Are goods being exported or imported-
- 3) a) If export, to which country are the goods being supplied-
b) If import, from which country are the goods being imported-
- 4) Details of goods:

| To be filled by the owner of goods | | | | | | To be filled by the customs inspector | | |
|------------------------------------|---------------|------|----------|-------|-----------------|---------------------------------------|------------|---------|
| Packages list | Goods in list | | Quantity | Price | Goods' code no. | Tariff | Total duty | Remarks |
| | SN | List | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

Owner's name, (full).....Date:

Receipt no-

Owner's full address--
signature--

Customs

Inspector's

Goods which are written according to details are in good condition and exact. If it differs, then I am ready to bear & pay in accordance with existing laws, or

If Agent, His /Her Name, Caste, Nation
signature-

Officer or authorized official's

Customs duty receiver's signature-

Auditor's/ Accountant's signature-

Appendix 8.3

Customs Declaration Form (1981 AD)

| | | |
|--|---|---|
| Means of Transport Registration number of the vehicle | Nepal Gazette part-4 His Majesty's Government Customs | AGFNO: 89 Customs Declaration Form number; Date: Time: Manifest: Registration date: Receipt number: |
|--|---|---|

***Fill up the form only after reading the information given on the back of this form.

Only for imported goods

| | | | | | | | | | | | |
|---|------------------------|---|---|--|------|------------|---------|----|------|-----------|---------|
| Must be filled by the importer | | | To be filled by the office | | | | | | | | |
| Importer's name:- Address:- Name of the sender of goods:- Address :- | | | Date of inspecting goods:- Code no and quantity :- Opened :- Measured :- Other detail:- | | | | | | | | |
| package | | Goods | Duty | | | | | | | | |
| Customs code and detail | | Via which country the goods imported? Where were the goods manufactured? | | | | | | | | | |
| Goods detail | Real quantity of goods | Value of goods | code number | Value or Quantity on which duty to be paid | Rate | Total duty | Remarks | | | | |
| Income tax registration number:- The place of register: | | Registered year: | | | | | | | | | |
| The above mentioned details are not written incorrectly or foul. And, I know that if it is found to be false then I should be punished hence am ready to bear it in case such fraud it noticed. | | | Sales tax | | | | | | | | |
| | | | Packages | | | Valuation | | | | | |
| | | | Value, customs duty, freight, Indian excise duty | | | 15% | 10% | 5% | rate | sales tax | Remarks |
| | | | Total | | | | | | | | |
| | | | Profit | | | | | | | | |
| | | | Gross total | | | | | | | | |
| | | | In amount | | | | | | | | |
| Name: Signature: | | Inspector's signature:- Signature of the person who calculates duty: Signature of verification officials: Signature of the officer who has checked the bill and found it correct: Date: | | | | | | | | | |

Nepal Gazette part-4

AGFNO: 89

Means of Transport
Registration number of the vehicle

His Majesty's Government

Customs Declaration Form number;

Date:

Time:

Manifest:

Registration date:

Receipt number:

..... Customs

***Fill up the form only after reading the information given on the back of this form.

Only for exported goods

| Must be filled by the importer | | | To be filled by the office | | | | |
|--|------------------------|---|---|--|------|------------|---------|
| Exporter's name:- Address:- Name of the sender of goods:- Address :- | | | Date of inspecting goods:- Code no and quantity :- Opened :- Measured :- Other detail:- | | | | |
| package Customs code and detail | | Goods Via which country the goods imported? Where were the goods manufactured? | Duty | | | | |
| Goods detail | Real quantity of goods | Value of goods | code number | Value or Quantity on which duty to be paid | Rate | Total duty | Remarks |
| | | | | | | | |
| | | Registered year: | | Total duty to be paid: | | | |
| The above mentioned details are not written incorrectly or foul. And, I know that if it is found to be false then I should be punished hence am ready to bear it in case such fraud it noticed. Name of owner or his agent: Signature: | | Inspector's signature:- Signature of the person who calculates duty: Signature of verification officials: Signature of the officer who has checked the bill and found it correct: Date: | | | | | |

Appendix 8.4

Customs Declaration Form 1988 AD

Volume 38 No 11

Nepal Gazette part-3

Date 1988/07/04

Schedule 3 (A)

(Related to rule 5(1))

Means of Transport
Registration number of the vehicle

His Majesty Government

Ministry of Finance

Department of Customs

.....customs office

Import Customs Declaration Form

AGFNO: 89
Customs Declaration Form number
& registration date;
Time of registration:
Manifest no. and date:
Receipt no:

Information to be filled from the side of importer (please read the information mentioned at the back of this form before filling it)

| | | |
|--|---|--------------------------------------|
| 1. Name of Owner: | 8. Sales tax registration number and date: | 15. Name of sender of goods |
| 2. Address: | 9. Customs clearing agency | 16. Sender's address: |
| 3. Citizenship certificate no and date | 10. Import license no and date | 17. Bank's name: |
| 4. District from which citizenship has been issued | 11. Goods manufacturing country | 18. L.C. no. and date |
| 5. Form registration no and date | 12. Goods manufacturing company | 19. L.C. value in foreign currency: |
| 6. District where form has been registered | 13. Name of company's agency in Nepal | 20. Import price in foreign currency |
| 7. Income tax reg. no. and date | 14. Country where the goods are to be shipped | 21. Exchange rate |

| Packages number and description | | Detailed description of goods | Quantity and weight of goods | Value of goods | Description regarding customs duty and sales tax to be filled by the office | | | | | | | | | | | | | | | |
|--|--|-------------------------------|------------------------------|-----------------|--|---------------------|--------|--------------------|--------------------------------|-----------|--------|-------------------------|---------|--|--|--|--|--|--|--|
| Code no. | Quantity or value on which duty to be paid | General duty | | Additional duty | | Countervailing duty | | Total customs duty | Determined value for sales tax | Sales tax | | Total Customs sales tax | Remarks | | | | | | | |
| | | Rate | amount | Rate | amount | Rate | amount | | | Rate | amount | | | | | | | | | |
| Above mentioned data/information isn't false or miswritten, provided information is all true, if any of the data is found incorrect/false, I am ready to bear the consequences. Name of owner or his agent: Signature: | | | | | Goods checked on: Code number & count: Weighed or opened: Measured or counted: Other details Inspector's sign: Accountant sign: Ledger examiner's sign: | | | | | | | | | | | | | | | |
| | | | | | Approved by (stating that the record was intact when it was reexamined) chief of customs or customs officer. Signature: | | | | | | | | | | | | | | | |
| | | | | | Total | | | | | | | | | | | | | | | |
| Amount in words | | | | | | | | | | | | | | | | | | | | |

Schedule 3 (B)

(Related to rule 5(1))

Means of Transport
Registration number of the vehicle

His Majesty Government
Ministry of Finance
Department of Customs
.....customs office

AGFNO: 91
Time of registration:
Manifest no. and date:
Receipt no and date:

Import Customs Declaration Form

Information to be filled from the side of importer (please read the information mentioned at the back of this form before filling it)

-
- | | |
|---|---|
| <p>1. Export License Number and Date: -</p> <p>2. Exporter (Individual/firm)</p> <p>(a) Name: -</p> <p>(b) Address</p> <p>(c) Firm registration no. and date: -</p> <p>(d) Income tax registration no. and date: -</p> <p>(e) Sales tax registration no. and date:</p> <p>(f) Citizenship certificate no. and date:</p> <p>(g) District from where citizenship was taken: -</p> <p>3. Exporter (Individual/ firm) if foreigners</p> <p>(a) Name: -</p> <p>(b) Address: -</p> <p>(c) Passport number and date: -</p> <p>(d) Name of bank from where foreign currency was exchanged and date of exchange receipt:</p> <p>4. Name of Company producing the goods: -</p> | <p>6. Name of person/agency for shipping the goods:-</p> <p>7. Recommendation related to export:-</p> <p>(a) C.T.D no. and date:-</p> <p>(b) G.S.P no. and date:-</p> <p>(c) Letter no for recommendation from Excise office and date:-</p> <p>(d) Letter no for recommendation regarding Nepali handicrafts and date:-</p> <p>(e) Letter no for recommendation regarding Archaeological goods and date:-</p> <p>(f) Letter no for Recommendation regarding other bodies:-</p> <p>8. Name of the person receiving goods:-</p> <p>9. Address:-</p> |
|---|---|
-

5. Certificate of origin no. and date:-

10. Details regarding LC:-

(a) Name of bank:-

(b) Value of L.C. in foreign currency:-

(c) Value of export in foreign currency:-

| To be filled by the exporter | | | | | | | To be filled by the office | | | | | |
|---|-----------------------------|-----------------|-----------|-----------|------|-----------|---|------------------------------|---|--------------------|---------|--|
| Packages number and description | Detail description of goods | Weight or count | FOB value | Insurance | fair | CIF value | Code no. | Value to be levied with duty | Tariff | Total customs duty | Remarks | |
| | | | | | | | | | | | | |
| | | | | | | | Total | | | | | |
| | | | | | | | In words | | | | | |
| <p>Above mentioned data/information isn't false or miswritten, provided information is all true, if any of the data is found incorrect/false, I am ready to bear the consequences.</p> <p>Importer or his agent: Name: Signature:</p> | | | | | | | <p>Goods checked on: Code number & count: Weighed or opened: Measured or counted: Other details: Inspector's sign: Accountant sign: Ledger examiner's sign:</p> | | <p>Approved by (stating that the record was intact when it was reexamined) chief of the customs office or customs officer. Signature:</p> | | | |

Appendix 8.5

AGFNO: 89

Customs Declaration Form (2000 AD)

His Majesty's Government
Ministry of Finance

| | | | | | |
|-----------------------------------|--|----------------------------|--------|--|--|
| | | 1 Type of declaration form | | Customs office: Code No: _____ Name: _____ Manifest No: _____ declaration form reg no: _____ Date: _____ | |
| 8 | | Importer/ | Export | | |
| No. | | | | | |
| 3 Sheet No. | | 4 C.T.D.no. | | | |
| 5 No. of goods | | 6 Package | | 7 Declaration form code | |
| 31 Packages and names of goods | | 32 Item no. | | 33 Classification code No | |
| Packages Type: | | | | 34 Manufacturing country | |
| | | | | 35 Gross weight | |
| | | | | 36 Preference | |
| | | | | 37 Customs process | |
| | | | | 38 Net weight | |
| | | | | 39 Indian excise duty rate | |
| Name of the goods: | | | | | |
| 44 Other Information of documents | | DV: _____ | | 40 Indian excise duty amount | |
| License no: _____ | | DQ: _____ | | 41 Quantity of goods | |
| Related documents or no: _____ | | | | 42 Value of the goods | |
| Issuance no and date: _____ | | | | 43 Valuation code system | |
| LC no and date: _____ | | Currency: _____ | | 45 Adjustment | |
| 31 Packages and names of goods | | 32 Item no. | | 46 Customs value for customs duty | |
| Packages: | | | | 33 Classification code No | |
| Type: | | | | 34 Manufacturing country | |
| | | | | 35 Gross weight | |
| | | | | 36 Preference | |
| | | | | 37 customs process | |
| | | | | 38 net weight | |
| | | | | 39 Indian excise duty rate | |
| | | | | 40 Indian excise duty amount | |

| | | | | | | | |
|----|-------------------------------|---|--|-----------------------------|-----------------------|--|--|
| 44 | Other Information of document | License no: Related documents or no: Issuance no and date: LC no and date: | DV: DQ: Currency: | 41 Quantity of goods | 42 Value of the goods | 43 Valuation code system | |
| | | | | Additional information code | | 45 Adjustment | |
| | | 46 Customs value for customs duty | | | | | |
| 31 | Packages and names of goods | 32 Item no. | 33 Classification code No | 35 Gross weight | 36 Preference | | |
| | Type: | A B | | | | | |
| | Types: | | | | | | |
| | Name of the goods: | 37 customs process | 38 net weight | 39 Indian excise duty rate | | | |
| | | 40 Indian excise duty amount | | | | | |
| 44 | Other Information of | License no: Related documents or no: Issuance no and date: LC no and date: | DV: DQ: Currency: | 41 Quantity of good | 42 Value | 43 Valuation code system | |
| | | | | Additional information code | 45 Adjustment | | |
| 47 | Calculation of duty | Type of tax | Value on which duty to be levied/ base | Rate | Amount | Payment | |
| | | 47 Calculation of duty | | | | | |
| | | | | | | | |
| 47 | Calculation of duty | Total of the first item of this sheet | | | | Total of the second item of this sheet | |
| | Type of tax | Value on which | Rate | Amount | Payment | | |
| | | | | | | | |
| | Type of tax | Total amount of this | Payment | | | | |
| | | | | | | | |

| | | | | | | | | |
|---------------------------------------|-------------------------|--|--|--|--|------|-------------|--|
| | duty to be levied/ base | | | | | form | | |
| Total of the third item of this sheet | | | | | | | Grand total | |

Signature the owner of the goods or his agent:

Data Entry operator's sign and date
Name

Inspector's sign & date
Name

Customs office's sign & date
Name

Appendix 8.6 (2007 AD)

अनुसूची-३
 (नियम २२ सँग सम्बन्धित)
 प्रज्ञापनपत्रको ढाँचा
 Government of Nepal
 Ministry of Finance, Department of Customs
 Customs Declaration Form (page 1)

| | | | | | | | | | | | | | | | |
|--|---|------------------------|--------------|-----------------------|---|---|--------------------|--------------------------------|---|----------------------------|-------------------|-----------------------|--|--------------------------------|--|
| | 2 Exporter Number | | | | 1 Declaration | | | | Office of Declaration Office Code Name Manifest No. Regd No. 7 Declaration No. | | | | | | |
| | ===== | | | | Import | | Export | | | | | | | | |
| | ===== | | | | 3 Page No | | 4 CTD No | | | | | | | | |
| | | | | | 5 Items | | 6 Total package | | | | | | | | |
| | 8 Importer Number | | | | 9 Airways bill/ BI No and date DRP Red circle no. Invoice no./DRP no and date | | | | | | | | | | |
| | ===== | | | | | | | | | | | | | | |
| | Permanent Account No | | | | 10 country of export | | 11 Trading country | | 12 Value details | | 13 warehouse days | | | | |
| | VAT Regd Yes <input type="checkbox"/> No <input type="checkbox"/> | | | | | | | | | | | | | | |
| VAT Regd date (if registered) | | | | 15 country of export | | 15 country of export code A B | | 17 country of destination code | | | | | | | |
| 14 Declarant/Agent/Representative no. | | | | | | | | 16 Country of Origin | | 17 Country of destination | | | | | |
| 18 Flight or vehicle No. | | | 19 Container | | 20 Delivery terms | | | | | | | | | | |
| | | | 21 | | | | | | | | | | | | |
| | | | | | 22 Cur and total invoice amount | | 23 Exchange rate | | 24 Nature of transaction | | | | | | |
| 25 Mode of transport at border | | 26 | | 27 Place of discharge | | 28 Banking data code Terms of Payment | | | | | | | | | |
| 29 | | | | 30 | | | | Bank name | | File No. | | | | | |
| 31 Packages and description of goods | | No of packages | | | | 32 Item no | | 33 HS code | | | | | | | |
| | | Kinds | | | | | | 34 Co code A B | | 35 Gross weight | | 36 Preference | | | |
| | | Description of goods | | | | | | 37 Procedure | | 38 Net weight | | 39 Indian Excise rate | | | |
| | | | | | | | | 40 Indian Excise amount | | | | | | | |
| 44 Other information of doc. produced | | Licence no | | DV | | DQ | | 41 Supply units | | 42 Item Value A.I. Code | | 45 Adjustment | | | |
| | | Additional document no | | | | | | | | | | | | | |
| | | Dispatch no | | L/C no and date | | Currency & amount | | | | 46 Statistical Value | | | | | |
| 47 Duty calculation | | Type | | Tax base | | Rate | | Amount | | MP | | 48 Deferred Payment | | 49 Identification of Warehouse | |
| | | | | | | | | | | | | Accounting detail | | | |
| | | | | | | | | | | | | Mode of payment | | | |
| | | | | | | | | | | | | Assessment No | | Date | |
| | | | | | | | | | | Receipt no | | Date | | | |
| | | | | | | | | | | Guarantee | | Date | | | |
| | | | | | | | | | | Declaration fee | | | | | |
| | | | | | | | | | | Total amount | | | | | |
| | | | | | | | | | | Total amount in Words | | | | | |
| 50(A) Any other information that the declarant needs to notify | | | | | | 50(B) I hereby certify that the information contained in all pages of this document submitted are true and correct and I know that any untrue and discrepancy submitted would be sufficient for legal action against me | | | | | | | | | |
| | | | | | | Signature Name | | Date Address | | | | | | | |
| 50 (C) Physical verification result | | | | | | Remarks | | | | | | | | | |

Data entry operator's sign & date
Name

Inspector's sign & date
Name

Customs Officer's sign & date
Name

अनुसूची-३
(नियम २२ सँग सम्बन्धित)
प्रज्ञापनपत्रको ढाँचा

Government of Nepal
Ministry of Finance, Department of Customs
Customs Declaration Form (page 2)

| | 2 Exporter Number | | | | | 1 Declaration | | | | | Office of Declaration | | |
|---------------------------------------|----------------------------------|-----------------|------|-------------------|-------------|-----------------------------------|---------------------------------------|-----------------|---------------|-----------------------|---|--|--|
| | ----- ----- | | | | | Import | | Export | | | Office Code Name Manifest No. Regd No. | | |
| | | | | | | 3 Page No | | 4 CTD No | | | 7 Declaration No. | | |
| | | | | | | 5 Items | | 6 Total package | | | | | |
| 31 Packages and description of goods | No of packages Kinds | | | | | 32 Item no | | 33 HS Code | | | | | |
| | Description of goods | | | | | 34 CO code | | 35 Gross Weight | | 36 Preference | | | |
| | | | | | | A B | | | | | | | |
| | | | | | | 37 Procedure | | 38 Net weight | | 39 Indian Excise rate | | | |
| 40 Indian Excise amount | | | | | | | | | | | | | |
| 44 Other information of doc. produced | License no | | DV | | DQ | | 41 Supply units | | 42 Item value | | 43 V.M Code | | |
| | Additional document no | | | | | | | | A.I Code | | 45 Adjustment | | |
| | Dispatch no. | | | | | | | | | | | | |
| | | L/C no and date | | Currency & Amount | | 46 Statistical Value | | | | | | | |
| 31 Packages and description of goods | No of packages Kinds | | | | | 32 Item no | | 33 HS Code | | | | | |
| | Description of goods | | | | | 34 CO code | | 35 Gross Weight | | 36 Preference | | | |
| | | | | | | A B | | | | | | | |
| | | | | | | 37 Procedure | | 38 Net weight | | 39 Indian Excise rate | | | |
| 40 Indian Excise amount | | | | | | | | | | | | | |
| 44 Other information of doc. produced | Licence no | | DV | | DQ | | 41 Supply units | | 42 Item value | | 43 V.M Code | | |
| | Additional document no | | | | | | | | A.I Code | | 45 Adjustment | | |
| | Dispatch no. | | | | | | | | | | | | |
| | | L/C no and date | | Currency & Amount | | 46 Statistical Value | | | | | | | |
| 31 Packages and description of goods | No of packages Kinds | | | | | 32 Item no | | 33 HS Code | | | | | |
| | Description of goods | | | | | 34 CO code | | 35 Gross Weight | | 36 Preference | | | |
| | | | | | | A B | | | | | | | |
| | | | | | | 37 Procedure | | 38 Net weight | | 39 Indian Excise rate | | | |
| 40 Indian Excise amount | | | | | | | | | | | | | |
| 44 Other information of doc. produced | Licence no | | DV | | DQ | | 41 Supply units | | 42 Item value | | 43 V.M Code | | |
| | Additional document no | | | | | | | | A.I Code | | 45 Adjustment | | |
| | Dispatch no. | | | | | | | | | | | | |
| | | L/C no and date | | Currency & Amount | | 46 Statistical Value | | | | | | | |
| 47 Duty calculation | Type | Tax base | Rate | Amount | MP | 47 Duty calculation | Type | Tax Base | Rate | Amount | MP | | |
| | | | | | | | | | | | | | |
| 47 Duty calculation | Total of first item of this form | | | | | Total of second item of this form | | | | | | | |
| | Type | Tax base | Rate | Amount | MP | Type | Total amount of this Declaration form | | | MP | Signature of declarant | | |
| | | | | | | | | | | | | | |
| Total of Third item of this form | | | | | Grand Total | | | | | | | | |

Data entry operator's sign & date
Name

Inspector's sign & date
Name

Customs officer's sign & date
Name

Appendix-9

List of Important Decisions and Notices Regarding Customs which were Published in Nepal Gazette

| SN | Date (AD) | Part | Sec. | No. | Information |
|----|---------------------------------------|------|------|-----|---|
| 1 | 4 th February, 1952 | 2 | | | Notice that one should not bother to proceed with application to release the goods under duty free facility. |
| 2 | 18 th February, 1952 | 2 | | | Rules and regulation regarding the recipients of the facility of customs exemption. |
| 3 | 25 th February, 1952 | 2 | | | Notice from Ministry of Finance in relation to the customs tariff while taking goods from Madhesh to the hill and from the hill to Madhesh. |
| 4 | 5 th May, 1952 | 2 | 1 | 39 | The decision of the cabinet regarding releasing the goods brought by persons who are granted with facility of customs exemption. |
| 5 | 26 th May, 1952 | | | | Regarding license to import textile from abroad. |
| 6 | 17 th March, 1953 | | | | Notice of the Department of Finance (income) about His Majesty Highness's Clarion call regarding tariff of 1 rupee per 100 in price while importing tractor along with Notice regarding export customs duty to be levied on goods for third country export via India. |
| 7 | 23 rd March, 1953 | 2 | 2 | 31 | Notice of Department of Finance (income) in connection with the customs duties on goods brought for the Embassy. |
| 8 | 2 nd March, 1953 | | 2 | 28 | Declaration of opening customs offices in Terai, in accordance to the provision of the Treaty of 1950. |
| 9 | 4 th May, 1953 | 2 | | | About customs tariff for the herbs to be exported to India. |

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|----|---------------------------------------|---|---|----|---|
| 10 | 17 th August, 1953 | 2 | | | Regarding further regulation about obligating customs duty on goods brought through airways. |
| 11 | 30 th November, 1953 | | 3 | 15 | About prohibition in using <i>Hindusthani</i> (Indian) coins. |
| 12 | 8 th February, 1954 | 2 | | | Declaration about the member of the tariff board and its scope/ jurisdiction. |
| 13 | 29 th March, 1954 | 2 | | | About charity-shows and other along with issuing receipt against payment of customs duty. |
| 14 | 29 th November, 1954 | 2 | | | About the new system regarding luggage and baggage. |
| 15 | 31 st January, 1955 | 2 | | | About the new system regarding luggage and baggage. |
| 16 | 22 nd August, 1955 | 2 | | | Information about ordering not to charge customs duty in local production, which was sent to <i>Lele Lapse</i> Customs. |
| 17 | 12 th December, 1955 | 3 | | | Modified tariff on export and import. |
| 18 | 9 th April, 1956 | 4 | | | Information sent to Gauchar customs about luggage/baggage of the passengers travelling by the airline. |
| 19 | 17 th April, 1956 | 4 | | | Notice from Ministry of Finance regarding customs duty on luggage and baggage as well as on disposable goods. |
| 20 | 7 th May, 1956 | 4 | 6 | 3 | Regarding the procedure of transporting goods, those were imported from India and were in provision of refunding excise duty and import duty, from one to another district. |

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|----|--|---|---|----|---|
| 21 | 25 th October, 1956 | | | | About using same name 'customs' to all <i>Bazaar Addās</i> in hills and Customs in Teria. About the placement and portfolio of customs officials and employees. |
| 22 | 11 th March, 1957 | 4 | 6 | 44 | Lists of the customs and sub-customs offices. |
| 23 | 15 th April, 1957 | 4 | 7 | 1 | Information regarding establishment of Customs Commissioner's office. |
| 24 | 23 rd September, 1957 | 4 | | | Issues in relation to contact customs commissioners on customs related undertakings. |
| 25 | 29 th December, 1957 | | | | The information issued in regard to customs duty on hay made mattress, bricks, marble and coal. |
| 26 | 17 th February, 1958 | 4 | 7 | 44 | Information from Ministry of Finance in regard to the customs duty facility and people to have such facility. |
| 27 | 22 nd April, 1957 | 4 | | | New rules regarding the customs duty on the import and export via airway. |
| 28 | 13 th April, 1959 | 2 | | | Financial act 2015 BS (1958). |
| 29 | 9 th February, 1959 | 3 | 8 | 21 | Regarding the new rules on import/export. |
| 30 | 9 th August, 1959 | 3 | 9 | 12 | The customs tariff applicable on the items that are traded with India and China. |
| 31 | 9 th August, 1959 | 4 | | | The statement of Budget for fiscal year 2016-2017 (1959/60), presented in House of Representative by the then Deputy Prime-Minister cum Minister for Finance. |

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|----|---------------------------------------|---|----|-----|---|
| 32 | 18 th January, 1960 | 4 | | | Information about the customs offices those were added after Nepal and India Treaty on Commerce. |
| 33 | 19 th January, 1960 | | | | Regarding converting and adjusting the customs commissioner office into Department of Customs and Excise. |
| 34 | 8 th February, 1960 | 4 | 9 | 42 | Regarding the formation of tariff board to recommend on modification over customs tariff, excise duty and other tax slabs along with nomination of traders/merchants from different areas in the board. |
| 35 | 7 th April, 1960 | 3 | | | Regarding the formation of revenue service. |
| 36 | 4 th May, 1960 | 2 | 10 | V.2 | Act in relation to legitimize the existing and introducing some new tax criteria. |
| 37 | 1 st November, 1960 | 3 | 10 | 15 | Customs tariff on goods exported to or imported from third countries via India. |
| 38 | 14 th December, 1960 | | | | Customs Tariff Act, 1960. |
| 39 | 24 th April, 1961 | | | | Formation of Tariff Board. |
| 40 | 28 th April, 1961 | 2 | 11 | 1 | Act made for imposing and collecting customs duty. |
| 41 | 14 th August, 1961 | 4 | | | Statement of Budget issued by Minister of Finance and Economic Affairs for fiscal year 2018-19. |
| 42 | 14 th August, 1961 | | | | Customs tariff applicable on export and import to and from various countries, effective from 30 th Shrawan, 2018 (14 th August, 1961). |
| 43 | 9 th October, 1961 | 3 | | | Procedure that customs offices have to follow in regard to the goods for third country export and import via India. |

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|----|---------------------------------------|---|----|-----|--|
| 44 | 21 st November, 1962 | 2 | 12 | 22 | Customs Act 2019 BS (1962). |
| 45 | 22 nd April, 1963 | 3 | 13 | 2 | Regarding customs duty applicable on items brought for personal use or professional use. |
| 46 | 26 th August, 1963 | 3 | | | Regarding the new rules on export and import. |
| 47 | 11 th November, 1963 | 3 | 13 | 30 | Regarding the establishment of temporary customs post at Syamuje Monastery Namchhe Bazaar, in Eastern region number 3. |
| 48 | 13 th April, 1964 | 4 | | | About the formation of tariff board to recommend revision on customs tariff. |
| 49 | 20 th April, 1964 | 4 | | | Regarding the limits about selling goods brought in customs duty facility or concession provision. |
| 50 | 2 nd October, 1964 | 4 | | | Regarding the management of goods stored in the customs warehouse. |
| 51 | 30 th November, 1964 | 3 | 14 | 33 | Regarding the location change of customs checkpost and dissolution/displacement of sub-customs in Kailali district. |
| 52 | 17 th May, 1965 | 3 | 15 | 5 | Regarding the convenience on customs/ duty facility provided for Sajha-movement. |
| 53 | 4 th July, 1965 | 3 | 15 | 9.b | Regarding the Excise duty, tax and customs duty levied on various subjects. |
| 54 | July 19, 1965 | 4 | | | Regarding the dismissal of Dharan Sub-customs. |
| 55 | 6 th August, 1965 | 3 | 15 | 16 | About the provision of customs duty facilities to the residents of Tin Tholpa Chha Gau in Manang district while taking the good via the way of Bhairahawa, Birgunj, Thori and Thakdhang. |

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|----|--|----|----|----|--|
| 56 | 9 th August, 1965 | 3. | 15 | 17 | Regarding the customs duty facility accepted for American health surveyor/ regarding the change on name for Kailai and Kanchanpur customs. |
| 57 | 2 nd May, 1966 | 4 | | | Name list of countries which can be understood as countries having optimum customs duty facilities/preference while importing materials/ things to Kingdom of Nepal. |
| 58 | 5 th June, 1967 | 3 | | | Regarding the new rules on import/export. |
| 59 | 7 th March, 1968 | 3 | 17 | 45 | About the customs duty exemption on diesel, brought for agricultural work. |
| 60 | 26 th August, 1968 | 4 | 18 | 20 | Name list of Most Favoured Nations. |
| 61 | 4 th September, 1968 | 3 | | | Name list of people who would get customs duty facilities/ concession. |
| 62 | 11 th September, 1968 | | | | The customs tariff specified in various kinds of animals, food and other food items. |
| 63 | 11 th September, 1968 | 2 | | | Second Amendment in 2025 BS (1968) on Customs Act 2019 (1962). |
| 64 | | 3 | 17 | 7 | About the provision of customs concession or duty facility on the goods brought for use of the factories registered in department of industry. |
| 65 | 4 th May, 1970 | 3 | 20 | 3 | Customs Regulations, 2026 BS (1970) |
| 66 | 8 th June, 1970 | | | | Name list of Most Favoured Nations. |
| 67 | 7 th September, 1970 | | | | About granting customs exemption on materials brought to build the Everest view hotel at Namchhe Bazzar, Khumjum. |
| 68 | 22 nd November, 1971 | 2 | | | Customs Third Amendment Act 2028 on Customs Act 2019 (1962) |

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|-----|----------------------------------|---|----|------|---|
| 69 | 5 th December, 1971 | 4 | | | Trade and Transit Treaty, between Nepal and India. |
| 70 | 28 th May, 1973 | 4 | | | Additional arrangement at Kakarbhitta, Janakpur and Jaleswor customs. |
| 71 | 4 th July, 1973 | | | | Customs tariff on various goods to be applied from 4 th July, 1973. |
| 72. | 19 th September, 1977 | 3 | 27 | 23 | About the customs tariff management on goods such as machine accessories and other goods for industries and so on. |
| 73. | 31 st March, 1978 | 3 | 27 | 60 b | The sample of the customs declaration form for the importer. |
| 74. | 10 th July, 1978 | | | | Transit Agreement between Nepal and India. |
| 75. | 19 th June, 1978 | 3 | 28 | 10 | About the new system regarding luggage/baggage. |
| 76. | 14 th August, 1978 | 3 | 28 | 18 | About the new system regarding luggage/baggage. |
| 77. | 30 th October, 1979 | 3 | 29 | 42 | Regarding the restrictive arrangements related to the customs duty facility to people going abroad. |
| 78. | 19 th August, 1980 | 3 | | | Regarding the new arrangement on luggage/baggage for visitors who visit to Nepal from Tibet, the autonomous region of People's Republic of China. |
| 79. | 25 th April, 1983 | 3 | 33 | 2 | About lowering the customs tariff on some items. |
| 80. | 10 th July, 1983 | 3 | 33 | 10 f | Regarding new arrangements in customs tariff. |
| 81. | 25 th September, 1985 | 2 | 35 | 28 | The Customs Fifth Amendment Act, 2042 BS (1985) on Customs Act-2019 (1962). |
| 82. | 7 th April, 1986 | 3 | 35 | 51 | Second Amendment 2042 BS (1986) on Customs Regulations- 2026 BS (1970). |
| 83. | 2 nd October, 1986 | | 36 | 25 c | Sixth Amendment, 2043 (1986) on Customs Act- 2019 (1962). |
| 84. | 4 th July, 1988 | 3 | 38 | 12 | Change on Schedule 2045 (1988), on Customs Regulations,2026 (1970). |

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|-----|--------------------------------|---|----|------|--|
| 85. | 16 th July, 1994 | 3 | 44 | 18 b | Demurrage to be charged at Tribhuvan International Airport Customs Office. |
| 86. | 8 th June, 1997 | 2 | 47 | 12 | The ordinance for seventh amendment 2054, on Customs Act 2019. |
| 87. | 17 th October, 1997 | | 47 | 38.i | Notice of Ministry of Finance regarding baggage rules. |
| 88. | 31 st August, 2007 | 2 | 57 | 33 | Customs Act, 2064 (2007). |
| 89. | 17 th October, 2008 | | 58 | 32 | Notice of Ministry of Finance regarding baggage rules. |
| 90. | 9 th February, 2009 | 3 | 58 | 43 | The First Amendment on the Customs Regulations, 2064. |
| 91. | 13 th July, 2009 | 3 | 59 | 15 a | The Second Amendment on the Customs Regulations , 2064. |
| 92. | 23 rd January, 2012 | 5 | 61 | 39 | Notice of Ministry of Finance regarding duty exemption for cross border travelers. |
| 93. | 14 th July, 2013 | 3 | 63 | 12 a | The Fourth Amendment on the Customs Regulations, 2064. |
| 94. | 4 th July, 2016 | 3 | 66 | 13 | The Seventh Amendment, 2073 on Customs Regulations 2064. |

Appendix-10

Heads at the Department of Customs till the Date

| S.N. | Post | Full Name | (From) AD | (Till) AD |
|------|-------------------------|----------------------------|-------------------------|-------------------|
| 1 | Director | Mr. Devendraraj Upadhyay | 1961 | 1964 |
| 2 | Director | Mr. Nayanraj Pandey | 1964 | 1965 |
| 3 | Director | Mr. Shiva Shumsher Rana | 1965 | 1966 |
| 4 | Director | Mr. P.B. Bista | 1966 | 1967 |
| 5 | Director | Mr. Shiva Shumsher Rana | 1967 | 1969 |
| 6 | Director | Mr. Suresh Chandra Lakhey | 1969 | 1970 |
| 7 | Acting Director General | Mr. Durga Prakash Pandey | 1970 | 1979 |
| 8 | Acting Director General | Mr. Kabi Keshari Basnet | 1979 | 1980 |
| 9 | Director General | Mr. Madhusudan Dhakal | 1980 | 1981 |
| 10 | Director General | Mr. Bhakta Bahadur Koirala | 1981 | 1982 |
| 11 | Acting Director General | Mr. Priyadarshan Sharma | 1982 September 30 | 1982 |
| 12 | Director General | Hemraj Gyawali | 1982 | 1985 |
| 13 | Director General | Mr. Dan Bahadur Shahi | 1985 | 1988 October |
| 14 | Director General | Mr. Mohan Dev Panta | 1988 November | 1990 July |
| 15 | Director General | Mr. Shambhu Prasad Khanal | 1990 July | 1992 October |
| 16 | Director General | Mr. Padam Prasad Pokharel | 1992 October | 1994 September |
| 17 | Acting Director General | Mr. Lokman Singh Karki | 1994 September | 1995 January |
| 18 | Acting Director General | Mr. Nutanraj Shrestha | 1995 January | 1995 September |
| 19 | Director General | Mr. Lokman Singh Karki | 1995 September | 1998 March |
| 20 | Director General | Mr. Nutan Raj Shrestha | 1997/04/20 | 1998/04/22 |
| 21 | Director General | Mr. Tika Dutta Niraula | 1998/04/23 | 1998/08/28 |
| 22 | Director General | Mr. Bamshidhar Ghimire | 1998/09/05 | 2001/04/12 |
| 23 | Director General | Mr. Madhav Prasad Ghimire | 2001/04/22 | 2002/05/08 |
| 24 | Director General | Mr. Ramchandra Man Singh | 2002/07/17 | 2003/07/23 |
| 25 | Director General | Mr. Krishnahari Baskota | 2003/07/24 | 2005/10/02 |

| | | | | |
|----|-------------------------|-----------------------------|------------|---------------|
| 26 | Acting Director General | Mr. Chandi Prasad Dahal | 2005/10/16 | 2006/02/16 |
| 27 | Director General | Mr. Balgobinda Bista | 2006/02/17 | 2007/06/15 |
| 28 | Director General | Mr. Lakshman Kumar Pokharel | 2007/07/31 | 2008/10/04 |
| 29 | Director General | Mr. Bodhraj Niraula | 2008/10/05 | 2010/04/01 |
| 30 | Director General | Mr. Nawaraj Bhandari | 2010/04/02 | 2011/03/27 |
| 31 | Director General | Mr. Tanka Mani Sharma | 2011/03/28 | 2011/11/27 |
| 32 | Director General | Mr. Rana Bahadur Shrestha | 2011/11/28 | 2012/05/07 |
| 33 | Director General | Dr. Muktinarayan Poudel | 2012/05/07 | 2013/07/23 |
| 34 | Director General | Mr. Surya Prasad Acharya | 2013/07/24 | 2014/12/22 |
| 35 | Director General | Mr. Shishir Kumar Dhungana | 2014/12/22 | 2017/02/02 |
| 36 | Director General | Mr. Ramsharan Chimoriya | 2017/02/19 | 2017/11/03 |
| 37 | Director General | Mr. Jagadish Regmi | 2017/11/05 | 2018/04/08 |
| 38 | Director General | Mr. Toyam Raya | 2018/04/09 | 2019/03/15 |
| 39 | Director General | Mr. Rameshwor Dangal | 2019/03/15 | Till the date |

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***Note: for the comfort and content of readers, the original name of source is also bracketed next to its most nearest translation in English mentioned below.

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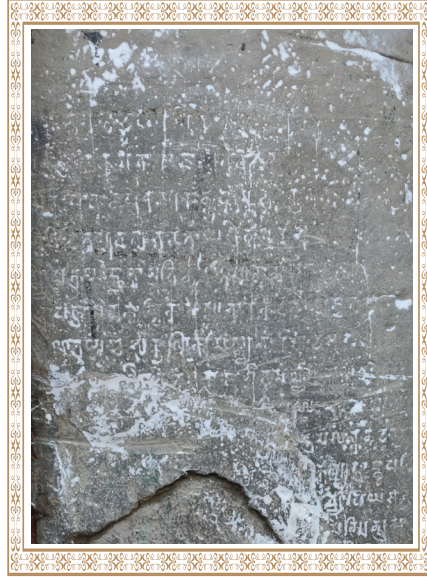
Glossary

| | | | |
|----------|---|------------------|---|
| Ahad | : A court of justice | | by <u>nobility</u> of <u>Gorkha Kingdom</u> |
| Addā | : A word commonly used to denote civil and military offices and departments including a court of law and customs offices. | | Baise and Chaubise A collective name given to those twenty-two and twenty-four principalities that existed in the Gandaki and Karnali region respectively prior to their conquest by the Shah rulers.. |
| Agrākh | : A kind of strong wood specially of Sal wood (<i>Shorea robusta</i>). | | |
| Ain | : Act or law of the country | | |
| Amānat | : System of revenue collection through officials appointed by the government. | Banija Sārthwāha | : Leader of Nepalese traders during ancient time |
| Amalidār | : A non-commissioned army officer below <i>Hawaldār</i> and above <i>Piuth</i> | Banija | : Trader or merchant |
| Anihārya | : Goods which cannot be sold without permission from the government. | Banjārā | : Mobile Merchant |
| Ānā | : a unit of traditional Nepali currency. One ānā or one sixteenth or a rupee. | Bartabandha | : Investiture of boys with the sacred-thread (<i>Janai</i>)- also called <i>Upanayan</i> . |
| Ardali | : Assistant level employee or helper. | Bazaar Addā | : The office which administered customs. |
| Badākāji | : Senior Kaji; a title and position used | Bhandārgriha | : Store or warehouse |
| | | Bhandāri | : Store-keeper |
| | | Bhāndashālā | : Store or warehouse Bhandelnayak, Bhandayak |
| | | or Bhandāgarik: | The store-keeper or chief of store house or warehouse |
| | | Bhanjyāng | : Narrow valley, Mountain pass |

| | | | |
|----------------|--|------------------|--|
| Bhansār | : Customs Bhansār chowk or Bhansār tol or | Dām | : One forth of paisa for monetary value count |
| Bhansār ghar | : Customs point/centre | Dhan | : Wealth |
| Bhansār Hiti | : Water tap near Customs area | Dhansār | : Wealth Store |
| Bhārdāri Sabhā | : Courtiers' assembly. | Dhanshālā | : Wealth Store |
| Bhot Bhansār | : Nepalese Customs office in Tibet. | Dharmaguru | : Religious Leader |
| Bigāhā | : Traditional measurement system of Land | Dharmapatra | : A treaty |
| Brahmin | : one of the castes of Nepal | Dhewā | : Local functionary in Tibet also used to collect customs duties. |
| Chail | : Clothes/ textile | Dhiki, Jato | : Traditional Food grinding means |
| Chailkar | : Tax on textile | Dranga | : A commercial area or town during Lichhavi period |
| Chakku | : Jaggery (sugarcane product) | Drungapāl | : Chief of Dranga or town |
| Chatbhat | : Tax collector | Gādā | : Means of transportation with use of horses/ ox/ buffalos |
| Chharidār | : person to cross- monitor or work as ombudsman | Gādi | : Customs in hills |
| Chhe Bhandelā | : Public Work Office | Gaulmic | : Security persons |
| Chhewar | : A rituals of shading the hair off. | Gosāi Sanyāsi | : Traders from Kashmir |
| Chimpu | : A system or procedure while sending goods from one customs to next customs office. | Goswārā Bhansār | : General Customs office of Kathmandu |
| Chokhpara | : Clothes/ textile | Grām | : Village |
| Chuck Amillo | : Sour | Gud and Shakkhar | : Jaggery (sugarcane product) |
| Chungi | : Duty/Fee | Guthi: | Trust, Religious endowment. Land granted for the |

| | | | |
|-------------------|--|------------------|--|
| | maintenance of religious and philanthropic institutions. | Killā or Durga | : Fort |
| Hastihād | : Artefacts | Kuther Adhikaran | : Central office to collect revenue during Licchavi period |
| Hawaldār: | Police constable | Lāhā | : Lac |
| Ijārā | : A contract for collection of revenue, exploitation of mines, etc. A system of letting land or the State duties on farm or lease. | Lālmohar | : Royal seal or Red seal. |
| | | Lekhandās | : writer. |
| | | Loktā | : A type of vegetation used to make paper |
| | | Māhājan | : Merchants |
| | | Māhāsāmanta | : Minister in Lichhavi period |
| Ijāradār | : A contractor. The holder of an <i>Ijārā</i> | Mahendramalli | : Coin minted during the reign of Mahendra Malla of Kathmandu |
| Istihār | : Order. | | |
| Jafat | : Confiscation. | | |
| Jagāt | : Customs duty. | Mān | : A traditional measurement unit equivalent to 40 kilogram approx. |
| Jātrā | : Religious fair | | |
| Kasantasan Dhalot | : A type of metal mix of brass and copper. | Mānā Pāthi | : Traditional measurement unit in Nepal |
| Kathhā | : Land measurement unit used in Terai | | |
| Khadga Nishānā | : Seal bearing a sword or trident or arrow on top and the abbreviated signature of the Rana Prime Minister. | Dhak, Tarāju | : Weighing units and machines in ancient Nepal. |
| | | Mohar | : Nepal currency equal to 50 paisa. |
| | | Mukhiyā | : Village Headman |
| Khādi | : A type of handmade cotton cloth | Nayāb Diththā | : A government officer under Diththa |
| Khajānji | : Cashier or treasurer | Patāsi | : Types of clothes wearing by Newar women |
| Khudo | : Molasses | | |

| | | | |
|-------------------|--|------------------|--|
| Pauvā | : A type of painting in Buddhism | Sulka | : Fee/ duty |
| Purān | : Religious text of Hindus | Taksār/ Takshāl | : Mint |
| Rukkā | : Instruction or direction issued by the head of the government | Taksār Addā | : Mint Office |
| Sadar Mulukikhānā | : Central office of record keeping | Taksāli/ Taksāri | : Master of the Mint, who was also responsible for collection of customs duties on Nepal- Tibet trade. |
| Sāmanta | : Administrator | Tāl | : Advanced or alarge village |
| Sanad | : Royal Order | Tankashālā | : Mint office |
| Sanyāsi Madhesi | : Traders from Terai or India | Tolā | : Traditional unit of measurement which is approx.11.664 grām. |
| Sārth | : Trader | Tuki | : Lamp of kerosene. |
| Sārthwāha | : Head of trader | Vaishya Thakuri | : Traders from Vaishya caste or community |
| Sawāl | : Decree on behalf of King | Vaisyā Sāmanta | : Chief Traders from Vaishya caste or community |
| Shilāpatra | : Inscription. | Wārta | : High positional government officer |
| Shrādhas | : A religious function in tribute or homage of deceased member of family | Yagya | : Religious fair |
| Shulkashālā | : Customs points | | |
| Sinki Gundruk | : Fermented leafy green vegetable of radish. | | |



An inscription, which was maintained in about 592 CE during Shiva Dev's rule, related to customs found at Chapagaun, Lalitpur.

IN SANSKRIT

स्वस्ति मानगृहादपरिमितयशा बप्पपादानुध्यातोलिच्छ्रविकुल- केतुर्भट्टारकमहाराजश्रीशिवदेवः कुशली.....नि- वासिनः प्रधानपुरस्सरान्कुटुम्बिनः
 कुशलमाभाष्य समज्ञाप- यति विवितम्भवतु भवतां यथेह स्थरुद्रङ्ग्रे..... मत्स्योपकयङ्कृत्वा प्रतिनिवर्त्तमानानामेकस्य पु.....
 शुल्कापट्टरासेन काष्ठिकामत्स्यभारक एकस्मिंश्च त ...तामि- कपणत्रयञ्चभुक्कुण्डिकामत्स्यभारके दश भुक्कु..... त्रिपणाः राजग्रीवके
 दश राजग्रीवमत्स्याः पणत्रयं..... रीमत्स्यभारकेत्रिपणाः मुक्तामत्स्यभारके- यम्पञ्चाशत्तमशुक्लन्तदस्य.....
 केतु कल्य प्राङ्नुपतिभि..... व्यापियश..... मस्मिन्प्रसादे कोवेकै
 चिरकालस्थितये चास्य प्रसा- दस्य शिलापट्टशासनमिदन्दत्तम्..... भाविभिश्चायं प्रसाद
 भूपतिभिर्द्धर्मगु- रुभिर्गुरु कृतप्रसादानुवर्त्तिभिरियमाज्ञा सम्यक्पालनीयेति समाज्ञापना दूतकश्चात्र वैशाखशुक्लपञ्चम्याम्

IN ENGLISH

Wish, Nepalese have remained well and fine. Widely renowned from Mangriha palace, blessed with favour from father, the icon of Lichchhavi dynasty, and salubrious on body, His Majesty Highness Shiva Dev has enquired on how-about of Mukhiya, other personnel and housewives as well at ... and informed all for these concerns.

Here at Stharu Dranga, when someone returns after selling fishes....lowering the customs duty on them....three Pan per one load in Kasthika fish, ten fishes and three Pan per one load in Bhakundi fish, three Pan per one load in Rajgribha fish, three Pan per one load in Mukta fish....one of fifty on duty ...so as the same was set up by the erstwhile kings. Expecting this order works till long, this inscription is introduced as Sanad.

Even the subsequent kings do favour on virtues of this action and regard this rule as binding hence inherit the orders from ancestors and abide by the same spirit further.

Source: Dhanabajra Bajracharya. 2030. Records from Lichchhavi Period. Kritipur: TU, Nepal & Asian Study Centre. P: 225- 226.

****Note: The detail herein is transliteration of Sanskrit version of message carved on inscription. Some portions are illegible since those words are already rubbed and/or parts of inscription are decayed or broken.



New Building of Department of Customs



Then Building of Department of Customs, collapsed by earthquake in 2015.

ISBN : 978-9937-0-6101-8



978-9937-0-6101-8