



## HAN HR MEET 2025 : STRENGTHENING HUMAN CAPITAL FOR NEPAL'S HOSPITALITY SECTOR



On July 15, 2025, the inaugural HAN HR MEET 2025 was convened by the Hotel Association Nepal (HAN) in partnership with the ENSSURE Project. This landmark gathering was strategically designed to identify and address critical human resource challenges confronting Nepal's hotel and hospitality industry while exploring sustainable solutions to amplify sectoral efficiency and productivity.

The event was presided over by HAN President Mr. Binayak Shah, with Er. Mahesh Bhattarai, Member Secretary of the Council for Technical Education and Vocational Training (CTEVT), as the Chief Guest. The distinguished panel of guests comprised of Ms. Sangita Ojha, Executive Director of the Nepal Academy of Tourism and Hotel Management (NATHM); Mr. Dambar Sunuwar, Under Secretary of the Ministry of Labour, Employment and Social Security (MoLESS); Mr. Suresh Kumar Joshi, Under Secretary of the Ministry of Education, Science and Technology (MoEST); and Mr. Rabindra Bahadur Singh, Team Leader of the Enhanced Skills for Sustainable and Rewarding Employment (ENSSURE) Project.

In his inaugural address, President Mr. Binayak Shah extended a warm welcome to HR professionals, media representatives, and all stakeholders in attendance. Analyzing the contemporary landscape of Nepal's hospitality sector, he acknowledged the

substantial growth in hotel infrastructure, which demonstrates significant capacity for guest accommodation. However, he articulated a pressing concern regarding the diminishing availability of skilled human resources. While the nation possesses the infrastructure capacity to accommodate 3.5 million visitors, the emigration of skilled youth pursuing educational and employment opportunities abroad has created a substantial workforce deficit.

Drawing from his experience, Mr. Shah noted the daily exodus of young, qualified professionals from Nepal, presenting a formidable long-term challenge for the industry. He expressed optimism that HAN HR MEET 2025 would generate actionable insights regarding private sector contributions to workforce development and facilitate the integration of these findings into government policy frameworks through enhanced networking and strategic initiatives.

Mr. Rabindra Bahadur Singh underscored the significant untapped potential within Nepal's human resources, particularly its youth, who are frequently perceived as a burden rather than an asset, with discourse predominantly centered on unemployment rather than capability. "We haven't truly acknowledged our youth as a resource," he observed, emphasizing the urgent imperative to transform this narrative and recognize young

people as catalysts of economic development and innovation. He advocated for a coordinated national initiative to convert this potential into skilled and competent human capital through strategic investment in training and by cultivating an environment conducive to youth empowerment. Crucially, he emphasized the necessity of robust collaboration between the public and private sectors to effectively integrate and mobilize this workforce for the sustainable growth of Nepal's hospitality industry.

**“HAN HR MEET 2025 highlighted the need to align skills with industry, retain talent, and treat human capital as a catalyst for hospitality growth.”**

Mr. Suresh Kumar Joshi addressed the education system's pivotal role in employment outcomes, identifying the disconnect between theoretical education and practical competencies as a major barrier. “We need to bridge this gap by embedding experiential learning into our training programs,” he stated, stressing the value of hands-on skill development. He emphasized the importance of fostering a learning culture that encourages practical application, the use of emerging technologies, and curriculum modernization in line with current industry demands. “It's not just about teaching; it's about preparing students for real-world challenges,” he added. He also highlighted the need to build trust and coordination mechanisms that support the shift from traditional academic models to dynamic, outcome-driven frameworks.

Mr. Dambar Sunuwar addressed the collective responsibility of all stakeholders in developing robust human resource capabilities. He noted, “Despite the abundant opportunities in Nepal's hotel sector, many trained graduates still prefer to go abroad.” To counter this, he proposed introducing retention mechanisms that would encourage students to contribute to the domestic market for at least a year after completing their training. He also offered a thoughtful reflection: “When we say 'Hotel Sangha Nepal,' it shouldn't just mean an association of hotels operating in Nepal; it should symbolize a strategic partnership between the hospitality industry and the nation itself,” underscoring the importance of mutual commitment to sustainable growth and development.

Finally, Mr. Mahesh Bhattarai commended the ENSSURE training and education initiatives as exemplary programs. He introduced the concept of prioritizing not merely the private sector, but the productive sector, one that generates measurable employment outcomes. He emphasized that contemporary education must encompass both skill development and knowledge acquisition as integrated components. According to his assessment, the primary focus should be strategic resource management, coupled with deliberate investments in time, training, and methodologies that systematically expand employment opportunities throughout the sector.

## **Legal Frameworks in Focus-Presentation by Prof. Dr. Gandhi Pandit**

As an integral component of HAN HR MEET 2025, a comprehensive and analytical presentation entitled “Legal Issues in the Hospitality Industry” was delivered by Prof. Dr. Gandhi Pandit,

designed to illuminate the intricate legal framework governing Nepal's hotel and hospitality sector. His presentation underscored the critical imperative for legal clarity and regulatory reform within the industry, emphasizing the significance of proactively addressing both persistent and emerging legal complexities.

Dr. Pandit delineated several critical challenge areas, encompassing frequent labor-related disputes, an escalating disconnect between recently enacted labor legislation and the operational realities of hospitality management, and the inadequate equilibrium between employee entitlements and managerial discretion. He further identified ongoing challenges, including conflicts within outsourced service agreements, compensation disparities and inequities, dysfunctional labor relations, and the absence of systematic conflict-resolution frameworks. Additional concerns encompassed the abuse of strike privileges, disciplinary and misconduct complications, and workplace harassment, with particular emphasis on the necessity for definitive boundaries and professional conduct standards, especially regarding the treatment of women. He also highlighted ambiguity surrounding employment termination practices, particularly the inconsistent application of the 20-day notice requirement.

To address these critical issues, Dr. Pandit recommended a comprehensive suite of legal and policy reforms, including:

- Amendment of labor legislation to accurately reflect contemporary hospitality sector dynamics,
- Rationalization of employee leave entitlements through clear differentiation between privilege and service leave categories,
- Development of transparent disciplinary protocols and comprehensive conflict-resolution mechanisms,
- Implementation of stringent behavioral standards and anti-harassment policies,
- Standardization of employment termination procedures, including notification requirements &
- Establishment of equitable compensation structures and comprehensive benefit frameworks.

**“With nationwide authority and a clear call for legal and institutional reform, HAN is poised to unify Nepal's hospitality industry while strongly championing a fair, compliant, and future-ready sector.”**

In the subsequent segment of his presentation, Dr. Pandit addressed the legal prerequisites for hospitality industry operations, detailing the registration procedures and organizational structure alternatives, encompassing sole proprietorship, partnership arrangements, and private limited company formations. He elaborated on the mandatory regulatory compliance requirements, including:

- Business registration and hotel classification systems (star-rated and non-star categories),
- Acquisition and renewal of essential permits (taxation,

operational, environmental approvals),

- Authorization for foreign currency exchange services,
- Compliance with service quality benchmarks,
- Intellectual property registration (trademark and patent protection) &
- Adherence to the National Criminal Code and legislation prohibiting child labor practices.

Finally, he highlighted specialized legal provisions accessible to hospitality sector enterprises, such as preferential electricity tariff structures and additional regulatory incentives, positioning these as strategic considerations for industry expansion and long-term viability. Through this presentation, Dr. Pandit not only identified the legal challenges confronting the hospitality sector but also provided a strategic framework for establishing a more transparent, equitable, and legally compliant foundation for its future development.

## Key Questions and Takeaways from Open Floor Discussions

The open-floor discussion segment constituted a critical forum for stakeholders to articulate challenges, exchange insights, and formulate actionable solutions for the hospitality industry. Mr. Bishnu Kumar Shrestha from Himalayan Hotel addressed the educational gaps and elevated attrition rates among hospitality students. He identified systemic issues, including inadequate student-family engagement, inconsistent institutional follow-up protocols, and insufficient coordination between academic institutions and hospitality establishments. Mr. Shrestha emphasized the necessity for a more structured on-the-job training (OJT) framework, recommending that following a comprehensive three-month foundational course, students should specialize in one department for intensive, focused training. He also highlighted the disparity between students enrolled in four-year Bachelor of Hotel Management programs and those in abbreviated training modules, contending that three months is insufficient for establishing robust theoretical foundations. To address competency deficiencies, he proposed cultivating student specialization in specific domains and establishing inter-hotel manpower exchange networks to facilitate experiential learning and knowledge transfer.

Mr. Narayan Poudel of Everest Hotel concentrated on student motivation and mentorship during internship periods. He advocated for early identification of students' aptitudes within the initial training phase to ensure appropriate role alignment.

He also emphasized the requirement for specialized training pathways that prepare participants for entry-level, intermediate, and professional positions in hospitality management. According to Mr. Poudel, inadequate knowledge poses risks to both students and institutions; therefore, comprehensive training protocols and continuous assessment are indispensable. He called for recurring professional forums to address systemic issues and update policies in response to evolving industry standards.

Mr. H. B. Lama from Kathmandu Training Institute provided a comprehensive analysis of challenges confronting hospitality trainees. He observed that students predominantly prefer culinary roles over front office positions, resulting in a misalignment between industry requirements and trainee preferences. He urged hospitality establishments to provide systematic performance feedback to trainees to support professional development and competency enhancement.

In addition to Mr. Lama's observations, several other participants raised critical concerns that reflected the broader realities of workforce management within the hospitality industry. A recurring challenge was that students frequently resist departmental assignments, instead demanding roles based exclusively on personal preference. This misalignment often disrupts structured training programs and creates operational challenges for hotels attempting to meet service requirements.

Another extensively discussed concern was the insufficient duration of internship programs. Many participants concurred that the current three-month framework is inadequate, and a six-month internship period would provide enhanced practical exposure and professional maturation. Participants also identified elevated dropout rates, particularly among School Leaving Certificate (SEE) graduates, which contribute to the persistent manpower shortages across hospitality establishments.

A significant number of trained students were reported to pursue international employment opportunities immediately after acquiring foundational skills, resulting in substantial brain drain. To mitigate this phenomenon, participants recommended implementing career counseling initiatives, structured evaluation frameworks, and incentive systems to promote long-term retention within Nepal's hospitality sector.

From a systemic perspective, concerns were raised regarding the lack of coordination among trade union organizations, whose conflicting objectives often create institutional fragmentation. A proposed solution was to conduct democratic elections



to establish unified representation, thereby strengthening collective bargaining capacity and institutional cohesion.

Additional issues highlighted during the discussion included:

- **Pension-related concerns**, particularly regarding the mandatory 20% salary deduction. Opinions varied on whether pension management should remain under state administration or transition to individual custodial arrangements.

- **Inefficiencies in insurance claim processing**, which participants noted require urgent reform to ensure that hospitality workers have accessible, reliable,

and expeditious insurance support services.

This comprehensive and insightful session illuminated several critical challenges within Nepal's hospitality workforce ecosystem and underscored the imperative for sustained collaboration among educators, hospitality operators, and policymakers to facilitate sustainable sectoral growth.

## Panel Discussion & Focus Presentation

As a pivotal component of HAN HR MEET 2025, a comprehensive panel discussion was conducted on the theme "Nepal Hospitality Industry: Current Status of Human Resources, Challenges, and Way Forward." The session convened industry leaders, academic institutions, and policy architects to examine critical workforce challenges within Nepal's hospitality sector and formulate collaborative strategies for sustainable development.

The session commenced with a focus presentation by Mr. Rabindra B. Singh, Team Leader of ENSSURE, followed by moderated discussions led by Mr. Youb Raj Shrestha, Treasurer of the Hotel Association Nepal (HAN). The distinguished panel comprised Ms. Sangita Ojha, Executive Director of NATHM; Mr. Dambar Sunuwar, Under Secretary at MoLESS; Mr. Suresh Kumar Joshi, Under Secretary at the Ministry of Education, Science & Technology; Mr. Binod Badal, Director at CTEVT; and Mr. Khem Poudel, HR Director at The Soaltee Kathmandu.

## Focus Presentation by Mr. Rabindra Bahadur Singh

Mr. Rabindra Bahadur Singh, Team Leader of the ENSSURE Project, delivered an analytical presentation on the apprenticeship framework as a strategic mechanism for transforming human resources into productive human capital. Drawing from independent empirical research, he elucidated how the work-based learning methodology addresses the disparity between theoretical instruction and industry requirements. This model allocates approximately 30% of training time to institutional learning and 70% to practical, experiential training, fostering comprehensive skill development.

*"Apprenticeship is a proven model bridging the gap between classroom learning and industry needs: benefiting youth, employers, and the nation alike."*

He reported that apprenticeship programs spanning eight hospitality-related disciplines have been successfully operationalized since 2018, engaging over 6,500 participants. The program employs a co-investment framework, requiring collaborative commitment from both public and private sectors. Through a joint selection mechanism, apprentices are enrolled in 19-month programs specifically designed to bridge curriculum-industry gaps. Performance metrics demonstrate positive outcomes: 75% of graduates secure employment, while 25% pursue advanced education or establish entrepreneurial



ventures. Randomized Controlled Trial (RCT) data indicates that apprentices demonstrate a 1.5-fold higher employment probability and earn 56% above minimum wage standards, with enhanced retention rates and reduced recruitment expenditures.

Singh characterized the model as a “win-win-win” framework—benefiting industry stakeholders, youth participants, and governmental objectives. He emphasized that integrating the apprenticeship model into national human resource policy would enhance stakeholder confidence and motivation. To ensure program sustainability, he advocated for:

- Policy-level recognition and institutionalization of apprenticeship frameworks,
- Clear delineation of program responsibilities accountability mechanisms,
- Implementation of incentives, including tax benefits and subsidies,
- Establishment of post-training employment continuity guarantees &
- Enhanced private sector investment commitments.

He also highlighted the program’s inclusive design, featuring substantial female participation, and its capacity to mitigate youth outmigration by providing viable domestic opportunities.

## Panelist Insights & Key Takeaways

**Mr. Khem Poudel, HR Director at The Soaltee Kathmandu,** identified a significant disparity between the demand for skilled professionals and actual workforce availability within the hospitality sector. He observed that despite elevated unemployment rates, employers frequently encounter retention challenges attributed to deficient technical competencies, unprofessional attitudes, and limited long-term commitment. He emphasized the necessity for structured career advancement pathways, systematic job rotation programs, and objective-driven training initiatives to address the sector’s current 12% employee turnover rate. He further stressed the importance of cultivating a conducive work environment to foster employee loyalty and long-term retention within Nepal’s domestic market.

**Ms. Sangita Ojha, Executive Director of NATHM,** provided insights into the institution’s capacity to train over 300 students annually, yet noted that many remain underutilized while pursuing international opportunities. She expressed concern that internships are frequently perceived as interim arrangements rather than developmental platforms. Given increasing offers from international hospitality establishments, she urged stakeholders to reconsider compensation structures and support systems—particularly regarding food and transportation allowances—to enhance the attractiveness of domestic placements. She emphasized that domestic hospitality education should not only maintain global competitiveness but also facilitate dignified, well-compensated local employment opportunities.

**“Bridging skill gaps and retaining talent through better training is vital for Nepal’s hospitality industry.”**

**Mr. Suresh Kumar Joshi, Under Secretary at the Ministry of Education, Science & Technology,** addressed systemic deficiencies in existing training programs, identifying a fundamental disconnect between theoretical curricula and practical industry requirements. He advocated for improved synchronization between

academic instruction and experiential learning, proposing that educational institutions integrate embedded work-based learning components. He also emphasized the imperative to enhance instructor qualifications, review and modernize obsolete curricula, and establish systematic feedback mechanisms from industry employers. Joshi further stressed that policy implementation must be complemented by awareness development, capacity enhancement, and inter-departmental coordination.

**Mr. Binod Badal, Director at CTEVT,** outlined both the challenges and opportunities within Nepal’s vocational education framework. He acknowledged regional disparities, particularly in Karnali Province, where formal training institutions are insufficient. He called for expansion of diploma-level programs, improved access to virtual learning platforms, and more adaptive training structures to address student attrition. Badal noted that over 300 apprenticeship-aligned curricula exist but require systematic updating. He emphasized the need for a streamlined curriculum development process involving industry leadership, ensuring course content aligns with the evolving demands of the hospitality sector.

**Mr. Dambar Sunuwar, Under Secretary at MoLESS,** underscored the critical need for strategic youth retention initiatives within the domestic employment market. He observed that many graduates, despite receiving comprehensive training and education, continue to seek international employment due to inadequate career progression structures and insufficient entry-level compensation. Sunuwar emphasized that pre-departure counseling programs, comprehensive career mapping, and employer-led professional development initiatives can mitigate the “brain drain” of hospitality graduates. He also proposed incentive-based employment programs and regional retention policies to encourage domestic engagement and reduce migration trends.

## Closing Thoughts

Moderator Mr. Youb Raj Shrestha concluded by emphasizing the hospitality industry’s potential as both an employment generator and a professional development platform for emerging talent. He reinforced the necessity for policy recognition of apprenticeship programs, multi-stakeholder collaboration, and strategic long-term vision to align the hospitality sector with national employment objectives. The panel discussion reaffirmed the critical importance of integrating educational institutions, industry stakeholders, and policy frameworks to develop a robust, skilled, and retained workforce capable of advancing Nepal’s hospitality industry within an increasingly competitive global marketplace.

The HAN HR MEET 2025 represented a pivotal milestone in Nepal’s hospitality sector by establishing essential discourse on workforce development, regulatory complexities, and institutional challenges. As the inaugural event of its nature, it successfully convened educators, hospitality professionals, legal practitioners, and industry stakeholders to identify training deficiencies, address labor-related concerns, and emphasize the critical need for coordinated reform initiatives. The perspectives shared highlighted the fundamental importance of competency-based education, structured internship programs, regulatory clarity, and enhanced public-private sector partnerships. The organizers expressed profound appreciation to all participants for their substantive contributions and active participation. Concluding on an optimistic trajectory, the program was acknowledged as a cornerstone initiative toward sustained sectoral improvement, with a unified commitment to advancing such collaborative forums to cultivate an inclusive, skilled, and strategically prepared hospitality workforce in Nepal.

HAN HR Meet 2025 also formed HAN HR Club where HR Directors/Managers of member hotels meet and discuss related issues on regular basis.

# HOSPITALITY SECTOR SEEKS FAIR MUSIC ROYALTY SYSTEM

Nepal's hospitality industry faces an escalating challenge that threatens to reshape how hotels, restaurants, and lounges operate: the intensifying demand for music royalty payments. As establishments across the country grapple with mounting financial pressures, the Music Royalty Collection Society's enforcement of Clause 39 under Nepal's Copyright Act 2059 has emerged as a critical concern requiring immediate attention.

The legal framework is clear, venues playing music publicly must compensate artists and lyricists for their creative work. This principle enjoys widespread support throughout the hospitality sector, which recognizes the value of intellectual property rights. However, the current collection methodology has sparked significant controversy, with industry stakeholders questioning both the fairness and transparency of the process.

The fundamental problem lies not in the royalty system itself, but in its implementation. The collecting body operates with seemingly unchecked authority, determining payment amounts through what many hospitality professionals describe as arbitrary calculations. Without standardized guidelines or transparent pricing structures, establishments find themselves facing unpredictable and often excessive financial demands that strain already tight operational budgets.

This burden has become particularly acute for businesses still recovering from pandemic-related losses. Hotels and restaurants that invested heavily in creating atmospheric experiences through carefully curated music now face retroactive fees that can significantly impact their bottom line. The lack of predictable, proportionate pricing makes financial planning nearly impossible, forcing some establishments to reconsider their use of music entirely.

The situation becomes more concerning when viewed through a forward-looking lens. While current fees target lyricists

and musicians, the creative landscape continues evolving rapidly. Emerging stakeholders—including composers, sound producers, music video creators, and digital content influencers—may soon demand their own shares of royalty collections. If each creative contributor establishes separate collection mechanisms, the cumulative financial impact could prove devastating for Nepal's hospitality sector.

Industry leaders emphasize their willingness to support fair compensation for artists, but demand a system built on transparency, consistency, and proportionality. The current approach risks creating an adversarial relationship between two sectors that should naturally complement each other, the creative arts and hospitality industries both contribute significantly to Nepal's cultural and economic landscape.

Government intervention appears necessary to establish equilibrium between protecting intellectual property rights and maintaining the viability of businesses that actively promote and distribute creative content. Hospitality establishments serve as crucial platforms for exposing audiences to diverse musical works, creating a symbiotic relationship that benefits both artists and venue operators.

Effective reform requires comprehensive dialogue between all stakeholders, collecting societies, hospitality associations, government regulators, and artist representatives. A well-structured royalty system should feature clear pricing guidelines, transparent collection processes, reasonable payment schedules, and mechanisms for dispute resolution.

The path forward demands thoughtful legislation that honors artists' creative contributions while recognizing the economic realities facing Nepal's hospitality industry. Only through balanced regulation and collaborative implementation can we forge a sustainable framework that supports both creative excellence and the businesses that bring music to life for countless guests and patrons across the nation. Such harmony between rights holders and service providers will foster long-term stability. Ultimately, this will elevate Nepal's cultural landscape and hospitality standards alike.

# HOSPITALITY LEADERS DESERVE CIP RECOGNITION

Nepal's Commercially Important Person (CIP) certification stands as the nation's highest business honor, reserved for entrepreneurs whose ventures have fundamentally shaped the country's economic landscape. Yet in examining the prestigious recipient list, a glaring omission emerges: the systematic exclusion of hospitality industry leaders whose contributions rival, and often exceed, those of recognized sectors.

The hospitality and tourism industry represents one of Nepal's most substantial investment magnets and employment generators. According to the Department of Commerce, Supplies and Consumer Protection, this sector demands extensive capital investment while creating thousands of jobs across skill levels. Despite these credentials, hoteliers and tourism entrepreneurs remain conspicuously absent from CIP recognition, suggesting a profound disconnect between government priorities and economic reality.

This oversight carries consequences beyond symbolic recognition. The hospitality industry doesn't merely contribute to GDP figures, it crafts Nepal's international image and serves as the primary gateway for foreign exchange earnings. Every hotel investment, every tourism initiative, every hospitality venture

builds Nepal's global reputation as a destination worth visiting and investing in.

CIP certification offers tangible benefits that extend far beyond prestige: streamlined visa processes, enhanced business networking opportunities, and priority status in international trade activities. For hospitality entrepreneurs managing complex international operations, these advantages translate directly into operational efficiency and growth potential. The absence of industry leaders from this recognition framework creates an artificial barrier to sector development.

The current recognition pattern inadvertently signals that hospitality contributions matter less than other business sectors: a message that could discourage future investment and innovation. When the government fails to acknowledge the industry's economic significance through its highest business honor, it undermines the very sector that attracts international visitors and showcases Nepal's potential.

Moving forward, CIP recognition must reflect economic reality. The hospitality industry has earned its place among Nepal's most vital business sectors through substantial investment, job creation, and international profile building. Correcting this oversight would not only acknowledge past contributions but signal government commitment to Nepal's tourism-dependent economic future.

# HOSPITALITY INDUSTRY AWAITS FASTER ELECTRICITY BENEFITS

The hospitality industry stands at a pivotal moment. After years of advocacy, this year's fiscal budget finally recognizes hotels as equivalent to manufacturing industries for electricity tariff purposes, a landmark policy shift promising substantial operational relief for Nepal's tourism backbone. Yet months into the fiscal year, this breakthrough remains trapped in bureaucratic limbo, leaving hotel operators questioning when promised benefits will materialize. This tariff restructuring represents more than cost savings; it acknowledges the hospitality industry's fundamental role in Nepal's economic architecture and its massive contribution to employment and foreign investment.

The implementation delay, however, undermines the policy's intended impact. Every day without an official declaration means continued financial strain on hotel operations already recovering from pandemic disruptions.

The Nepal Electricity Authority (NEA) must immediately issue formal notification implementing these tariff benefits. The hospitality industry cannot afford indefinite waiting periods while operational costs continue mounting. Swift implementation will trigger immediate positive cascades throughout the tourism ecosystem, enabling hotels to reinvest in facility upgrades and service enhancements that directly benefit Nepal's tourism competitiveness. Conversely, continued delays signal government indifference toward a sector critical to national economic recovery.

The hospitality industry has earned this recognition through decades of contribution to Nepal's development. Now it demands action matching political commitment. The time for implementation is not tomorrow—it is today ■

# HAN CONCERNS ON NTB BUDGET

The recently announced annual budget for fiscal year 2082/83 by the Nepal Tourism Board (NTB) has sparked concern within the hospitality industry. Despite multiple requests and proposals submitted by the Hotel Association Nepal (HAN), none of its key demands have been incorporated into the new budget. This oversight has drawn serious attention from stakeholders in the hotel sector.

As a body established on the principle of public-private partnership, the NTB is expected to promote balanced development and mutual growth. However, the exclusion of HAN's proposed programs and activities from the budget contradicts this very foundation. These programs, critical for the development, promotion, and sustainability of the hospitality sector, have been sidelined without adequate justification.

HAN has continuously advocated for strategic initiatives that would uplift the tourism and hotel industry, including collaborative events, training programs, and destination marketing campaigns. The lack of acknowledgment for these efforts not only weakens the partnership but also puts ongoing and future hospitality initiatives at risk.

Going forward, such concerns must be addressed with seriousness and transparency. NTB must realign its planning process to reflect the needs of core stakeholders like HAN. Ignoring the backbone of the tourism ecosystem, the hotel industry, can undermine Nepal's broader tourism goals.

To ensure continued growth and recovery, especially in the post-pandemic context, coordination between the government and private sector must improve. The hospitality industry calls for fair recognition, meaningful collaboration, and actionable support in national tourism planning ■

# NEPAL'S HOTEL INDUSTRY CONTINUES EXPANSION DESPITE DECLINING TOURIST ARRIVALS

Nepal's tourism sector demonstrates remarkable potential, driving substantial growth in hotel infrastructure to meet anticipated visitor demand. The Department of Tourism reports that 32 new five-star hotels opened their doors over the past year, reflecting sustained investor confidence despite challenging market conditions. This expansion persists even as tourist arrivals have decreased due to monsoon-related disruptions, including floods and landslides, combined with the natural off-season downturn.

Current data reveals that Nepal now hosts more than 215 hotels across all star categories, from one to five stars. The hospitality sector added 3,270 beds in the past year alone, elevating the total capacity of star-rated accommodations to 20,343 beds. Beyond these premium establishments, the country maintains 1,364 tourist-standard hotels, with 130 new properties joining this category recently. These mid-tier accommodations collectively provide 42,229 beds, significantly expanding Nepal's overall lodging capacity.

The hospitality industry maintains standardized service offerings, yet the off-season challenges and deteriorating road infrastructure have forced many hotels in prime tourist destinations to implement substantial discounts to attract visitors. While numerous properties struggle with low occupancy rates, hotel operators continue introducing promotional packages and special offers, even as official statistics show steady growth in both hotel numbers and bed availability.

Mr. Om Pandey, President of the Regional Hotel Association

in Sauraha, reports that local hotels currently operate at less than 10% capacity. This situation proves particularly concerning given that this period typically attracts Indian tourists to Nepal. However, the deteriorating condition of the critical Butwal-Narayanghat road section has severely impacted hotel performance across major destinations including Chitwan, Kathmandu, and Pokhara. Pandey, whose hotel portfolio spans Sauraha, Bhairahawa, Bharatpur, Pokhara, and Kathmandu, confirms the widespread decline in tourist numbers across these key markets.

In response to reduced arrivals, hotels have implemented aggressive pricing strategies. Mr. Suman Ghimire, former President of the Regional Hotel Association in Sauraha and HAN Executive Board Member indicates that properties now offer discounts of up to 50% on standard room rates. These promotional rates, available for bookings made during Shrawan (mid-July to mid-August), remain valid for stays extending through the end of Chaitra (mid-April), providing extended flexibility for potential guests.

The issue of overcapacity during off-peak periods has emerged as a significant industry challenge. Even during traditionally busy seasons, premium hotels increasingly depend on discount strategies to maintain competitiveness in a price-sensitive market characterized by intense rivalry. Persistent infrastructure problems, including deteriorating road networks and limited flight connectivity, continue to prevent hotels from achieving optimal capacity utilization.

SOURCE: CAPITAL NEPAL

## HOTELS FACE TAX POLICY CONFUSION

Nepal's hospitality and tourism industry finds itself trapped in a regulatory nightmare that exposes the dangerous consequences of ambiguous government policy-making. What began as pandemic relief has evolved into a bureaucratic betrayal that threatens the very establishments it was designed to protect. The government's retroactive clarification of income tax rules has left hotels facing unexpected liabilities despite fulfilling their obligations in complete good faith.

During COVID-19's devastating impact, the government offered hotels earning up to NPR 1 crore a reduced income tax rate of just 1%, a lifeline for an industry hemorrhaging revenue and struggling for survival. Hotels responded responsibly, many selling assets and properties to meet even these reduced obligations. However, the government's guidelines contained fatal ambiguities, failing to clearly specify which income sources qualified for the reduced rate. Hotels reasonably interpreted this to cover all business income, including necessary asset sales undertaken to maintain operations.

Two years later, authorities have delivered a crushing blow: the reduced tax rate never applied to asset sales, which should have been taxed separately. This retroactive clarification came only after hotels had completed audits and tax payments based on the original, ambiguous guidelines. The timing reveals either governmental incompetence or deliberate manipulation, both equally damaging to industry confidence and financial stability.

This regulatory chaos creates far more than confusion; it establishes dangerous precedents for arbitrary tax interpretation that could devastate any business sector. Hotels that sacrificed assets to meet their civic duties now face potential double taxation and penalties for following government guidelines as written. The Hotel Association Nepal demands immediate policy revision to protect the hospitality sector from such bureaucratic injustice.

The hospitality industry has endured pandemic closures, revenue collapse, and asset liquidation while maintaining tax compliance. Government must now demonstrate reciprocal good faith through transparent, industry-supportive regulations that foster trust rather than fear. Nepal's tourism recovery depends on policy certainty, not bureaucratic ambush tactics that punish compliance and reward confusion ■

## MAXIMUM RETAIL PRICE ISSUES IN HOSPITALITY

The hospitality industry confronts a regulatory paradox that threatens its fundamental business model. While Maximum Retail Price (MRP) regulations appropriately govern retail markets, their rigid application to hotels creates an impossible equation: how can establishments deliver premium service experiences while being constrained to basic product pricing? This regulatory mismatch ignores the sophisticated value proposition that defines modern hospitality operations.

Unlike conventional retail transactions focused solely on product exchange, hospitality transforms simple purchases into comprehensive service experiences. When guests order bottled water in a hotel, they're not merely buying a beverage; they're accessing an entire ecosystem of curated ambiance, professional service, facility maintenance, and personalized attention. MRP covers only the product's base cost while completely disregarding the substantial infrastructure and human resources required to deliver exceptional guest experiences.

## KMC SUPPORTS HOTEL RECOVERY EFFORTS

Kathmandu Metropolitan City has delivered crucial lifeline support to its hospitality sector through strategic tax relief measures that acknowledge the industry's ongoing recovery challenges. The newly announced integrated property tax discount program offers hotels within KMC jurisdiction up to 20% reduction in tax obligations, a significant financial reprieve that recognizes the sector's vital role in the capital's economic ecosystem.

The tiered discount structure demonstrates thoughtful policy design: hotels receive a standard 10% tax reduction, with an additional 10% incentive for early payment by Poush month-end. This dual approach not only provides immediate financial relief but also encourages prompt tax compliance, creating a win-win scenario for both the hospitality industry and municipal revenue management. Even establishments missing the early payment deadline retain access to the 10% base discount, ensuring broad sector support.

This relief comes at a critical juncture for Kathmandu's hotel industry. While the sector previously benefited from extraordinary 90% pandemic-era tax reductions during complete operational shutdowns, the current recovery remains fragmented and incomplete. Hotels continue operating below pre-pandemic capacity and profitability levels, making every cost reduction measure essential for sustained operations and reinvestment capabilities.

Given that Kathmandu Metropolitan City hosts the majority of Nepal's hotel infrastructure, this tax policy carries national tourism implications. The hospitality industry serves as the capital's economic engine, generating employment, attracting investment, and facilitating Nepal's international business and tourism activities. KMC's recognition of this sector's strategic importance through concrete fiscal support sets a progressive precedent that other municipalities should emulate.

The hospitality industry applauds KMC's pragmatic and timely approach to supporting sector-wide recovery. Continued implementation of such targeted and strategic relief measures will significantly accelerate the industry's return to full operational strength, ultimately benefiting Kathmandu's broader economic revival and further enhancing Nepal's tourism competitiveness on the global stage ■

The hospitality sector's value creation extends far beyond product markup. Every transaction involves complex operational costs: trained staff wages, facility upkeep, quality assurance systems, and guest satisfaction protocols. These service elements, invisible to MRP calculations, represent the industry's core differentiator and primary investment areas. Current regulations effectively penalize hotels for providing the very services that justify their existence.

Without regulatory recognition of hospitality's unique service-delivery model, the industry faces an unsustainable future. Hotels require policy frameworks that acknowledge their role as experience creators, not mere product vendors. Appropriate exemptions or structured pricing guidelines must reflect the genuine value hotels add to basic products through service excellence.

The hospitality industry demands regulatory reform that recognizes service value alongside product cost. Continuing to apply retail-focused MRP regulations to complex hospitality operations threatens service standards, discourages investment, and ultimately undermines Nepal's tourism competitiveness. The industry's survival depends on policies that understand hospitality as a service economy, not just a retail market.



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## **HAN RECEIVES APPROVAL OF "NATIONAL FEDERATION OF HOTELS & RESORTS" BY THE GOVERNMENT**

Nepal's hospitality industry has reached a historic milestone with the Hotel Association Nepal (HAN) receiving unprecedented nationwide operational authority. On Jesta 30th, 2082, the District Administration Office (DAO) granted HAN official permission by amending its Statute. With this, HAN now serves as the national umbrella organization of its member hotels across all 77 districts and 7 provinces, a landmark recognition that fundamentally transforms the association's capacity to champion hospitality sector interests throughout the country.

This nationwide mandate represents far more than administrative expansion; it signals governmental acknowledgment of the hospitality industry's critical role in Nepal's economic architecture. Following recent legislative amendments regarding provincial structure, HAN can now officially integrate district-level hotels into its unified framework, creating an unprecedented collective voice for establishments from remote mountain regions to bustling urban centers. This inclusive membership structure ensures that hospitality challenges and opportunities across Nepal's diverse geography receive coordinated attention and advocacy.

The expanded authority empowers HAN to implement uniform industry standards, coordinate development initiatives, and deliver more effective policy advocacy at both local and national levels. District hotels previously operating in isolation now gain access to HAN's resources, expertise, and political influence. This network effect strengthens individual establishments while building collective bargaining power that can influence government policies, international partnerships, and industry-wide improvements.

**“HAN's nationwide recognition marks a new era, uniting Nepal's hotels under one voice to drive growth, representation, and reform across all regions.”**

HAN's nationwide recognition arrives at a crucial moment for Nepal's tourism recovery and hospitality sector development. With official authority spanning the entire country, the association is strategically positioned to drive coordinated industry growth, represent diverse regional interests, and ensure that hospitality development benefits all corners of Nepal. This milestone transforms HAN into Nepal's key hospitality leader and umbrella organization across Nepal.

## **HAN TO HOST HALF-YEARLY GENERAL MEETING AND HOTELIERS' MEET-2025**

Nepal's hospitality sector prepares for a defining moment as the Hotel Association Nepal (HAN) announces its Half-Yearly Annual General Meeting alongside the special Nepal Hoteliers' Meet-2025 on August 21-22, strategically hosted in Koshi Province at Hotel Mechi Crown, Jhapa. This province-wise organizational approach reflects HAN's commitment to inclusive participation and ensures that hospitality voices from across Nepal's diverse regions contribute to crucial industry discussions.

The dual-event format arrives at a pivotal moment for Nepal's hotel industry, offering an essential platform for addressing pressing sector challenges, sharing innovative solutions, and charting strategic pathways for sustained growth. All HAN members, hoteliers, hospitality professionals, and industry stakeholders are strongly encouraged to participate in this critical forum where collective decision-making will shape the sector's future direction and policy advocacy priorities.

The Nepal Hoteliers' Meet-2025 component will provide focused exploration of strategic development initiatives and emerging trends transforming Nepal's hospitality landscape. Participants will engage with insightful presentations, extensive networking opportunities, and productive dialogue sessions designed to strengthen industry collaboration and competitive positioning in the global tourism market, complementing the AGM's governance and policy discussions.

HAN emphasizes that active member participation is not merely encouraged but essential for effective industry representation and progress. These gatherings serve as the democratic foundation for policy formulation, sector interest advancement, and unified challenge resolution. The hospitality industry's collective strength depends on such collaborative engagement, making attendance a professional responsibility for all serious industry stakeholders committed to Nepal's tourism excellence.

## **TOURISM POLICY ANNOUNCED**

- The Government has announced Tourism Policy 2082. Scan for details.



- HAN welcomes the new policy and demands for implementation and coordination among government nodal agencies and local governments.