

PROCEDURAL MANUAL
FOR
FOREIGN INVESTMENT IN NEPAL

Nepal Government
Ministry of Industry
Department of Industry
Kathmandu, Nepal

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Preface

It is indeed a matter of satisfaction to bring out this sixth edition of "**PROCEDURAL MANUAL FOR FOREIGN INVESTMENT IN NEPAL**". The publication is aimed to provide information on procedure for foreign investment and technology transfer in Nepal to the prospective and existing foreign investors.

In this edition, the information have been substantially restructured so as to facilitate the readers in grasping the information provided. The manual has been divided into three Parts. The first part provides the basic information and the procedures to be followed prior to making investment or implementing the project. The second part is devoted to the procedures that need to be followed during the operation phase of the project. The third part deals with general information which the investors need to know prior to investment as well as during the operation.

Every effort has been made to update the information and encompass as much information as possible, which an existing or potential foreign investor would like to know. Attempt has been made to incorporate the procedures, apart from that of DOI, that are to be followed in other related agencies. I am optimistic that this revised edition will substantially fulfil the need of our valued investors as well as that of consultants and other stakeholders. Any comments and suggestion for further improvements are welcome.

I would like to extend thanks to everyone who was involved in the preparation of this manual for his/her efforts and contributions. In particular I would like to thank the members of manual revision committee and Directors of this Department, Mr. Rishi Raj Koirala, Mr. Dhruva Lal Rajbamshi, Mr. Uddhab Kumar Adhikari and Section Officer Mr. Krishna Murari Neupane for their commendable efforts. I also acknowledge the valuable suggestions and comments obtained from Mr. Bipin Raj Bhandari, Mechanical Engineer during the preparatory phase of this edition.

June, 2005.

Tana Gautam
Director General

PREFACE TO THE FIFTH EDITION

It is my pleasure to bring out this fifth edition of "**PROCEDURAL MANUAL FOR FOREIGN INVESTMENT IN NEPAL**". The publication is aimed to provide information on procedure for foreign investment and technology transfer in Nepal to the prospective and existing foreign investors in Nepal.

In this edition, the information have been updated and made more straightforward to understand the procedures for foreign investment and technology transfer in Nepal in a simpler way. The procedures for share transfer to a prospective foreign investor and procedures for IEE and EIA, as per the Environment Protection Regulation 1997, have been explained. I hope this revised edition will fulfil the need of our valued investors in more than a way. Any comments and suggestion for further improvements are welcome and will be sincerely acknowledged in the coming edition.

I would like to extend thanks to everyone who was involved in the preparation of this manual for his/her efforts and contributions.

April, 2001.

Bharat B. Thapa
Director General

Preface to the First Edition

Foreign investment has been accorded very high priority for Industrial Development in Nepal. His Majesty's Government has pursued open and market oriented liberal policy for national economic development. In line with this policy, new Industrial Enterprises Act and the Foreign Investment and Technology Transfer Act have been promulgated in 1992. Various procedures have been streamlined and simplified to make them transparent and to ameliorate the investment climate.

We, at the Department of Industries, are pleased to bring out this "**PROCEDURAL MANUAL FOR FOREIGN INVESTMENT IN NEPAL**". It provides information on procedures for foreign investment and technology transfer in Nepal. It is hoped that this manual will be useful to existing as well as potential foreign investors, Nepalese joint venture partners and consultants involved in the promotion of foreign investment in Nepal. This publication will also be helpful as a starting point for further simplification and streamlining of the existing procedures. Suggestions for further improvement of this manual are welcome.

I would like to extend thanks to Deputy Director Mr. L. B. Karmacharya, Deputy Director Mr. A. B. Manandhar, Section Officer Mr. D. L. Rajbamshi, Mr. Surendra Ratna Bajracharya and others who were involved in the preparation of this manual for their efforts and contributions.

July, 1994.

Bhanu Prasad Acharya
Director General

ABBREVIATIONS

BIMST-EC-	-	Bay of Bengal Initiative for Multilateral Trade and Economic Cooperation
BITs	-	Bilateral Investment Treaties
CO	-	Certificate of Origin
CRO	-	Company Registrar's Office
CTD	-	Customs Transit Declaration
DCSI	-	Department of Cottage and Small Industries
DOI	-	Department of Industries
DOT	-	Department of Tourism
DTTs	-	Double Taxation Treaties
EIA	-	Environmental Impact Assessment
EPH	-	Export Promotion House
EPR	-	Environmental Protection Regulation
EPZ	-	Export Processing Zone
FDI	-	Foreign Direct Investment
FITTA	-	Foreign Investment and Technology Transfer Act
FNCCI	-	Federation of Nepalese Chamber of Commerce and Industry
GSP	-	Generalised System of Preference
HMG	-	His Majesty's Government
HMG/N	-	His Majesty's Government of Nepal
IEA	-	Industrial Enterprises Act
IEE	-	Initial Environmental Examination
IPB	-	Industrial Promotion Board
IRO	-	Inland Revenue Office
JVA	-	Joint Venture Agreement
L/C	-	Letter of Credit
MOEST	-	Ministry of Environment, Science & Technology
MOICS	-	Ministry of Industry, Commerce & Supplies
MIGA	-	Multilateral Investment Guarantee Agency
NEA	-	Nepal Electricity Authority
NIDC	-	Nepal Industrial Development Corporation
NIF	-	Nepal Investment Forum
NRB	-	Nepal Rastra Bank
NRs.	-	Nepalese Rupees
PAN	-	Permanent Account Number
SAFTA	-	South Asian Free Trade Agreement
SPA	-	Share Purchase Agreement
TDI	-	Transit Declaration Invoice
TOR	-	Terms of Reference
TPC	-	Trade Promotion Centre
TTA	-	Technology Transfer Agreement
WIPO	-	World Intellectual Property Organisation
WTO	-	World Trade Organisation
VAT	-	Value Added Tax

PART – I

Pre-Investment Procedures

CHAPTER ONE

INTRODUCTION

1.1 Background

Nepal started planned programs of economic development as early as mid fifties with the launching of first five-year plan in 1956. The Tenth Plan is now being implemented since mid July 2002. The Plan seeks to achieve a higher rate of sustained economic growth of 8.1 percent per annum by enhancing the competitive capability of industry and commerce sector. To achieve this target, greater emphasis has been given to the participation of private sector and the involvement of people at community level. The Plan takes account of the need to attract foreign investment to meet the five-year capital requirement. The following policies have been spelt out, among others, for the industrial sector in the Tenth Plan:

- Set up the mechanism to ensure easy availability of financial resources, through financial institutions, to establish industries.
- Investment will be channelised to undeveloped or underdeveloped regions of the country, on the basis of national importance, to ensure regional balance.
- Industrial security system will be made effective.
- Foreign investments will be encouraged in those areas where the country has comparative advantage.
- Local and newly developed technologies will be encouraged for industrial development.

His Majesty's Government of Nepal (HMG/N) has adopted an open and liberal policy to pave the way for the accelerated economic and social development of the country. Especially in the field of industry and trade, the government policy is aimed at giving the private sector a dominant role. The private initiatives and enterprises are expected to increase efficiency and productivity. The government's role will be that of a facilitator providing infrastructure and conducive environment for investment.

Although there were a few cases of foreign investment and technology transfer prior to 1981, the industrial policy and the Foreign Investment and Technology Act, 1981 paved the way for regular inflow of foreign investment and technology transfer into the country. Solidarity Ministerial meeting was held in 1982 and an Investment Promotion meeting was held in 1984 for the promotion of foreign investment and for creating awareness of the investment opportunities in the country. Subsequently,

Nepal Investment Forum was organised in 1992 at Kathmandu, which was a very successful event in attracting the foreign investors.

In order to make the investment climate more conducive HMG/N formulated Foreign Investment and One Window Policy and Industrial Policy based on which Foreign Investment and Technology Transfer Act, 1992 (FITTA) and Industrial Enterprises Act, 1992 (IEA) were promulgated. These Acts were subsequently amended in 1996 and 1997, respectively, in order to make these acts more pragmatic based on the experiences gained.

The Industrial Policy emphasises on simplification of procedures, transparency in implementation and improvement of productivity through the upgradation of technical know how and efficiency of the industries in order to compete in the free and competitive world market by utilising comparative advantages of the country with minimum adverse effects on environment. Whereas, the Foreign Investment and One Window Policy aims:

- To build a strong and dynamic economy by generating additional opportunities for income and employment through expanding productive activities.
- To increase the participation of the private sector in the process of industrialisation.
- To increase productivity by mobilising internal resources and materials in productive sectors and by importing foreign capital, modern technology, management and technical skills.
- To increase the competitiveness of Nepalese industries in international markets.

1.2 Key Features of Related Acts

The related Acts for establishing and administration of industries in Nepal are: Foreign Investment and Technology Transfer Act, 1992 (FITTA) and Industrial Enterprises Act, 1992 (IEA). Their key features are described in the following paragraphs.

1.2.1 Forms of Foreign Investment

According to FITTA, 1992, "Foreign Investment" means following investment made by a foreign investor in any industry:

- a) Investment in share (Equity),
- b) Reinvestment of the earnings derived from the clause (a) above,
- c) Investment made in the form of loan or loan facilities.

1.2.2 Forms of Technology Transfer

Foreign Investor may also participate in the form of "Technology Transfer" to be made under an agreement between an industry and a foreign investor on the following matters:

Use of any technological right, specialisation, formula, process, patent or technical know-how of foreign origin,

- a) Use of any trademark of foreign ownership,
- b) Acquiring any foreign technical consultancy, management and marketing service,

1.2.3 Policy & Procedural Improvements

With a view to attract investment in industrial sector from both domestic as well as foreign investors, the industrial policy and the foreign investment and one window policies have been simplified, clarified and the investment climate has been made more conducive by introducing the following policy measures and procedural simplifications:

- a) Hundred percent ownership made possible - Foreign investors are permitted to own up to 100 percent equity share in small, medium and large scale industries.
- b) Areas open for Foreign Investment - Foreign investment is allowed in all areas except the few as mentioned below.

Industries not to be granted permission for Foreign Investment

1. Cottage Industries (the list of cottage industries is given in Annex-21).
2. Services (Business such as hair cutting, beauty parlour, tailoring, driving training, etc.)
3. Arms and Ammunition Industries
4. Gunpowder and Explosives

5. Industries related to Radio-Active Materials
 6. Real Estate Business (excluding construction industries)
 7. Film Industries (National Languages and other recognised languages of Nation)
 8. Security Printing
 9. Bank notes and Coins
 10. Retail Business
 11. Travel Agency
 12. Trekking Agency
 13. Water Rafting
 14. Pony Trekking
 15. Horse Riding
 16. Cigarette, Bidi, Alcohol (excluding more than 90% exportable)
 17. Internal Courier Service
 18. Atomic Energy
 19. Tourist Lodging
 20. Poultry
 21. Fisheries
 22. Bee Keeping
 23. Consultancy Services such as Management, Accounting, Engineering, Legal Services.
- c) Technology Transfer - Technology transfer is possible even in areas where foreign investment is not allowed.
- d) No Nationalisation – IEA 1992 has guaranteed against nationalisation of privately owned industries enterprises.
- e) Decontrol of Prices - The government does not interfere in the fixation or control of prices of industrial products.
- f) Simplification in import of machinery and raw materials - Industry can approach any commercial bank directly to open Letter of Credit for the import of machinery or raw materials needed for the industry. Recommendation or import license from either Department of Industries or Department of Commerce or Nepal Rastra Bank is not necessary.
- g) Minimum approval procedures - except industries that affect security and public health, other industrial activities do not require to obtain any license or permission for establishment and operation. They just need to be registered with the concerned Department. The list of industries that require license are as follows:

- Industries producing explosives including Arms, Ammunition and Gunpowder Security Printing, Bank Notes and mint industries.
 - Cigarettes, Bidi, Cigar, Chewing tobacco, khani (chewing tobacco) industries and industries producing goods of a similar nature utilising tobacco as the basic raw materials and alcohol or beer producing industries.
- h) Time bound decision process - Time bound decision process has been ensured for cases with complete documents. Decisions with regards to industrial license, registration and duty drawbacks are now to be made within 30, 21 and 60 days from the date of application, respectively.
- i) Transparency and clarity of facilities available - The facilities and incentives available to various categories of industries have been clearly spelt out in the Act itself to avoid any ambiguity.
- j) Repatriation of profits, dividend, technical and managerial fees, and certain portion of salaries of foreign experts have been guaranteed. The corporate income tax for manufacturing units is fixed at 20% and is one of the lowest in the region.
- k) Non-tourist visa for carrying out studies for investment and business/residential visa for foreign investors have been provisioned and the procedures have been further simplified.
- l) At international level, Nepal has taken numerous steps to promote foreign investment in the country. Some of the key institutional arrangements that have been achieved so far are listed as under:
- Nepal is a member of the World Intellectual Property Organisation (WIPO) and the Multilateral Investment Guarantee Agency (MIGA).
 - Nepal has entered into Bilateral Investment Treaties (BITs) with countries such as France, Germany, Mauritius, and United Kingdom.
 - Nepal has also entered into Double Taxation Treaties (DTTs) with 9 countries, namely, India, Norway, China, Pakistan, Sri Lanka, Austria, Thailand, Mauritius, and Republic of South Korea.
 - To ensure access to the vast potential market, Nepal is the member of WTO, SAFTA, and BIM-STEC.
 - Nepal is also a signatory to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States and a member of the International Centre for the Settlement of Investment Disputes (ICSID), associated with the World Bank.

1.3. Achievements and Prospects

Up to April 15, 2005 permission has been granted to establish 955 industrial projects on joint venture basis and/or 100 percent foreign investment and/or for transferring the technology to these industrial projects. The individuals/firms of 47 countries have so far invested in Nepal. Out of these, 788 industrial projects have been approved after the promulgation of the IEA and FITTA in November 1992. This noticeable increment of joint venture projects in the short span of time clearly shows that efforts made by the government has created conducive investment climate in the country.

The liberal economic policies pursued in early 1990s have shown some positive impacts, with the export/GDP ratio rising from 6.1 per cent in FY 1990-91 to 14.0 per cent in FY 2000-01. The economy has recorded rapid financial-sector growth and the cost of funds has come down as financial markets have become more competitive and macroeconomic situation has remained stable.

1.4. Institutional Arrangements

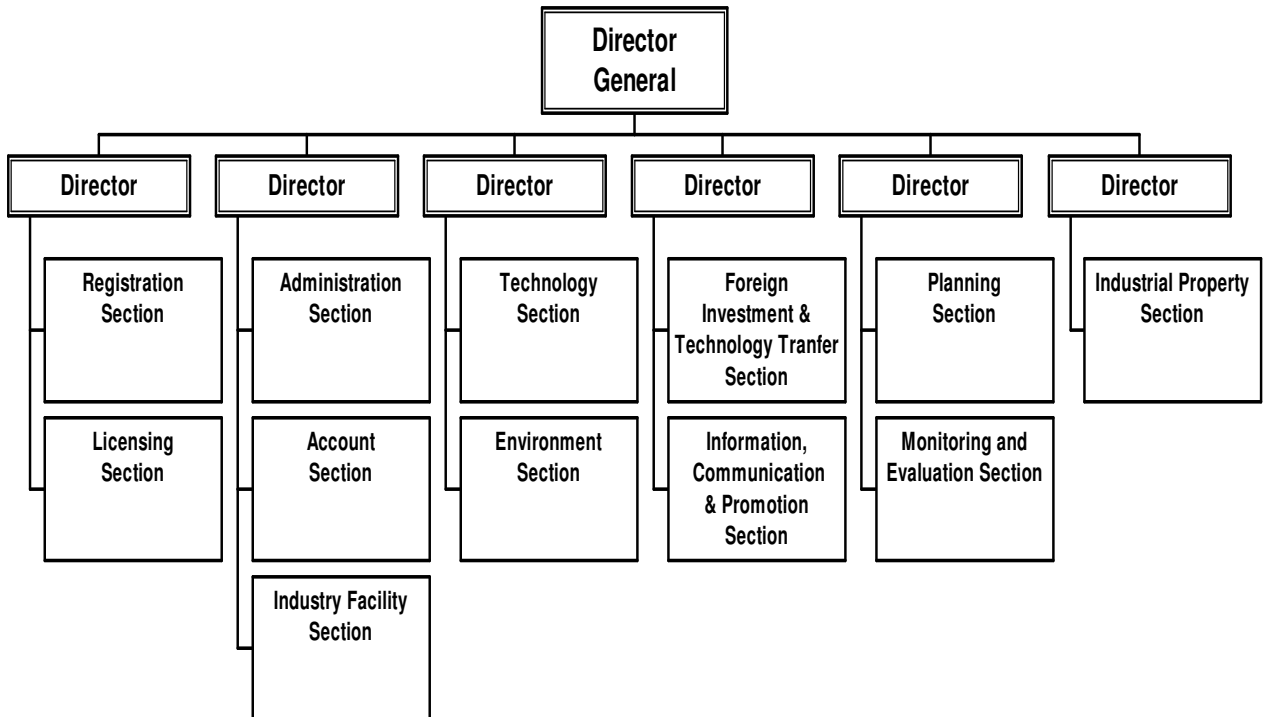
The Department of Industries (DOI) carries out domestic administration and implementation of IEA for medium and large-scale industries, whereas the Department of Cottage and Small Industries (DCSI) administer small and cottage industries. However, DOI is the sole agency for administration and implementation of Trademark, Patent Design Act, and Foreign Investment & Technology Transfer Act. The major functions of the DOI are as follows:

- 1) Register medium scale, large scale and all the industries with foreign investment and/or technology transfer
- 2) Issue the Industrial license for medium and large industries
- 3) Register and administer the Industrial Property such as Patent, Design, and Trademark
- 4) Act as the secretariat of the Industrial Promotion Board (IPB), the highest body for the industrialisation of the country.
- 5) Act as the secretariat of One Window Committee for administration of various facilities as provided by IEA
- 6) Provide information to potential foreign investors and promote foreign investment and technology transfer in all categories of industries
- 7) Prepare plans and programs and to carry out studies for improvement and development of industrial sector

- 8) Recommend Certificate of Origin for the products for preferential entry into India as per Nepal-India Trade Treaty
- 9) Implement the delegated authorities on reviewing initial environmental examination (IEE) reports submitted for setting up the industrial projects under its purview and carry out initial work on environmental impact assessment (EIA) reports. Also implement the guidelines and other environmental protection directives for monitoring and controlling industrial pollution
- 10) Recommend for repatriation of dividends, sale of shares, principal and interest on foreign loan, royalty and fees for technical collaboration and part of salary and remuneration for foreign investment projects
- 11) Recommend non tourist visa for carrying out studies for investment; business and residential visa for foreign investors; and non tourist visa & work permit for expatriates
- 12) Collect, maintain and publish industrial statistics

The Department has 12 sections manned by 63 personnel, which includes 24 officers and 39 assistants. Organisational structure of DOI is presented as Figure 1.

Figure 1: Organisational structure of DOI



1.5 Incorporating a New Company in Nepal

Foreign Investment and Technology Transfer Act (FITTA) 1992 allows foreigners to organise either a private limited company or a public limited company. The incorporation/registration of the company is done by Company Registrar's Office (CRO) located at Tripureshwor, Kathmandu. Nepal.

The companies are incorporated and registered under the provisions of the Company Act, 1997 as amended from time to time. The Company Act, 1997 has a provision for two types of companies, namely, Public and Privates.

"Private Limited Company" means a company which by its articles,

- a) limits the number of its shareholders from 1 to 50 excluding persons who are in the employment of the company.
- b) prohibits any invitation to the public to subscribe for shares.

"Public Limited Company" means a company that,

- a) Has the minimum number of 7 shareholders (and there is no maximum limit).
- b) Offers shares and debentures to the public through a prospectus which complies with the requirements of the Companies Act 1997 and Securities Act.
- c) A company can be formed as a public company or alternatively, a company which is incorporated as a private company can also be converted into a public company after fulfilling the requirements of companies Act 1997.

The private and public companies are prohibited to organise proprietorship or partnership firms. The par value of share should be NRs. 100 per share for both the private and public companies.

1.6 Compliance with Environmental Regulations

His Majesty's Government of Nepal is committed to the industrialisation of the country with due care to the environment. Accordingly, HMG/N has enacted Environmental Protection Act (EIA) 1997 and Environmental Protection Regulation (EPR) 1997. Any industry (including capacity expansion or diversification scheme of existing industry) may have to get approval on the environmental assessment reports such as Initial Environmental Examination (IEE) or Environmental Impact Assessment (EIA) prior to industry registration.

CHAPTER TWO

PRE-INVESTMENT PROCEDURES

Prior to making equity investment in Nepal or embarking upon the technology transfer agreements with a Nepalese company, foreign investor/s will have to obtain the approval for the same from the Department of Industries (DOI). However, for equity investor/s in a new venture, the foreign investor/s will have to perform following additional activities as well:

- Incorporate the company at the Company Registrar's Office (Refer to Section 2.2)
- Register the industry at DOI (Refer to Section 2.3)
- Registration at Inland Revenue Office to get Permanent Account Number (PAN) (Refer to Section 2.4)
- Others, if applicable (such as Trademarks/design/patents) (Refer to Section 2.5)

The approval procedure that will be followed for equity investor/s in a new venture is shown in the form of flow chart as Appendix 1. The procedures that are to be followed for seeking approval for foreign investment and technology transfer, company registration, industry registration, tax registrations and other related official procedures are described in the following sections.

2.1 Procedure to get Approval from DOI

Any foreign individual/s or firms or company that are willing to do either one or combination of the following activities will have to get prior approval from the DOI. The related sections at DOI are Foreign Investment Section and the License/Registration Section.

- Establish a new industry either with 100% foreign equity or in Joint Venture (JV) with Nepalese/foreign investor/s.
- Engage in Technology Transfer in an existing industry
- Make an equity investment in an existing industry by Share Transfer
- Make a loan investment, foreign or local, in an existing industry

The procedures to be followed while seeking approvals on each of these forms of foreign investments are described in the subsequent sub-sections.

2.1.1 Foreign Equity Investment in a New Industry

Foreign investor/s desiring to invest in Nepal whether as a wholly foreign owned enterprises or in a joint venture with Nepalese/foreign promoters are required to apply to the DOI on a prescribed application form, as given in Appendix 2, along with the following documents:

- Project Report 2 copies
- Joint Venture Agreement (JVA), in case of more than one investor 2 copies
- Citizenship certificate of local party or Certificate of Incorporation including Memorandum of Association and Articles of Association, if local party is a company 1 copy
- Copy of passport of foreign party/or Certificate of incorporation, including Memorandum of Association and Articles of Association, if participant is a company 1 copy
- Bio-data / Company profile of the foreign party 1 copy
- Financial Credibility Certificate (FCC) of the Foreign Investor provided by a home country bank or domiciled country bank 1 copy
- Authority letter from the concerned companies or individuals to carry out any necessary work on their behalf, if applicable

Suggested contents of the Project Report, JVA, and FCC have been given in Appendix 3, 4 & 5 respectively. Appendix 4 also includes a model JVA for the ready reference to the investors.

After the approval of foreign investment, upto a maximum amount (depending upon the envisaged fixed asset amount) NRs. 20,000.00 shall have to be deposited in the Account Section of the DOI. The applicable deposit rates are given as Appendix 6. The deposited amount shall be refunded to the promoters once the project comes into operation. Once the stated amount is deposited, the promoters shall receive the foreign investment approval letter and certified JVA, if applicable.

2.1.2 Technology Transfer in an Existing Nepalese Industry

If any industrial unit wants to avail foreign technology, the industry is required to apply to the DOI on a prescribed application form as shown in Appendix 2 along with the following documents.

- Technology Transfer Agreement (TTA) 2 copies
- Citizenship certificate of local party or Certificate of Incorporation including Memorandum of Association and Articles of Association, if local party is a company 1 copy
- Copy of passport of foreign party/or Certificate of Incorporation, including Memorandum of Association and Articles of Association, if participant is a company 1 copy
- Bio-data / Company profile of the foreign party 1 copy
- Industry Registration Certificate 1 copy
- Copy of the minute of the Board of the recipient company 1 copy
- Authority letter from the concerned companies or individuals to carry out any necessary work on their behalf, if applicable

Suggested contents of the Technology Transfer Agreement, including a model TTA, is given in Appendix 7.

2.1.3 Foreign Investment in an Existing Industry by Share Transfer

Share transfer can be done in two ways, that is, by transferring the shares of existing shareholder or by issuing new shares to a foreign partner, either from the reserved shares or by increasing the issued capital of the company.

2.1.3.1 Share transfer from an existing shareholder to a foreign investor

The industry is required to apply to the DOI on a prescribed application form as shown in Appendix 2 along with the following documents.

- A) Request from the share transferor
- B) Request from the share transferee
- C) Share Transfer Agreement 2 copies
- D) Copy of minute of the Board meeting of Nepalese company regarding inclusion of foreign investor into the company 1 copy

- E) Copy of minute of Board meeting, Certificate of incorporation and company profile of the foreign party if the participant is a company 1 copy
- F) Copy of passport and Bio-data of foreign party, if participant is an individual 1 copy
- G) Financial Credibility Certificate of the Foreign Investor provided by a bank 1 copy
- H) Current Share Holders' List as certified by the Company Registrar's Office 1 copy
- I) Auditor's Report 1 copy
- J) Tax clearance certificate 1 copy
- K) Authority letter(s) from the companies concerned to sign on behalf of the companies.

Note:-

At the time of approval the share transferor shall be present in person at the DOI. If the industry is not operational as of the date of application, the application should be accompanied with the Project Report too.

2.1.3.2 Share transfer from reserved share or by increasing the issued capital of the company

The industry is required to apply to the DOI on a prescribed application form as shown in Appendix 2 along with the documents mentioned above in section 2.1.3.1, except A and B. Regarding A & B, the following documents are to be enclosed.

A. Request letter from the share transferor

It is an application letter from the existing shareholder (duly authorised by the Board meeting) of the existing company stating that the company agrees to transfer all/some of the shares from the stock of the company.

B. Request letter from the share transferee

It is an application letter from the prospective foreign investor stating that he/she wants to invest in the existing Nepalese industry and agrees to buy the shares of the Nepalese company of the stated amount. Suggested contents of the Share Purchase Agreement (SPA) including a model SPA, is given in Appendix 8.

2.1.4 Loan Investment in an Existing Nepalese Industry

If an existing Nepalese company is willing to avail the loan or loan facilities from a foreign lending agency or individual, the company is required to apply to the DOI on a prescribed application form¹, as shown in Appendix 2, along with the following documents.

A) Loan Agreement	2 copies
B) Certificate of Incorporation, including Memorandum of Association and Articles of Association of the lending agency	1 copy
C) Company profile of the lending agency	1 copy
D) Industry Registration Certificate	1 copy
E) Copy of the minute of the Board of the recipient company regarding the loan to be acquired	1 copy

Authority letter from the concerned companies or individuals to carry out any necessary work on their behalf, if applicable

Since the loan agreements vary substantially depending upon the lending institutions, a model loan agreement is not given herein. However, it must mention, inter-alia, the interest rate and payment schedule of the principal amount.

2.2 Procedure for Company Incorporation

After the approval of foreign investment for equity participation from the DOI, as mentioned in Section 2.1.1, the investors shall submit following documents to the Company Registrar's Office (CRO) at Tripureshwor. These documents should be accompanied by registration fee as shown in the Appendix 6.

1. Copy of the permission for foreign investment issued by DOI
2. Copy of citizenship certificate of Nepalese promoters
3. Copy of passport of the foreign promoter(s)
4. If the foreign party is a company, copy of minute of the Board of Directors
5. Two copies of company's proposed Articles and Memorandum of Association in Nepalese language

¹ Not applicable to company already established under foreign investment

An overview of the possible contents of the Memorandum and Articles of Association are given in Appendix-9.

2.3 Procedure for Industry Registration

After obtaining approval for foreign investment, the industry is required to be registered with the DOI within 35 days. If the registration cannot be done within the stipulated time, the investor will have to apply for the extension of the validity period. Therefore, once the company is incorporated, the investor has to apply for registration of industry at DOI, filling a prescribed form, as given in Appendix-10, along with following documents.

1. A copy of the foreign investment approval letter issued by the Foreign Investment Section, DOI.
2. A copy each of the Certificate of Incorporation, Memorandum of Associations, and Article of Association of the company.
3. Environmental Impact Assessment (EIA) Report or Initial Environmental Examination (IEE) Report.

Note:-

A screening list indicating the categories of industries requiring IEE or EIA and the brief procedures to be followed in conducting these studies are given in Appendix-11 and Appendix-12 respectively. In case of IEE Reports, DOI gives final approval while EIA reports should be approved by the Ministry of Environment, Science and Technology prior to industry registration.

2.4 Permanent Account Number (PAN) Registration

Any business entity, including industry that has to pay income tax or Value Added Tax (VAT) should obtain the PAN. The industry has to be registered with the District office of the Inland Revenue Department or Inland Revenue Office (IRO) before its operation. In order to get PAN, there is no fee or deposit imposed.

PAN registration is essential for buying land, building and clearance of goods at custom office. Therefore, it is recommended that the companies are registered with IRO immediately after incorporation. For this, the company has to apply with an

application form as shown in Income Tax Act and Rules along with the following documents:

1. Copy of the certificate of incorporation
2. Copy of the memorandum and articles of incorporation
3. Copy of the citizenship certificate (or passport in case of foreign national) who signs the application
4. Two passport size photo of the individual who signs the application
5. Hand drawn sketch of the business location of the applicant
6. Power of attorney, if applicable.

The company has to submit the balance sheet and profit and loss statement at the end of each fiscal year for assessment of income tax.

2.5 Others (such as Industrial Property Rights)

The industries using Trademark on their products can register their Trademarks with the DOI as per Patent, Design & Trademark Act, 1965. For this, the company has to apply in a prescribed form as shown in Appendix-13 duly signed by applicants along with two witnesses. The application form should also include the following documents:

1. Copies of the Industry Registration Certificate & Certificate of Incorporation
2. Four copies of the word, label or both to be used in the form of trademark (i.e., representation sheet).
3. The name of the product/services in which the Trademark is to be used.
4. The statement of claim regarding the originality of the trademark.
5. In case of registration of Trademark of foreign origin, a copy of home registration certification along with application form, deed of assignment & four copies of representation sheet should be included.

The application fee, registration fee, renewable fee for foreign as well domestic Trademarks, Patents and Designs along with their validity periods are given in Appendix -6.

PART - II

Investment & Post Investment Procedures

CHAPTER THREE

INVESTMENT AND REPATRIATION

3.1 Investment

Foreign investors may invest their part of the equity capital either in the form of convertible foreign currency acceptable to the Nepal Rastra Bank, the Central Bank of the Kingdom through proper banking channel or in the form of plant machinery and equipment required for the approved industry. For the investment in the form of plant and machinery, prior approval of DOI must be taken. However, Indian nationals can invest in Indian Currency as well through proper banking channel.

3.1.1 Equity Investment in Cash

The investment must be brought inside Nepal only after obtaining the approval of investment from the DOI. It is also necessary that the investment of the foreign investor shall be brought inside the country through proper banking channel and the foreign investor or the industry must maintain the documentary proof of the bringing in the investment. This proof must be produced at the time of repatriation.

3.1.2 Equity Investment in Kind

If the foreign investor is desirous of investing in terms of plant, machinery and equipment, it must be clearly stated in the joint venture agreement. When no letter of credit is opened, approval of the DOI must be obtained prior to the shipment for custom clearance. This is essential for custom clearance of the goods imported. For such approval by the DOI, the company or the industry must submit to DOI the copy of the Board of Directors' resolution along with the detailed invoice of machinery indicating quantity and price of each individual equipment from the original manufacturer of the equipment. In any case, the supplier must guarantee as to the price of the machinery as competitive and it must be supported by the invoice of the manufacturer.

3.1.3 Loan Investment in cash

If the foreign investment is in the form of loan to any industrial firm or company, it is necessary that an agreement is entered into by the investing foreign party and the Nepalese industry stating the terms and condition including the amortisation schedule and interest. Approval of the agreement must be obtained from DOI before transferring the loan. Such loan amount must be brought through the proper banking channel.

3.1.4 Loan Investment in kind

If any industry wishes to obtain foreign loan in the form of machinery and equipment or if the industry wishes to obtain plant machinery in deferred credit, an agreement to that effect must be entered into stating the price of the plant machinery, interest rate, mode of payment along with the detailed list of the plant & machinery. Due approval from the DOI must be obtained. The supplier must guarantee as to the price of the machinery as competitive and it must be supported by the invoice of the manufacturer. If no letter of credit is opened, approval of the DOI must be obtained prior to the shipment for custom clearance.

In case if the machinery to be imported as the part of the investment is second hand, a valuation and certificate of guarantee by an independent surveyor must be attached

3.2 Repatriation

As per the Foreign Investment and Technology Transfer Act, 1992, a foreign investor making investment in foreign currency shall be entitled to repatriate the following amounts outside the kingdom of Nepal:

- a) The amount received by the sale of the share of foreign investment as a whole or any part thereof,
- b) The amount received as profit or dividend from foreign investment,
- c) The amount received as the payment of principal and interest on any foreign loan.
- d) The foreign investor or a foreign technology supplier is also entitled to repatriate the amount received under the agreement for the technology transfer

in such currency as set forth in the concerned agreement as approved by the DOI.

Foreign national, working in any industry with prior approval of the Department of Labour and who is from a country where convertible foreign currency is in circulation, may repatriate his/her salaries, allowances, emoluments etc. in convertible foreign currency in an amount not exceeding seventy five percent of such salaries, allowances and emoluments.

To obtain the repatriation facility, the foreign investor or the technology supplier or the foreign expatriate or the concerned company must obtain recommendation from the DOI.

3.2.1 Repatriation of Sales of Shares

For the repatriation of the sale of shares of the foreign investor, he/she or the concerned company must apply to the Department of Industry for recommendation to the central bank with the following documents:

- a) Proof of investment made and number of shares owned, (the proof of investment could be a certificate from the commercial bank through which the investment was brought into Nepal.)
- b) Letter from the company stating the completion of the transfer of the related shares duly certified by the Company Registrar's Office or such competent body.
- c) Prior approval of DOI, if the share was transferred to any foreign national.
- d) Tax clearance certificate
- e) Custom declaration form and the approval letter if the investment was made in the form of plant, machinery and equipment.
- f) Copy of the Board of Director's resolution.

3.2.2 Repatriation of Dividend

Any foreign investor, wishing to repatriate his dividend from his investment as per the FITTA 1992 has to obtain a recommendation from the DOI. The foreign investor or the company has to apply to the DOI with the following documents:

- a) Documentary proof of investment made which is issued by the commercial bank. This document is needed only for the first time and again only when further investment is made by the investor,

- b) Custom declaration certificate of the import of plant machinery and equipment if the investment by the foreign investor has been made in the form of capital equipment,
- c) Auditor's report including balance sheet and profit and loss account,
- d) Tax clearance certificate
- e) Proof of dividend declaration.

3.2.3 Repatriation of Loan and Interest

The industrial unit with foreign loan has to apply to the DOI for sending out the principal and interest on foreign loan obtained with the approval of DOI along with the following documents:

- a) Certificate from the commercial bank regarding the transfer of the loan amount into Nepal,
- b) Custom declaration certificate and invoice of the plant machinery if the loan was obtained in the form of machinery,
- c) Letter of approval of the loan agreement,
- d) Tax clearance certificate.

Note : Income tax on interest on foreign loan should be deducted at source as per prevailing law and deposited at the Tax Office.

3.2.4 Repatriation of Technology Transfer Fees

The industrial unit with approved technology transfer agreement, trademark license agreement, management agreement, technical assistance agreement can apply to the DOI for the transfer of fees as per the agreement. The company has to submit the calculation of the amount due to the foreign technology supplier certified by the auditor along with the certificate of payment of income tax on royalty as per the prevailing tax rate.

3.2.5 Repatriation of the Salaries and allowance of the Expatriates

For the repatriation of salaries, allowances and emoluments received by the expatriate, the industry has to apply to the DOI for recommendation along with the following documents:

- a) Work permit issued by the Department of Labour,
- b) Document showing the amount of salary and allowance received during the period for which the repatriation is sought.

CHAPTER FOUR

VISA ARRANGEMENTS

4.1 Types of Visa

Foreign visitors other than Indian nationals need valid passports to enter Nepal. Indian nationals need valid passports/travel document if the entry point is airport. There is a provision of seven categories of visa in the Immigration Act 2049 and Immigration Regulation 2051. These are:

- | | |
|---------------------|----------------------|
| (a) Diplomatic Visa | (e) Non-tourist Visa |
| (b) Official Visa | (f) Business Visa |
| (c) Study Visa | (g) Residential Visa |
| (d) Tourist Visa | |

Only the last four categories of Visa (d-g) are relevant to foreign investors and expatriate personnel. The existing investors are entitled to get either the Residential or Business Visa. Investor (s) or the authorised representative (s) and their dependent family are entitled to get business visa for up to a period of 5 years depending upon the recommendation. Investors desirous of getting Business Visa, including extension, should apply in the prescribed format, as shown in Appendix 14, to DOI for the recommendation. The potential investors are entitled to get Non-tourist Visa and may apply in prescribed form, as shown in Appendix 15, to DOI for the recommendation. Upon getting the recommendation from DOI, they should apply to the Department of Immigration in the prescribed form as shown in Appendix 16.

4.2. Procedures for obtaining the Visa

4.2.1 Tourist Visa

A tourist can be granted tourist visa for up to 150 days in one visa year (January 1 to December 31). Tourist Visa with single entry, valid for 60 days, can be obtained from Royal Nepalese Embassies or Consulates abroad or at the point of entry. These agencies can again issue the tourist visa twice, for 30 days each, in the same visa

period. In other instances, only the Department of Immigration can issue the tourist visa.

The charges for this category of visa are as follows:

- Single entry (first time in one visa year), for 60 days duration, the fee is US \$ 30 or equivalent. Any extension of such visa will be charged US \$ 30 or equivalent for a period of 30 days.
- Multiple entries, for one visa-year duration, one off payment, the fee is additional US \$ 50 or equivalent.
- Single entry (Re-entry in Nepal), for 30 days duration, the fee is US \$ 30 or equivalent. However, if the tourist had not spent more than 15 days in earlier visit, no visa fee will be charged.

Note:

1. Citizens of SAARC member countries and that of People’s Republic of China will not be charged visa fee. Furthermore, any visitor spending less than 3 days in Nepal will not be charged visa fee.
2. Any tourist overstaying in Nepal without renewing the visa in time can regularise the visa by paying the following penalties:

Up to 30 days	- US\$ 2 per day
31-90 days	- US\$ 3 per day
More than 90 days	- US\$ 5 per day

4.2.2 Non-tourist Visa for Carrying out the Feasibility Study

Foreign Visitors, wishing to undertake research and study with a purpose of investing in Nepal, may be granted a non-tourist visa by the Department of Immigration for a maximum period of 6 months on recommendation of the DOI. For obtaining this visa, the prospective investor should apply to DOI in the prescribed format (Appendix–15) along with the following documents:

- i) Bio-Data of the applicant
- ii) Photo copy of the passport with the last visa
- iii) Brief description of the project in which research and study will be undertaken.
- iv) Photocopy of the citizenship certificate of the Nepalese investor, if the proposed industry is going to be established as a joint venture.

After obtaining the recommendation from DOI, they need to apply to the Department of Immigration in the prescribed format (Appendix – 16) along with the following documents:

1. Passport size photograph, 6 nos
2. Recommendation letter from DOI
3. Bio-Data of the applicant
4. Photo copy of the passport with the last visa

The charge for this category of visa is as follows:

- If issued at the port of entry, US \$ 25 for 30 days
- In other situation, US \$ 60 per month

4.2.3 Non-tourist visa for Expatriates

If required skilled manpower is not available locally, industry can employ foreign nationals by obtaining work permit. Such expatriate personnel working in the industries will be granted a non-tourist visa for duration of one year at a time on recommendation of DOI and Department of Labour. The work permit for such persons can be provided for up to a period of 5 years on annual renewal basis.

For obtaining the recommendation letter from DOI to get this visa, the industry should apply to DOI in the prescribed format (Appendix – 15) along with the following documents:

- i) Copy of the Agreement between the industry and expatriate
- ii) Progress report of the industry
- iii) Bio-Data of the expatriate personnel (mainly describing the experience in the related industry) and academic certificates
- iv) Photo copy of the passport with last visa
- v) Name list of Nepalese workers who will be trained from the expatriate
- vi) Industry registration certificate
- vii) Copy of vacancy announcement advertised in national daily

The charges for this category of visa are:

- First Year US \$ 60 per month.
- Second Year onwards US \$ 100 per month

4.2.4 Business Visa

Foreign investors and/or his/her authorised representative and their dependents will be granted a business visa for up to a period of five years at a time on recommendation of DOI. The criteria of visa-period recommendation will be as set by the DOI. Various parameters such as investment level, financial performance, employment generation, income tax paid, area of investment etc. will be analysed prior to recommending the visa.

For obtaining this visa, the concerned industry should apply to DOI in the prescribed format (Appendix – 14) along with the following documents:

- i) Photo copy of the passport with last visa
- ii) Proof showing investment made in the company.
- iii) Industry registration certificate
- iv) Progress report of the industry including the current status
- v) Certificate of relationship with the dependents.
- vi) In case of an authorised representative, a letter authorising representation for the foreign investor and the photocopy of passport.
- vii) Contact address and telephone number of the investor

Once the recommendation letter is obtained from DOI, the investor or the authorised representative may apply to the Department of Immigration in the prescribed format (Appendix-16) along with the following documents:

- i) Passport size photograph, 6 nos
- ii) Recommendation letter from DOI
- iii) Certificate of Incorporation
- iv) Copy of the temporary/permanent account number (PAN)
- v) Copy of the share certificate (in case of equity investment)
- vi) Copy of the passport with last visa
- vii) Industry registration certificate
- viii) Bio-Data of the passport holder

However, for the visa extension the following documents are to be submitted to the Department of Immigration:

- i) Passport size photograph, 3 nos
- ii) Recommendation letter from DOI
- iii) Copy of the tax clearance certificate
- iv) Copy of the passport with last visa
- v) Bio-Data of the passport holder

The charges for this category of visa are:

- For a period of one year & multiple entry US \$ 100.
- For a period of five years & multiple entry US \$ 250.

4.2.5 Residential Visa

Foreign investor making an investment equivalent to more than US \$ one hundred thousand, at one time and in convertible foreign currency, will be granted a residential visa on recommendation of DOI. This visa can be granted for one year at a time. For obtaining this visa, the concerned industry should apply to DOI along with the following documents:

- i) Photo copy of the passport with last visa
- ii) Proof showing investment made: equivalent to more than US \$ one hundred thousand in one time in convertible foreign currency.
- iii) Industry registration certificate
- iv) Progress report of the industry including the current status
- v) Certificate of relationship with the dependents.

However, if investor, making a lump sum investment equivalent to more than US \$ one hundred thousand in convertible currency, happens to be a company, only one share holder authorised by that company and his dependents will be granted a residential visa.

Once the recommendation letter is obtained from DOI, the investor or the authorised representative may apply to the Department of Immigration in the prescribed format (Appendix-16) along the with the following documents:

- i) Passport size photograph, 6 nos
- ii) Recommendation letter from DOI
- iii) Tax clearance certificate
- iv) Copy of the passport with last visa
- v) Industry registration certificate
- vi) Bio-Data of the passport holder

However, for the purpose of visa extension the following documents are to be submitted to the Department of Immigration:

- i) Passport size photograph, 2 nos
- ii) Recommendation letter from DOI
- iii) Copy of the tax clearance certificate
- iv) Industry registration certificate
- v) Copy of the passport with last visa
- vi) Bio-Data of the passport holder

The charge for this category of visa is US \$ 200 per year for the first time and US \$ 100 per year for each renewal.

CHAPTER FIVE

EXPORT AND IMPORT

5.1. Main Features of the Export Policy

His Majesty's Government has adopted following policy measures to promote the export of industrial products from the country:

- a) Licenses are not required for the export of products other than banned items (such as articles of archaeological and religious importance, conserved wildlife and related articles, drugs as defined in single convention on narcotics, 1961), articles related to explosive materials, and material required for the production of arms & ammunition, industrial raw materials (such as raw leather, raw wool, all type of imported raw materials, parts, capital goods) and other goods (such as mamira, log & timber), or quantitatively restricted items as notified by His Majesty's Government in the Nepal Gazette from time to time. In addition to above, all type of goods imported from the countries other than India are also prohibited to be exported to India.
- b) In the case of quantitatively restricted products, export license will be issued in consultation with the private sector.
- c) Container service including the bonded warehouse system & duty drawback scheme has been continued. Under the duty drawback scheme, import duty paid on the import of raw materials and intermediate goods required for the production of exportable products are fully refunded taking into consideration of the actual use.
- d) Dry port at Birgunj has come into operation. Trains of Indian Railway come to the port from Calcutta every week. The service will be extended twice a week from July 2005 onwards.
- e) Small exporters with relatively weak financial position can sell their products to the Export Promotion House (EPH). The duties and taxes levied on the production of goods sold to such EPH will be refunded to them.
- f) Exports are charged minimal taxes.
- g) No quantitative restriction are imposed on the exportable products carried by tourists while returning from Nepal

5.2. Incentives in Export Trade

Industries can avail numerous provisions targeted for boosting export trade such as passbook, bonded warehouse, bank guarantee.

Custom duty and VAT can be refunded to the industries manufacturing and exporting manufactured goods, if they have not availed the facilities mentioned in the previous paragraph.

Nepal Rastra Bank provides foreign exchange facilities to exporters for attending the trade fairs and exhibitions, trade mission, and for advertising about the Nepalese exportable goods abroad.

Trade Promotion Centre (TPC) provides the following services for the export promotion:

- Develops new ideas for export; matching customers abroad with Nepalese exporters.
- Arranges and assists Nepalese participation in International Trade Fairs and Exhibitions, arranges visits of foreign trade delegations.
- Organises training programmes, workshops, and seminars.
- Provides expert advice on markets and products information.

5.3. Existing Procedures and Documents Required to Export

Only registered firms/companies can participate in export trade. There are three types of firms/companies, namely, Sole Proprietorship, Partnership, and Private/Public Limited Company. However, registered industries automatically qualify to export their products.

Every export consignment can be exported through Tribhuvan International Airport, Foreign Post Office, and the border Customs Offices. All consignments accompanied by following documents should be delivered to the custom post for inspection and clearance.

By Air Freight

1. Customs Declaration Form (*Niryat Pragyapan Patra* -yellow form).
2. Copy of Export License, if applicable.

3. Commercial invoice
4. Certificate of Origin/ GSP certificate.
5. Copy of letter of credit or Advance payment statement from bank.
6. Foreign Exchange Declaration Form (FEDF).
7. Packing list.
8. Photocopy of income tax registration certificate.
9. Airway Bill.
10. Authorisation Letter.

By Surface Freight

In addition to those specified under Air Freight and except No.9, the following documents are required:

1. Transport Manifesto, one copy per truck.
2. Customs Transit Declaration (CTD)
3. Transit Declaration Invoice (TDI): For goods in transit, via India/Bangladesh, to a third country destination.

By Parcel Post

For Sample Goods

1. Customs Declaration Form.
2. Certificate of Origin or/ GSP Certificate, if applicable.
3. Authorisation Letter to Customs Department.
4. Commercial goods may be dispatched by parcel post.
5. Documents are required as for Air Freight.
6. Parcels should not exceed 10 Kg for Air Mail and 20 Kg for Surface Mail.

In addition to the documents listed above, special documents are required for some specific export goods such as ready-made garments exports to USA, Visa stamp from National Productivity and Economic Development Centre is essential.

5.4 Import Policies and Arrangements

Imports of all products other than banned or quantitatively restricted items such as (a) products injurious to health (drugs like opium & marphia, liquors content more than 60% alcohol), (b) arms & ammunition, and explosive materials (such as items

required for production of explosive materials, guns & bullets of the gun), (c) communication equipment, (d) valuable metals and jewelleryes, and (e) beef and beef products, are allowed to be imported without license.

In addition to Nepal Rastra Bank, commercial banks make the foreign exchange available at the rate fixed by the market mechanism for the payment of all imported goods including industrial raw material, spare parts and services and for payments of foreign loans and interests of the non-government sector.

5.5 Export of Industrial Products to India

For the preferential entry into India the industrial products must comply with conditions mentioned in the Treaty of Trade between HMG Nepal and The Government of India. As per the treaty, all the products manufactured in Nepal, with the following exceptions, are eligible for preferential entry into India.

- a) Alcoholic liquors/beverages and their concentrates except industrial spirits
- b) Perfumes and cosmetics with non -Nepalese/non - Indian brand names
- c) Cigarettes and tobacco
- d) Industrial products, which involve simple operations such as assembly of parts/ repacking/ dirt cleaning/ cutting etc.
- e) Industrial products of third country origin

The preferential entry implies that no custom duty shall be applicable to the goods manufactured in Nepal that enter into India. Only the taxes, that are applicable to the local products in India, are applicable to those industrial products.

Industries desirous of exporting their products to India may apply to the Federation of Nepal Chambers of Commerce and Industry (FNCCI) or its local body or the Chamber of Commerce, in prescribed format as given in Appendix-17 to get the Certificate of Origin (CO). This certificate essentially certifies that the particular industrial product is manufactured in Nepal and entitled to preferential entry to India.

PART - III

General Information to the Investors

CHAPTER SIX

INFRASTRUCTURE AND UTILITIES

6.1 Land and Factory Shed

6.1.1 Land and Factory Shed in the Industrial District

Space and Factory shed are available in limited numbers in Industrial Districts at Patan, Balaju, Bhaktapur, Hetauda, Dharan, Pokhara, Butwal, Birendranagar, Dhankutta, Nepalgunj and Rajbiraj managed by Industrial District Management Ltd., located at Balaju, Kathmandu. Industrial Districts provide developed land on rent and other utility facilities at reasonable rates. Investors wishing to set up industries in these Industrial Districts are required to apply to the Manager of the Industrial District with a copy of industrial license, details of land and facilities required and detailed drawings of the proposed lay-out plan for covered and uncovered area.

6.1.2. Land and Factory Shed outside Industrial District

- a) Industries can also be set-up outside the industrial district. In this case, the investor himself has to arrange for land and other utility facilities from the concerned agencies.

A location where a particular category of industry is allowed (or not allowed) to establish is given in Appendix-18.

- b) Foreign nationals are not permitted to own land and building in their individual names. However, foreign investors can purchase the land and building in the name of the company after incorporating the company at Company Registrar's Office.
- c) Services of local real estate dealers can be used for acquiring land. Local partner, if associated, can be helpful in this regard. After identifying the land, it has to be registered at local office of the land revenue department.

6.2 Electricity Connection

The company has to apply to the local office of the Nepal Electricity Authority in a prescribed form, as shown in Appendix-19, for electricity connection along with the following documents.

1. Copy of the Ownership certificate of the land and building. (In case of building constructed in the leased land or rented land, agreement with the owner in a prescribed form should be attached).
2. Copy of certificate of incorporation.
3. Copy of Industry Registration Certificate.

The prevailing electricity tariff rates for industries, effective from September 2001 are as follows. One can choose one of the following two options for paying the electricity bill.

Option I

All Amounts in NRs.

<u>Sectors</u>	<u>Demand tariff/KVA per month</u>	<u>Energy tariff/Unit</u>
a) Lower Voltage		
i) Rural and Cottage Industries	45.00	5.45
ii) Small Scale Industries	90.00	6.60
b) Medium Voltage (11 KV)	190.00	5.90
c) Medium Voltage (33 KV)	190.00	5.80
d) High Voltage	175.00	4.60

Option II (Time of Day Tariff)

All Amounts in NRs.

Sectors	Demand tariff/KVA per month	Energy tariff/Unit		
		Peak Time 6 pm to 11pm	Off Peak Time 11 pm to 6 am	Other Time 6 am to 6 pm
a) High Voltage	175.00	5.20	3.15	4.55
b) Medium Voltage (33 KV)	190.00	6.55	4.00	5.75
c) Medium Voltage (11KV)	190.00	6.70	4.10	5.85

Note:-

Lower voltage means 230/400 Voltage.

Medium voltage means 11 and 33 KVA.

Upper voltage means 66 KVA and above.

CHAPTER SEVEN

FACILITIES AND INCENTIVES

7.1 Introduction

Industries established with foreign investment in the form of joint venture or wholly foreign owned units are entitled to get all the facilities and incentives stated in the IEA and the FITTA, the details of which is given in Appendix- 20. The FITTA provides for the various repatriation facilities as mentioned in the earlier chapter.

The facilities and incentives available to the industries have been spelt out in the Section 15 of the Industrial Enterprises Act, 1992. Cottage industries, as listed in Appendix-21, are exempt from sales tax, excise duty and income tax. Moreover, the government can also grant additional facilities to the national priority industries, as listed in Appendix-22. The procedure for obtaining facilities and incentives stipulated in said Acts are discussed below:

7.2 Income Tax Exemption

Corporate tax shall not exceed 20 percent of profit for industries other than industries manufacturing cigarettes, bidi, cigar, tobacco, alcohol and beer.

There is a 5% income tax on dividends earned out of investment in any industry. And, export earnings are taxed at 40% of the income tax imposed on other industries. However, the tax amount shall not exceed 0.5% of the total export amount.

7.3 Income Tax Deduction

The Industrial Enterprises Act provides for income tax rebate of 30, 25 and 20 percent for the industries other than cigarette, bidi, alcohol and beer established and operating in remote, undeveloped, underdeveloped areas of the country respectively. A list of remote, undeveloped and underdeveloped region is given as Annex-23. In order to enjoy this facility, the concerned industry must submit a certificate showing that it was operational in that particular area during the period.

Industries are allowed to calculate the depreciation on the fixed assets by adding one-third to the rate of depreciation allowed under the existing income tax laws. Depreciation rate as per income tax rule is given as Annex-24.

Industries other than manufacturing cigarettes, bidi, cigar, tobacco, alcohol, beer, saw mill and catechu, utilising more than 80 percent or more of the local raw materials for their production and employing all the manpower from among Nepali citizens are granted a rebate at the rate of ten percent of the income tax.

If an industry diversifies itself through reinvestment in the same or any other industry, or expands its installed capacity by 25 percent or more, modernises its technology or develops ancillary industries, it is entitled to a deduction of 40 percent of the new additional fixed assets from its taxable income. Such remission may be deducted on a lump sum or on an instalment basis within a period of three years. For this the concerned industry must produce documentary proof of the expansion, modernisation or development of the ancillary industry. If the reinvestment is made in any other industry for the development of ancillary unit, the amount must be out of the profit and it must be supported by the auditor's report.

If a single industry provides direct employment to six hundred or more Nepali citizens round the year, it will be, in addition to other facilities, granted an additional income tax rebate at the rate of ten percent for that year. The concerned industry must obtain a certificate showing the number of direct employment from the Department of Labour.

Industries are also entitled to a reduction of up to 50 percent from the taxable income for the investment on pollution control process and equipment. The amount spent on such process or equipment must be certified by the registered auditor of the company.

Industries are allowed to capitalise the pre- operation costs incurred by the industry for skill development and training.

After an industry comes into operation, 10 percent of the gross profit is allowed to be deducted against taxable income on account of expenditure related to technology, product development and efficiency improvement. The industry must submit the details of the above expenditure certified by the registered auditor of the company.

While assessing taxable income, up to 5 percent of gross income spent for advertisement of the products, promotional services, hospitality and any other similar expenses are allowed to be deducted.

7.4 Concessional Rate of Custom Duty

Manufacturing industries importing plant, machinery and equipment required for direct production process falling under the chapter 84 of the harmonised custom classification with the duty rate of 5 percent are given 50 percent rebate on the custom duty and full exemption from any sales tax.

7.5 Excise Duty Rebate and Refund

Industries established and operating in the remote, undeveloped and underdeveloped areas, as mentioned in the Appendix-23, are entitled to 35, 25 and 15 percent rebate in the excise duty respectively for a period of ten years from the date of operation. For getting this facility the concerned industry should produce a certificate stating that the industry is operating in the said area during the period.

If any industry utilises locally available raw materials, chemicals and packing materials etc. on which excise duty or sales tax or both are already imposed, such duty and tax are refunded or adjusted against the payment of such tax and duty to be made by the industry. It is also possible to obtain these raw materials, chemicals and packing materials from the manufacturer directly without paying the excise duty and the sales tax. However, the quantity of such material must be justified and must be recorded with the Department of Value Added Tax.

7.6 Duty Draw-back

Any duty or taxes levied on the raw materials, auxiliary raw materials etc. used for producing goods for export are entitled to get refund of these duty and taxes based on the quantity of export. The application for this must be submitted within a year of the export date. The application must include the completed form, given in Appendix – 25, along with all the original documents relating to

- a) Custom declaration form for the import of raw materials (*Aayaat Pragyapan Patra*)
- b) Receipt of the duty payment
- c) Calculation of the raw material uses
- d) Sales invoice
- e) Certificate of receipt of payment
- f) Copy of the agreement with the buyer

The duty draw-back facility is also available if the industry sales its products within the Kingdom in convertible foreign currency. The duty draw-back facility will not be available if the industry does not apply for the same within a year of the date of export or deemed export.

7.7 Bonded warehouse facility

The duty drawback facility is available to the industries on the quantities of raw materials imported and used for the production of goods for export. Export oriented industries may obtain the facility of bonded warehouse. The raw materials can be imported just by entering into a passbook without paying any custom duty or sales tax. Those raw materials are deducted from the passbook upon export of finished product. However, the industry must also submit a bank guarantee, which must be sufficient to cover the duties. The finished product must be exported within 10 months of import of raw materials. The industry in order to avail this facility must apply to the Department of Custom along with the following documents:

- a) Company registration certificate
- b) Memorandum and Articles of Association
- c) Industry registration certificate
- d) L/C copy for input of raw materials
- e) Lease contract if the building for industry is on rent and land registration certificate if company owns the land.
- f) Recommendation from Garment Association if the industry is a garment unit.
- g) Bank guarantee

7.8 Opening of Foreign Exchange Account

Foreigners and companies can open and operate foreign exchange account in any of the commercial banks in Nepal. Export oriented industrial companies can also open Foreign Exchange Account. Industries incorporated as 100 percent foreign owned or as a joint venture may also open a foreign exchange account to deposit the equity share of the foreign party in convertible currency. This can be used only to import equipment and plants as well as other fixed assets necessary for the industry.

CHAPTER EIGHT

MISCELLANEOUS INFORMATION

8.1 Factor Costs

For the quick reference to the potential investors, the factor costs of some of the key activities such as construction, communication, utilities, freight and forward are given in Appendix – 26.

8.2 Project Financing

There are a number of financial institutions and organisations for long term and short term debt financing in Nepal. The general norm of debt equity ratio is around 2:1. But this can be negotiated with the financing institutions. For large scale industries requiring huge financing, consortium financing is also provided. Commercial banks and financial companies extend long term and short term financial requirements. The formalities to be completed for borrowing from Nepal Industrial Development Corporation (NIDC) is presented below:

The prospective borrowers should fill out information in project inquiry sheet, which is available free of charge. This must be submitted with the following documents :

- 1) Copy of license from the Department (DOI or DCSI), if applicable.
- 2) Copy of the certificate of Registration from the Office of the Company Registrar. The authorised capital of the company must not be less than total project cost.
- 3) Copy of the Industry Registration Certificate.
- 4) Copies of Memorandum and Articles of Association of the company. These documents must contain specifically that the company is entitled to borrow from internal and external financing institutions against the mortgage of the company's fixed assets.
- 5) Land Title Documents.
- 6) Receipt of Land Revenue Payment.
- 7) Cadastral survey map of the project location showing roads and other infrastructural facilities.
- 8) Copy of the lease agreement between the company and the industrial district covering a period of over 15 years if the industry is to be located in an Industrial District.
- 9) Tax Registration certificate and tax clearance certificate if existing building to be used.

- 10) A feasibility report containing the details of the technical, market, financial, managerial and economic aspects including site plan, plant layout, drawing of buildings, catalogues and quotations of machinery, 10 years projection of financial analysis including IRR (also ERR for large projects), environmental aspects etc.

NIDC has published documents highlighting details of procedures for financing and can be obtained free of charge.

8.3 Submission of Production Data to DOI

All the industries producing the goods and services are required to submit the annual production data to DOI in the prescribed format, as given in Appendix-27.

8.4 Determination of Raw Material Consumption Norms

DOI has prepared the raw material consumption norms of various products. Such norm is essential for various purposes such as for export to India, to avail bonded warehouse facility, tax assessment and so on. If the DOI has not yet prepared the norm for the particular product, the concerned industry may apply to DOI in the prescribed format, given as Annex-28, along with the following documents:

- 1) Industry Registration Certificate
- 2) Production Process including flow chart indicating waste sources
- 3) Detailed list of plant & machineries
- 4) Production and material consumption data for one year

8.5 Name and Address of Some of Useful Institutions in Nepal

The name and address of some of useful institutions is given as Annex-29. The existing as well as potential new investors may refer to it if they need further clarification or information regarding the investment or operation of their industry.

8.6 Bibliography

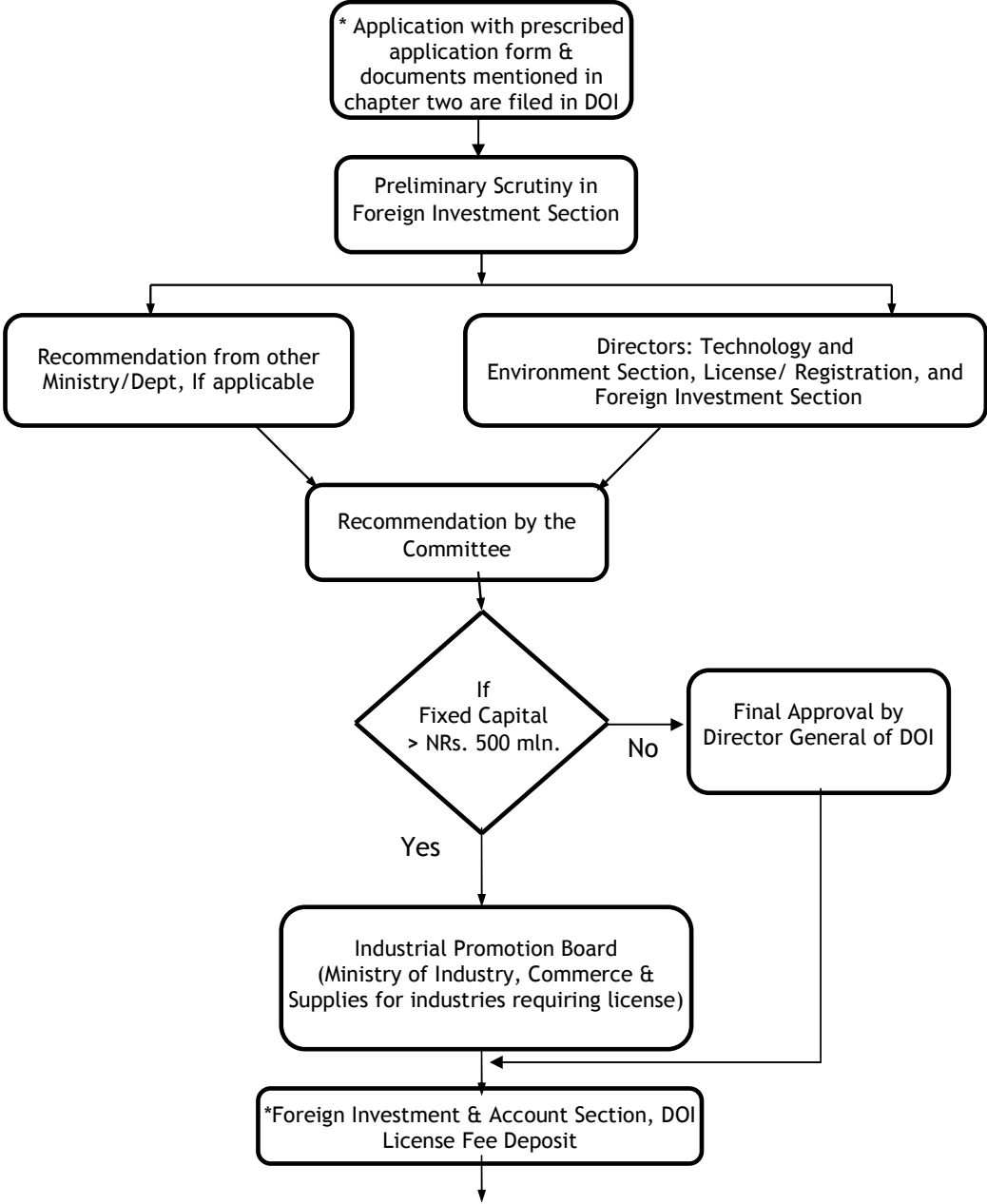
A list of reference materials used in preparing this manual is given as Annex-30. For further clarification/information, the investors may also refer to them directly.

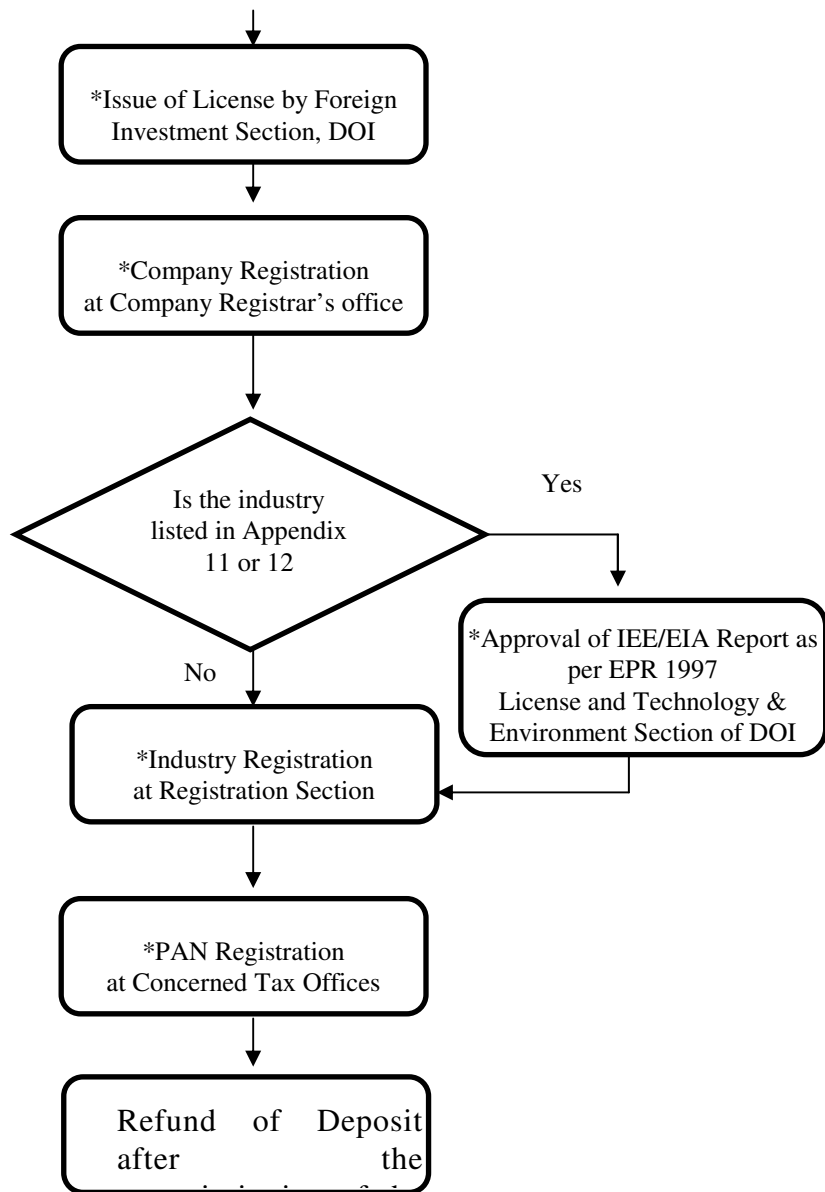
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**Pre-Investment Approval Procedure
of a New Foreign Equity Investment Proposal**





*** Moments where the foreign Investor shall involve**

Application Form for Foreign Investment – “A”

To
 The Director General,
 Department of Industries
 Tripureshwar, Kathmandu, Nepal.

Dear Sir,

We are interested to set-up a industry as per the Foreign Investment and Technology Transfer Act 1992. The highlights of the project report are given below. We, therefore, request you to kindly grant necessary approval to establish the proposed project.

1. Objective of the Project

S N	Description of Product/ Services (including by-product)	Annual Capacity*		Gross Sales Revenue - Rs.	Potential Market - %	
		Unit	Q'ty		Domestic	Export

* Based on ----- working days, ----- shifts of ----- hours each.

2. Proposed Location

Zone -----, District, Municipality/VDC-----, Ward.....

3. Scale of the Project Small Medium Large

4. Proposed Legal Status Private Limited Public Limited

5. Estimated Project Cost

SN	Description	Amount – Rs.	Remarks
A	Fixed Asset Investment		
1	Land & land development (Area.....)		
2	Building and civil works		
3	Machineries & equipment		
4	Furniture, fixture, and office equipment		
5	Vehicle		
6	Pre-operating expenses		
7	Other fixed assets, if any		
	Total Fixed Asset Investment		
B	Working Capital Requirement		
	Total Project Cost		

6. Source of Finance

SN	Investment Category	Source of Finance			
		Equity		Loan	
		Nepali Party – NRs.	Foreign Party		Domestic Sources - Rs
Amount	Currency				
1	Fixed Asset				
2	Working Capital				
3	Total Investment				
	(in %)				

If any investment will be in kind, please specify and attach the detailed list (prior approval of the Department is must in such instances)

7. List of Machineries & Equipment

SN	Name*	Unit	Q'ty	Amount – NRs.	Source (Local/ Indian/ Third Country)

*If necessary, production process and process flow charts will have to be submitted.

8. Annual Raw Materials Requirement (at 100% capacity utilisation)

SN	Raw Material, Auxiliary raw materials, packaging materials etc.	Annual Requirement		Rate – Rs/Unit	Amount – Rs.	Source (Local/ Indian/ Third Country)
		Unit	Quantity			
	Total				-----	

9. Utilities Requirement

SN	Utilities	Annual Requirement (or capacity)		Source
		Unit	Quantity	
1	Electricity	KVA		
		Unit		
2	Fuel (Diesel, LDO, Furnace oil, coal, rice husk etc.) • • • • •			
3	Water			
4	Others			

10. Type of Joint Venture Agreement entered (Please tick mark where applicable)

- | | |
|---|--|
| <input type="checkbox"/> Equity Investment | <input type="checkbox"/> Loan Investment |
| <input type="checkbox"/> Technical Assistance | <input type="checkbox"/> Management |
| <input type="checkbox"/> Trademark | <input type="checkbox"/> Marketing |
| <input type="checkbox"/> Technical Know-how/License | <input type="checkbox"/> Others, if any |

11. Estimated Exchange Facilities (Convertible Currency) Required

SN	Cost Head	Amount – NRs (equivalent)		Remarks
		One time expense	Annual Requirement	
1	Raw Materials			
2	Machineries			
3	Royalties (at 100% capacity utilisation)			
4	Salaries to expatriates			
5	Others			
	Total			

12. Estimated Employment Generation (Numbers)

SN	Description	Local	Foreign	Total	Remarks
1	Staffs (administrative)				
2	Staffs (Technical)				
3	Labour				
	Highly skilled				
	Skilled				
	Semi-skilled				
	Un-skilled				
	Total				

13. Estimated period between the date of approval of foreign investment and the commencement of operation (also specify if the envisaged investment, mentioned in Section 4 above, will be made in phases)

14. Environmental Consideration

I/We understand that as per the Environmental Protection Act 2053 and Environmental Protection Regulation 2054, the necessary environmental procedures will be complied with prior to the registration of this industry.

15. Applicant/s' detail

	Applicants	
	Local	Foreign
Name of the company/person		
Address		
Telephone		
Fax/website		
e-mail address		
Contact person		
Signature		
Date		

16. Documents Attached²

- Project Report : 2 copies
- Joint Venture Agreements : 2 copies
- Copy of passport of foreign party/or certificate of incorporation of the foreign investing company
- Citizenship certificate of local party/ or certificate of incorporation of local investing company
- Bio-data of the foreign investor with photograph/or company profile of the investing company
- Financial credibility of the foreign party issued by a bank of home country/domiciled country
- Letter of Authorisation, if applicable

Suggested Content of the Project Report

The project report should include:

- a. Executive Summary of the Project or Project Highlight
- b. Project background
 1. General introduction to the proposed project
 2. Product/service description
 3. Introduction of the promoters
- c. Market Aspects
 1. Introduction
 2. Target Market
 3. Current market status of the proposed products/services
 4. Capacity determination of the proposed venture
- d. Technical Aspects
 1. Description of production process along with the 'Flow Chart' of the manufacturing process, if applicable.
 2. Detailed list of machinery and equipment required to run the project in full capacity
 3. Sourcing of machineries (whether in the form of equity or local purchase or import)
 4. Description of project inputs (including name and annual quantity requirement when run in full capacity): raw materials, power, water, fuel

² This application form can also be downloaded from <http://www.doind.gov.np>

5. Brief description of environmental issues that may arise due to establishment of the proposed venture
6. Manpower requirement (when run in full capacity): category and number of direct and indirect labour.

e. Financial Aspects

1. Details of Fixed Asset Investment, which comprises mainly the following aspects of investment
 - Land & land development
 - Building & civil works
 - Plant & machineries
 - Furniture, fixtures and office equipment
 - Vehicles
 - Pre-operating expenses
 - Other assets, if applicable in a specific project
2. Details of Annual Operating Costs and Expenses
3. Details of Working Capital Requirement
4. Details of Sources of Funds (equity/loan/domestic/foreign)
5. Details of Sales Revenue
6. Computation of Break-even point
7. Computation of IRR or Return on Investment or Return on Equity
8. Computation of National Benefits from the Project e.g. value addition [VA= (FOB Price-Cost of imported materials & utilities)/ FOB Price*100].

Model Joint Venture Agreement (JVA) for the Equity Participation

The joint venture agreement should clearly & specifically mention, among others, the following:

- a. Preamble
 1. Name & full address of all parties (local and foreign) if investors are individual.
 2. Name & full address of the company, and the name & designation of the person representing the company if the investor is a company.
- b. Name and Objectives of the company (including proposed name of the company, if any).
- c. Source and Structure of Capital. Equity contribution of each party in Rupees and in percentage of total shares issued.
- d. Mode of equity or loan contributions -whether in cash and/or in kind (machineries). If in cash, it should be made in convertible foreign currency/Indian currency through proper banking channel.
- e. Representation in the Board
- f. For transfer of shares or for any modification in the agreement, prior approval of DOI.
- g. Arbitration -

For industries with fixed assets investment of upto NRs. 500 millions, if the dispute can not be settled by mutual consultations in the presence of the DOI, it shall be settled by arbitration in accordance

with the prevailing arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL). The arbitration should be held in Kathmandu. The laws of Nepal shall be applicable in arbitration.

For industries with fixed assets investment of above NRs. 500 millions, disputes may be settled as mentioned in the foreign investment agreement.

- h. Governing Law - Governing Law should be the law prevailing in Nepal.
- i. Language of the Agreement - The language should either be Nepali or English.
- j. Date - Date of Agreement and date of effectuation of the agreement
- k. Witness - The signature of each investor should be attested by one witness.

In line with the aforesaid guidelines, a model joint venture agreement is suggested as under.

MODEL AGREEMENT

THIS AGREEMENT is made and entered into as of the day of, 20..., by and between (Name of the domestic company) duly organised and existing under the laws of the Kingdom of Nepal (hereinafter referred to as " X "), with its main office at..... (Address of domestic investor), and (Name of the foreign investor) hereinafter referred to as "Y") duly organised and existing under the laws of the.... (Nationality/Country of foreign investor), with its main office at (Address of the foreign investor).

WITNESSETH:

WHEREAS, X is engaged in the business of in Nepal

WHEREAS, Y is engaged in the business of in (Country of the foreign investor);

WHEREAS, X and Y desire to establish a new joint venture company in Nepal for the purpose of

NOW, THEREFORE, in consideration of the premises and mutual covenants herein set forth, X and Y agree as follows:

Article 1. Formation of New Company

- 1.1. The parties, immediately upon the effectuation of this Agreement, shall form and establish a company, which will be jointly owned and managed by the parties hereto (hereinafter referred to as the "New Company"), pursuant to the laws of the Kingdom of Nepal.
- 1.2. The Name of the New Company shall be or such other name agreeable to the parties and the Company Registrar's Office in Nepal.
- 1.3. The head office of the New Company shall be located at, Nepal; branches and other business offices, etc., may be established anywhere within Nepal, as required.
- 1.4. The parties hereto shall consult and co-operate with each other as to the procedures and particulars of the establishment and registration of the New Company.

Article 2. Business Purpose

The business purpose of the New Company shall be as follows:

- (a) Manufacture and sale of (Description of products/service);
- (b) Any and all business activities incidental to the foregoing objectives.

Article 3. Articles of Incorporation

The New Company's Articles of Incorporation (hereinafter referred to as the "Articles of Incorporation") shall be as agreed to by the parties hereto and approved by the Company Registrar's Office. If any discrepancy is found between this Agreement and the Articles of Incorporation, the parties shall amend the Articles of Incorporation to make them be in accordance with this Agreement.

Article 4. Amount and Ratio of Capital Contribution by Each Party

- 4.1. The total project cost of the proposed venture and the total equity contribution will be as follows:

Total Project Cost : NRs.
Total Equity : NRs.

- 4.2. The total amount of capital contribution which shall be made to the New Company by the parties hereto, and the number of shares of stock of New Company to be issued to each party, and the ratio of the equity interest in New Company of each party shall be as follows:

X : NRs......(.....shares).....%
Y : NRs......(.....shares).....%
Total : NRs (.....shares)....100%

- 4.3. At the time of incorporation, the parties shall contribute the initial capital of NRs., according to the ratio as prescribed in the preceding paragraph 4.2.

Article 5. Kind of Shares

Any and all shares issued by the New Company shall be common stock of one kind, in non-bearer form, at a par value of NRs. per share, with full voting rights.

Article 6. Subscription for Shares

- 6.1. the parties hereto shall subscribe for the shares of the New Company pursuant to the provisions of Article 4.2 and the total subscription amount shall be paid within days from the effectuation of this Agreement.
- 6.2. X shall make its contribution in cash and /or in kind.
- 6.3. Y shall make its contribution in convertible foreign currency/Indian rupees in an amount equivalent to NRs..... through proper banking channel³.

Article 7. Transfer of Shares

- 7.1. Neither party shall encumber the shares or make them available as the object of other rights without the prior consent of the other party hereto.
- 7.2. If either party desires to transfer its shares in the New Company, it shall notify its intention and the terms and conditions of the intended transfer to the Board of Directors. Immediately upon receipt of such notice, the Board of Directors shall give notice to the remaining shareholders requesting that they confirm whether they intend to purchase such shares. If the notified remaining shareholders desire to purchase offered shares, such shares shall be divided among the remaining. If all the notified remaining shareholders do not declare their wish to purchase such shares under the offered terms and conditions within days after the receipt of said notice, or they refuse to purchase such shares, then the party desiring to transfer is free to transfer its shares, provided, however, that the terms and conditions of the offer (including, but not limited to, prices) shall not be more favourable than those offered to the remaining shareholders.
- 7.3. The third party transferee shall submit to the other party of this Agreement and the New Company a written oath stating that the transferee agrees to be

³ If the Party Y intends to make its contribution in the form of machineries and equipment, the detailed list of the same including the price should form the integral part of this agreement.

governed by all of the terms and provisions of this Agreement and to be fully bound by the terms thereof, assuming all obligations of the party from which it has purchased the shares.

- 7.4. The notification of intention to transfer the shares and terms and conditions of such transfer to be given under the preceding paragraph shall be done in writing.
- 7.5. Any share transfer under this Article shall be subject to necessary governmental validation or approval in Nepal.

Article 8. Pre-emptive Rights.

- 8.1. The parties hereto shall have pre-emptive rights in proportion to the number of shares held by each of them with respect to any new issuance of shares of the New Company. However, upon the consent of all shareholders, the pre-emptive rights may be exercised in a ratio other than the shareholding ratio.
- 8.2. If either party does not wish to exercise its pre-emptive rights in whole or in part, such party shall notify the Board of Directors of such intention within days from the day of the allocation of new shares. In this case, the other party shall have the pre-emptive right to such unsubscribed new shares.
- 8.3. New shares to which none of the parties hereto have subscribed shall be preferentially allocated to persons who have agreed to accept all of the terms and conditions hereunder, pursuant to the conditions set by the Board of Directors.

Article 9. General Meeting of Shareholders

Except as otherwise provided in the Articles of Incorporation, resolutions of the General Meeting of Shareholders of the New Company (hereinafter referred to as the "General Meeting of Shareholders") shall be adopted by an affirmative vote of a majority of the shares represented at a meeting where shareholders representing more than fifty percent of the total number of shares issued and outstanding are present.

Article 10. Board of Directors

Each of the parties hereto will exercise its respective voting rights in the New Company and take such other steps as are necessary to ensure:

- 10.1. The Board of Directors of the New Company shall consist of.....members of which shall be nominated by X and of which shall be nominated by Y.
- 10.2. If either party wishes to change its nominated directors with or without cause, the other party shall consent to such change, provided, however, that if such change is without cause, the party proposing the dismissal shall indemnify and hold the New Company and the other party harmless from any and all damages and other expenses that may arise from such action.
- 10.3. All resolutions adopted at a meeting of the Board of Directors shall be adopted by the affirmative vote of the majority of the directors present at a meeting where a majority of directors in office is present.
- 10.4. Meeting of the Board of Directors may be called by the Chairman when he deems the same to be necessary or advisable or when any director so requests.
- 10.5. The Chairman of the Board of Directors shall be elected from among the Directors.

Article 11. Distribution of Authority Among Directors

The power and responsibility of each director of the New Company shall be as determined by the Board of Directors.

Article 12. Statutory Auditor

The New Company shall have an auditor nominated with full consent of both parties or the auditor shall be nominated by the general share holders meeting.

Article 13. Working Capital

The parties hereto shall exercise their best efforts to enable the New Company to obtain the necessary working capital by arranging financing to the New Company or providing guarantees to the banks of the New Company.

Article 14. Dividends.

The New Company, depending upon the results of each fiscal year's settlement of accounts, shall make periodic payments of dividends to the shareholders according to the Articles of Incorporation.

Article 15. Fiscal Period and Accounting Books

- 15.1. The fiscal year of the New Company shall, commence on and end on of each (next) year, provided that the first fiscal year shall commence on the date of incorporation and end on of that (next) year.
- 15.2. The New Company shall maintain accounting books, records and supporting documents in accordance with generally accepted accounting principles and practices in Nepal.
- 15.3. Immediately upon the end of each fiscal year, the New Company shall submit the balance sheet and profit and loss statement to each party. Further, the New Company shall keep its accounting books and records at the head office of the New Company for inspection by the parties or their representatives upon request of either party.

Article 16. Incorporation Expenses

All of the incorporation expenses of the New Company shall be borne by each of the parties hereto, except for the expenses incurred or borne by the New Company

Article 17. Payment and Tax

- 17.1. Unless otherwise prescribed hereunder, all of the payments made by the New Company to Y will be made in US \$ or convertible foreign currency at the bank or other address nominated by Y in writing.
- 17.2. The withholding tax, if any, imposed on the payments to Y shall be withheld from the payments by the New Company and be immediately paid to the competent tax office. The parties hereto shall cause the New Company to obtain from the competent taxation authorities a certificate of payment of such withholding tax or other appropriate evidence in such form as shall be most useful to, and necessary for tax credit purposes in (the nation of the foreign investor) and forwarded the same to Y.

Article 18. Non-Assignability

Except for the transfer of shares in accordance with Article 7 hereof, the rights and obligations of each of the parties under this Agreement shall not be assignable directly or indirectly except with the prior written consent of the other party.

Article 19. Effective Date

This Agreement shall come into effect on the date all necessary approvals and/or licenses are obtained from the governments of both Nepal and the (nation of foreign investor), whichever is later.

Article 20. Termination

- 20.1. This Agreement shall be terminable by a party, if the other party shall commit a material breach of any of its obligations under this Agreement, which it shall fail to remedy within days of receipt of written notice requiring that the breach be remedied.
- 20.2. In case of termination of this Agreement under the preceding paragraph, the party at fault shall transfer its shares to the other party or a third party, under conditions reasonably prescribed by the Board of Directors. Prior approval of HMG will be obtained if required.

Article 21. Modification

This Agreement may be changed, amended or otherwise modified only by means of written agreement executed by the duly authorised representatives of the parties. Such a modification shall be effective only upon the approval of the relevant authority of HMG/Nepal.

Article 22. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Kingdom of Nepal.

In case of conflict of the provisions of this agreement with the laws of the Kingdom of Nepal, the conflicting provision of this agreement shall be automatically invalid to the extent of conflict.

Article 23. Arbitration

- 23.1. Any dispute arising out of or in relation to this Agreement shall be settled amicably between the parties failing this it shall be finally settled by arbitration. Such arbitration shall be conducted in accordance with Arbitration Act, 2055.
- 23.2. Such arbitration shall be conducted in accordance with the Rules of United Nation Commission for International Trade Law (UNCITRAL)⁴
- 23.3. The venue of arbitration shall be Kathmandu, Nepal
- 23.4. The laws of the kingdom of Nepal shall be applicable in arbitration.

⁴ For industries with fixed assets investment of above NRs. 500 millions, disputes may be settled in accordance with the mutually agreed rules and venue of such arbitration may also be mutually agreed.

Article 24. Non-competition

- 24.1. The parties hereto agree that they or their affiliates shall not, directly or indirectly, manufacture or sell any goods which are competitive with the New Company's products, in Nepal.
- 24.2. The scope of the term "affiliates" shall be prescribed by mutual agreement between the parties.

Article 25. Confidentiality

The parties hereto agree to keep secret and confidential all information furnished to them by the other party or the New Company which are designated as confidential by said other party or the New Company, or considered desirable to remain secret. The parties further agree not to use such information for any purpose whatsoever except in a manner expressly provided for in this Agreement.

Article 26. Force Majeure

Neither party shall be liable for any breach or non-observance of any term or condition of this Agreement on account of force majeure which shall mean fire, explosion, acts of government and other similar circumstances beyond a party's control.

Article 27. Approval, License

X shall extend his best co-operation in obtaining any necessary Nepalese government approvals or licenses for the incorporation of the New Company, and Y shall bear all responsibility for obtaining any necessary approvals or licenses from the government of(nation of the foreign investor).

Article 28. Entire Agreement

This Agreement contains the entire understanding of the parties as to the terms and conditions of their relationship, and supersedes all prior agreements and representations between the parties, which shall hereby be repealed.

Article 29 Language

This Agreement is executed in the English language which shall be deemed to be the original. In case of any discrepancy between any translation and the above version, the English version shall be controlling in all respects.

Article 30. Notice

30.1. Any notice required or permitted to be given hereunder shall be in writing and may be given by registered airmail, hand delivery or by telex, facsimile transmission or cable to the following address:

To X:

To Y:

30.2. Either party may amend its address set forth above by written notice, made pursuant to any of the above methods to the other party.

30.3. Any notice so given shall be deemed to be received; if by airmail, days after posting; or if by hand delivery, on the day of delivery; or if by telex, facsimile transmission or cable, on the day of dispatch.

IN WITNESS WHEREOF, the parties have caused their duly authorised representatives to execute this Agreement on the date first written

X

Y

By

By

Name :

Name :

Title :

Title :

Witness :

Witness :

Name :

Name :

Address :

Address :

Appendix-5

Financial Credibility Certificate (FCC)

A bank of either investor's home country or domiciled country should issue the Financial Credibility Certificate (FCC)⁵. The certificate should be issued on the letterhead of the bank. The original copy of the FCC should be submitted to the DOI. A model FCC is given below for the easy reference for the investors.

The Department of Industries,
Tripureshwor
Kathmandu, Nepal⁶.

This is to certify that Mr/Mrs/Ms/ (or company)
..... with a permanent address/registered office situated
at(city).....
(country) has/have been doing transaction with us since
We have so far found his/her/their business transaction with us satisfactory. We
would be happy to invest in his/her/their business proposal/s, if such
opportunity arises in future.

.....

(Name of Certifying Person)

(Designation of Certifying Person)

⁵ Domiciled country may be referred to the country where the investor has been living (or doing business) for at least a year.

⁶ Alternatively, instead of addressing to DOI, one can simply refer as "To Whom it may Concern".

Applicable Fees**(A) Deposits for a New Foreign Investment License**

Fixed Capital	Deposit (NRs.)
Up to NRs. 500,000	1,000
Rs. 500,000 - Rs. 1 mln	2,000
Rs. 1mln - Rs. 2.5 mln	4,000
Rs. 2.5 mln - Rs. 5 mln	7,000
Rs. 5 ml. - 10 mln.	10,000
Above Rs. 10 mln	20,000

(B) Company Registration Fees

a. Public Limited Company

<u>Authorised Capital</u>	<u>Registration Fees</u>
Upto Rs. 1,00,000	Rs. 400.00
Rs. 1,00,001 to Rs. 5,00,000	Rs. 2,500.00
Rs. 5,00,001 to Rs. 10,00,000	Rs. 5,000.00
Rs. 10,00,001 to Rs. 50,00,000	Rs. 7,500.00
Rs. 50,00,001 to Rs. 1,00,00,000	Rs. 7,800.00
Rs. 1,00,00,001 to Rs. 10,00,00,000	Rs. 10,000.00
Above Rs. 10,00,00,000 - Rs.5.00 per each 100,000.	

b. Private Limited Company or Proprietorship (Pvt.) firm.

c.

<u>Authorised Capital / Total Capital</u>	<u>Registration Fees</u>
Upto Rs. 1,00,000	Rs. 400.00
Rs. 1,00,001 to Rs. 5,00,000	Rs. 2,600.00
Rs. 5,00,001 to Rs. 10,00,000	Rs. 5,100.00
Rs. 10,00,001 to Rs. 25,00,000	Rs. 7,600.00
Rs. 25,00,001 to Rs. 50,00,000	Rs. 8000.00
Rs. 50,00,001 to Rs. 1,00,00,000	Rs. 12,000.00
Above Rs. 1,00,00,000 - Rs.2.00 per each 100,000.	

c. Partnership Firm

<u>Total Capital</u>				<u>Registration Fees</u>	
	<	Rs.	20,000	Rs. 50	
Rs.	20,000	-	Rs.	50,000	Rs. 100
Rs.	50,000	-	Rs.	1,00,000	Rs. 250
Rs.	1,00,000	-	Rs.	3,00,000	Rs. 850
Rs.	3,00,000	-	Rs.	5,00,000	Rs. 1,400
Rs.	5,00,000	-	Rs.	1 mln	Rs. 3,000
Rs.	1 mln	-	Rs.	5 mln	Rs. 4,500
Rs.	5 mln	>	Rs.		Rs. 6,500

d. Private Firm

<u>Total Capital</u>				<u>Registration Fees</u>	
	<	Rs.	50,000	Rs. 120	
Rs.	50,000	-	Rs.	1,00,000	Rs. 300
Rs.	1,00,000	-	Rs.	3,00,000	Rs. 1,170
Rs.	3,00,000	-	Rs.	5,00,000	Rs. 1,950
Rs.	5,00,000	-	Rs.	1 mln	Rs. 3,900
Rs.	1 mln	-	Rs.	5 mln	Rs. 5,850
Rs.	5 mln	>	Rs.		Rs. 7,800

Renewal Fees for Firms

<u>Total Capital</u>			<u>Proprietorship</u>	<u>Partnership</u>
	<	Rs. 50,000	35	Rs. 30
Rs.	50,000	- 1,00,000	Rs. 50	Rs. 45
Rs.	100,000	- 3,00,000	Rs. 70	Rs. 60
Rs.	3,00,000	- 5,00,000	Rs. 100	Rs. 85
Rs.	5,00,000	>	Rs. 160	Rs. 150

(C) Registration, Renewal & Application Fee for Patent, Design & Trademark

<u>Type of Fees</u>	<u>Patent (Rs.)</u>	<u>Design (Rs.)</u>	<u>Trademark (Rs.)</u>
i. Application Fee	1,000	500	500
ii. Registration Fee	5,000	2,000	1,500
iii. Renewal Fee	2,000	400	200

Note: Foreign owners should pay double the above amount.

Duration of Patent, Design & Trademark

Patent	-	7 years (Renewal Twice, Total Duration = 21 years)
Design	-	5 years (Renewal Twice, Total Duration = 15 Years)
Trademark	-	7 years (to be renewed at 7 years intervals)

Model Technology Transfer Agreement (TTA)

The Technology Transfer Agreement should clearly & specifically mention, among others, the following:

- a. Preamble
 - 1. Name & full address of the parties
 - 2. Name & full address of the company, and the name & designation of the person representing the company if the party is a company.
- b. Name and objectives of the recipient company.
- c. Type of technology transfer and scope of the services.
- d. Amount and mode of payment for the technology transfer.
- e. Guarantee of technology transfer.
- f. Arbitration -

For industries with fixed assets investment of upto NRs. 500 millions, if the dispute can not be settled by mutual consultations in the presence of the DOI, it shall be settled by arbitration in accordance with the prevailing arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL). The arbitration should be held in Kathmandu. The laws of Nepal shall be applicable in arbitration.

For industries with fixed assets investment of above NRs. 500 millions, disputes may be settled as mentioned in the technology transfer agreement.

- g. For any modification in the agreement, prior approval of DOI.
- h. Governing Law - Governing law should be the law prevailing in Nepal.
- i. Language of the Agreement - The language should either or Nepali or English.
- j. Date - Date of Agreement and date of effectuation of the agreement.

- k. Witness - The signature of each investor should be attested by one witness.

In line with the aforesaid guidelines, a model Technology Transfer Agreement is suggested as under. This model agreement may need substantial modification when applying to a specific case.

MODEL AGREEMENT

THIS AGREEMENT, made and entered into on (date) by and between , a company organised and existing under the laws of, having its main office and place of business at (hereinafter referred to as "Licensor") and a company, organised and existing under the laws of the kingdom of Nepal having its main office and place of business at , Nepal (hereinafter referred to as "Licensee").

WITNESSETH;

WHEREAS, Licensor has long been engaged in the manufacture and sale of products hereinafter referred to as "the Licensed Products");

and

WHEREAS, Licensor has acquired and possesses valuable technical information on the design, manufacture, erection and use of the Licensed Products; and WHEREAS, licensor has the right to grant a license to use Technical Information (or Industrial Property Rights) in connection with the Licensed Products;

and

WHEREAS, Licensee desires to obtain, and Licensor is willing to grant, the right and license to manufacture, use and sell the Licensed Products utilising technical information furnished by Licensor.

NOW, THEREFORE, in consideration of premises and covenants hereinafter set forth, the parties hereto agree as follows,

Article 1. Definitions

As used in this Agreement, the following terms have the following meanings respectively;

- 1.1. "Licensed Products" means the products as mentioned below. As to details of the Products, the stipulation of Appendix hereto shall apply.
- 1.2. "Technical Information" means all the technical knowledge, know-how, standard calculations, data and information developed or otherwise generally used by Licensor pertaining to the manufacture, use and sale of the Licensed Products.
- 1.3. "Contract Territory" means the territory of the kingdom of Nepal.
- 1.4. "Industrial Property Rights" means any or all rights under patents, and application thereof presently owned or hereafter acquired by Licensor and /or which Licensor has or may have the right to control or grant license thereof during the term hereof and which are applicable to or may be used in the manufacture of the Products.
- 1.5. "Licensed Trademarks" shall mean the trademarks which are specified in Appendix () attached hereto.

Article 2. Grant of License

- 2.1. Licensor here by grants to Licensee an exclusive/ a non-exclusive right to manufacture, use and sell the Licensed Products using the Industrial Property Rights and Technical Information furnished by Licensor in the Contract Territory.
- 2.2. Licensor hereby grant to Licensee an exclusive or a non-exclusive right to sell the Licensed Products to any country in the world.

Article 3. Sales Information

- 3.1. Upon written request of Licensee, Licensor shall furnish Licensee with necessary drawings, technical data and price information on a breakdown basis in order to enable Licensee to prepare quotations, in so far as such information is currently available from Licensor.
- 3.2. To assist Licensee in selling the Licensed Products, Licensor will furnish Licensee with one complete set of current materials generally used for sales promotion, such as brochures, catalogues and technical data available from Licensor, which cover the entire range of the Licensed Products.

Article 4. Technical Assistance and Services

- 4.1. Licensor shall supply Licensee with the following data in order that Licensee may manufacture to the best advantage the Licensed Products without delay.
 - (a) Drawings for designing, manufacturing, and assembling.
 - (b) Specifications.
 - (c) Materials list.
 - (d) General calculation sheet.
 - (e) Data for inspections and trial operations.
 - (f) Fabrication and assembly procedures.
 - (g) Operating & instruction manuals.
 - (h) Any other necessary technical data and know-how generally used by Licensor.
- 4.2. Licensor shall, by request of Licensee, permit a reasonable number of technical personnel designated by Licensee to have opportunity to study the design and manufacturer of the Licensed Products at Licensor's place of business. Licensee shall advise Licensor, in advance, of the purpose, numbers, names, qualifications and probable lengths of stay of Licensee's designated personnel desiring to visit Licensor. Licensor shall arrange to make available qualified personnel for consultation with, and training of such Licensee's personnel. Cost for personnel so despatched for training shall be borne by Licensee.

- 4.3. Upon written request of Licensee, Licensor shall send to Licensee, subject to availability of personnel and to mutual agreement, qualified engineers and/or technicians to render assistance and services to Licensee in connection with the manufacture, sale and operation of the Licensed Products for a reasonable period to be agreed upon by the parties hereto, provided, however, that Licensee agrees to bear the travelling expenses to and from and living expenses in the Kingdom of Nepal incurred by any such engineer and/or technicians. Licensor assures that such engineers and/or technicians are qualified with professional standards and reasonable skill, and will perform the assistance and services with care and diligence.

Article 5. Improvements

If at any time during the term of this Agreement one party hereto discovers or comes into the possession of any improvements or further inventions relating to the Licensed Products or in connection with the design, manufacture, use and sale of the same, the party shall furnish the other party with information on such improvements or further inventions without any delay and free of any additional charge.

Article 6. Payment

- 6.1. In consideration of the Technical Information and the Industrial Property Rights furnished by Licensor to Licensee hereunder, Licensee shall pay to Licensor the following royalties in the amount and in the manner specified below.
- (a) Initial Payment: Licensee shall pay Licensor the initial payment of within (....) days from the date of approval of this Agreement by Department of Industries (DOI) in Nepal.
 - (b) Royalty: The percent of net selling price for each sale of the Licensed products (without initial payment).
 - (c) Net selling price shall be the gross invoice price of the Licensed Products sold or otherwise disposed of by Licensee in normal,

bonafide, commercial transaction without any deduction other than the following items of expenses, if any, to the extent to which they are actually paid and included in the gross invoice price.

- (1) Sales discount
 - (2) Sales returned
 - (3) Indirect taxes on sales
 - (4) Insurance premiums on sales
 - (5) Packing expenses on sales
 - (6) Transporter expenses on sales
 - (7) Sales commissions
 - (8) Advertisement fee
 - (9) Installation expenses at places where the Licensed Products are to be used.
 - (10) CIF price, and import duties on raw materials, intermediate goods, parts and other components purchased from Licensor.
- (d) Royalty shall be computed for six months period terminating the last date of June and December of each year. Licensee shall make payment to Licensor within (...) days after receipt of relevant invoice from Licensor within (...) days after the last date of June and December of each year in the amount specified in Licensee's royalty statement mentioned in Article 8.
- 6.2. For the supervision and assistance by Licensor under paragraph 3 of Article 4, Licensee shall pay to Licensor service fees at the rates specified in Annexure (...) within (...) days after receipt of an invoice from Licensor.
- 6.3. All payments due under this Article shall be made in convertible foreign / Indian currency strictly in accordance with this article, converted from Nepalese Rupees at the selling rate of exchange prevailing in Nepal on the expiry date of the immediately preceding (...) month period for the calculation of the royalties hereunder.
- 6.4. All payments made to Licensor hereunder shall be by means of official telegraphic transfer remittance, mail transfer remittance, banker's check or such other investment acceptable to Nepal Rastra Bank (Central Bank) in Nepal in the name of Licensee and shall be remitted to the bank designated by Licensor.

Article 7. Supply of components, parts and raw materials

- 7.1. Upon Licensee's written request Licensor shall supply components, parts and raw materials to Licensee in due time and at reasonable and competitive prices.
- 7.2. Licensee shall open irrevocable Letter of Credit to buy components parts and raw materials from Licensor.

Article 8. Records, Auditing and Reports

- 8.1. Licensee shall send its statement of royalties due for the immediately preceding (...) month period together with full evidences which Licensor may require, to reach Licensor not later than (...) days after the expiration of the immediately preceding (...) month period.
- 8.2. At the time of remitting the royalties, Licensee shall submit to Licensor a written report stating the net selling price, overall order price with clients, the number, and the type of the Licensed Products sold or used by Licensee under this Agreement during the (...) month period ended on June 30th and December 31st each year.

Article 9. Guarantee

- 9.1. During the terms of the Agreement, Licensor shall be responsible for damage resulting from defective Technical Information and parts furnished to Licensee by Licensor.
- 9.2. Licensor shall not be responsible for consequential damages resulting from the faulty application of Technical Information by Licensee.

Article 10. Duration and Termination

- 10.1 This Agreement shall be effective for an initial period of ... years from the effective date of this Agreement. After the end of this period, the Agreement

shall expire without notice. The parties may agree to extend the term of this Agreement, provided, however, that any extension shall be subject to the necessary approval by the Government of Nepal.

- 10.2 If either party hereto continues to be in default of any obligation imposed on it herein for more than (...) days after written notice has been dispatched by registered airmail by the other party requesting the party in default to remedy such default, the other party may terminate this effect by registered airmail to the first party and this Agreement shall terminate on the date of dispatch of such notice. In the event of bankruptcy, receivership, insolvency or assignment for the benefit of creditors of either party hereto, the other party may terminate this Agreement effective immediately by giving the first party written notice to that effect.

Article 11. Use of Trademark and Brand Name

- 11.1 Licensor hereby grants to Licensee, upon the terms and conditions hereinafter specified, and exclusive or a non exclusive non assignable license to use the Licensed Trademarks during such time as this Agreement subsist in such manner as not to deceive the public, on and in connection with the Licensed Products. Licensor will not grant a License to use the Licensed Trademarks in the Contract Territory to any other third party in Nepal during the term of this Agreement.
- 11.2 Licensee shall be entitled to use Licensed Trademarks on Licensee's letter headings, invoices and all advertising and promotional material in such form and in such manner as shall be approved in writing by the Licensor.
- 11.3 Each licensed Trademark shall be used only after it has been duly registered with the Department of Industries, and after this Agreement has also been duly registered with the Department of Industries.
- 11.4 This License to use the Licensed Trademark is provided on no additional royalty basis.
- 11.5 If this Agreement is terminated, Licensee shall immediately cease to produce using the Licensed Trademark.

Article 12. Patent Infringement

Should any Licensed Product manufactured by Licensee strictly in accordance with the Technical Information supplied by Licensor under this Agreement partially or totally infringe of patent/trademark right belonging to a third party, which shall make a claim against Licensee for alleged infringement of such patent right, Licensee shall immediately by telex or fax inform Licensor thereof and transfer the claim with all pertinent details to Licensor, who shall be responsible for handling of the claim and Licensee shall in no respect have any responsibility for the claim from such party.

Article 13. Secrecy

Licensee agrees that it shall not without prior written consent of Licensor sell, assign or divulge the Technical Information disclosed and furnished by Licensor hereunder in any manner to anyone except those of its employees and its subcontractors who will be using such information in the manufacture and erection of the Licensed Products.

Article 14. Taxation

The withholding tax, if any, imposed on the payments to Licensor shall be withheld from the payments by the Licensee and be immediately paid to the competent tax office. The parties hereto shall cause the Licensee to obtain from the competent taxation authorities a certificate of payment of such withholding tax or other appropriate evidence in such form as shall be most useful to, and necessary for tax credit purposes in (the nation of the foreign investor) and forwarded the same to Licensor.

Article 15. Arbitration

Any dispute arising under or by virtue of this Agreement or any difference of opinion between the parties hereto concerning their rights and obligations under this Agreement, shall be finally resolved by arbitration.

Such arbitration proceedings shall take place in Kathmandu in accordance with the applicable rules of arbitration of United Nations commission for International trade law. The decision of the arbitration proceedings shall be final and binding upon both the parties. The laws of the Kingdom of Nepal shall be applicable in the arbitration.

Article 16. Effective Date

This Agreement shall be effective upon the approval by the government of Nepal.

Article 17. Applicable Law

This Agreement shall be construed and interpreted in accordance with the laws of the kingdom of Nepal.

In case of conflict of the provisions of this agreement with the laws of the Kingdom of Nepal, the conflicting provision of this agreement shall be automatically invalid to the extent of conflict.

Article 18. Force Majeure

Neither party shall be liable to the other party for non-performance or delay in performance of any of its obligation under this Agreement due to causes reasonably beyond its control including fire, flood, strikes, labour troubles or other industrial disturbances, unavoidable accidents, governmental regulations, riots, and insurrections. Upon the occurrence of such a force majeure condition the affected party shall immediately notify the other party with as much details as possible and shall promptly inform the other party of any further developments. Immediately after the cause is removed, the affected party shall perform such obligations with all due speed unless the Agreement is previously terminated in accordance with Article 10 hereof.

Article 19. Notices

All communication notices or the like between the parties shall be valid when made by telegraph or telex communication subsequently to be confirmed in writing and addressed to the following address

To Licensee :

To Licensor :

Article 20 Language

- 20.1 The language to be used in rendering the Technical Information disclosed and furnished to Licensee by Licensor under this Agreement shall be in English.
- 20.2 The language for correspondence between the parties and any documentation shall be in English.

Article 21. Entire Agreement

This instrument embodies the entire agreement and understanding between the parties hereto relative to the subject matter hereof and there are no understandings, agreements, conditions, oral or written, expressed or implied, with reference to the subject matter hereof that are not merged herein or superseded hereby. No modification hereof shall be of any force or effect unless reduced to writing and signed by the parties claimed to be bound thereby and no modification shall be effected by the acknowledgement or acceptance of any order containing different conditions. Such modifications shall be effective only upon the approval of relevant authority of HMG/Nepal.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorised representative as of the date first above written.

For and on behalf of

For and on behalf of

By

By

Name

Name

Position

Position

Witness

Witness

Model Share Purchase Agreement (SPA) for the Equity Participation

The Share Purchase Agreement (SPA) should clearly & specifically mention, among others, the following clauses:

- a. Preamble
 - 1. Name & full address of all parties (local and foreign) if investors are individual.
 - 2. Name & full address of the company, and the name & designation of the person representing the company if the investor is a company.
- b. Name and Objectives of the existing company
- c. Source and Structure of Capital: Existing capital structure and the envisaged capital structure after the proposed share purchase/transfer. Equity contribution of new party in Rupees and in percentage of total shares issued.
- d. Mode of equity whether in cash and/or in machineries. If in cash, it should be made in convertible foreign currency/Indian currency through proper banking channel.
- e. For transfer of shares or for any modification in the agreement, prior approval of DOI.
- f. Arbitration -

For industries with fixed assets investment of upto NRs. 500 millions, if the dispute can not be settled by mutual consultations in the

presence of the DOI, it shall be settled by arbitration in accordance with the prevailing arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL). The arbitration should be held in Kathmandu. The laws of Nepal shall be applicable in arbitration.

For industries with fixed assets investment of above NRs. 500 millions, disputes may be settled as mentioned in the foreign investment agreement.

- g. Governing Law - Governing Law should be the law prevailing in Nepal.
- h. Language of the Agreement - The language should either be Nepali or English.
- i. Date - Date of Agreement and date of effectuation of the agreement
- j. Witness - The signature of each investor should be attested by one witness.

In line with the aforesaid guidelines, a model Share Purchase Agreement (SPA) is suggested as under. This model agreement is, however, suitable for a new foreign investor willing to purchase the shares from the stock of the existing Nepalese company. Some modifications are required if a new foreign investor is willing to purchase the shares from the shareholder of the existing Nepalese company.

MODEL AGREEMENT

THIS AGREEMENT is made and entered into as of the day of, 20..., by and between (Name of the representative and the domestic company he/she is representing) duly organised and existing under the laws of the Kingdom of Nepal (hereinafter referred to as "Party X "), with its main office located at..... (Address of domestic investor), and (Name of the foreign investor) hereinafter referred to as "Party Y") duly organised and existing under the laws of the.... (Nationality/Country of foreign investor), with its main office at (Address of the foreign investor).

WITNESSETH:

WHEREAS, Party X is engaged in the business of in Nepal

WHEREAS, Party Y is engaged in the business of in (Country of the foreign investor);

WHEREAS, Party X and Party Y desire to expand/modernise/diversify the activities of the existing company in Nepal for the purpose of

NOW, THEREFORE, in consideration of the premises and mutual covenants herein set forth, Party X and Party Y agree as follows:

Article 1. Continuity of the Company

- 1.1. The parties, after the effectuation of this Agreement, will jointly own and manage the existing company, namely..... (name of domestic company) (hereinafter referred to as the "The Company"), pursuant to the laws of the Kingdom of Nepal.

- 1.3. The head office of The Company will remain at its existing location, Nepal; branches and other business offices, etc., may be established anywhere within Nepal, as required.

Article 2. Business Purpose

The business purpose of The Company shall be as follows:

- (a) Manufacture and sale of (Description of products/service);
- (b) Any and all business activities incidental to the foregoing objectives.

Article 3. Articles of Incorporation

Party Y hereby agrees to abide by all the provisions mentioned in the existing Articles of Incorporation of the Company. The current capital structure of the company is as follows

Authorised Capital of the Company : NRs.
Issued Capital of the Company : NRs.
Subscribed Capital of the Company : NRs.
Paid Up Capital of the Company : NRs.

Article 4. Amount and Ratio of Capital Contribution by Each Party

4.3. The total project cost of the industry and the total equity contribution will be as follows:

Total Project Cost : NRs.
Total Equity : NRs.

4.4. The total amount of capital contribution which shall be made to the Company by the parties hereto, and the number of shares of stock of the Company to be issued to each party, and the ratio of the equity interest in the Company of each party shall be as follows:

Party X : NRs......(.....shares).....%
Party Y : NRs......(.....shares).....%
Total : NRs (.....shares)....100%

Article 5. Kind of Shares

Any and all shares issued by the Company shall be common stock of one kind, in non-bearer form, at a par value of NRs. per share, with full voting rights.

Article 6. Subscription for Shares

- 6.1. The Party Y hereto shall subscribe for the shares of the Company pursuant to the provisions of Article 4.2 and the total subscription amount shall be paid within days from the effectuation of this Agreement.

- 6.3. Party Y shall make its contribution in convertible foreign currency/Indian rupees in an amount equivalent to NRs..... through proper banking channel⁷.

Article 7. Transfer of Shares

- 7.1. Neither party shall encumber the shares or make them available as the object of other rights without the prior consent of the other party hereto.

- 7.2. If either party desires to transfer its shares in the Company, it shall notify its intention and the terms and conditions of the intended transfer to the Board of Directors. Immediately upon receipt of such notice, the Board of Directors shall give notice to the remaining shareholders requesting that they confirm whether they intend to purchase such shares. If the notified remaining shareholders desire to purchase offered shares, such shares shall be divided among the remaining. If all the notified remaining shareholders do not declare their wish to purchase such shares under the offered terms and conditions within days after the receipt of said notice, or they refuse to purchase such shares, then the party desiring to transfer is free to transfer its shares, provided, however, that the terms and conditions of the offer (including, but not limited to, prices) shall not be more favourable than those offered to the remaining shareholders.

- 7.3. The third party transferee shall submit to the Company a written oath stating that the transferee agrees to be governed by all of the terms and provisions of this Agreement and to be fully bound by the terms thereof, assuming all obligations of the party from which it has purchased the shares.

⁷ If the Party Y intends to make its contribution in the form of machineries and equipment, the detailed list of the same including the price should form the integral part of this agreement.

- 7.4. The notification of intention to transfer the shares and terms and conditions of such transfer to be given under the preceding paragraph shall be done in writing.
- 7.5. Any share transfer under this Article shall be subject to necessary governmental validation or approval in Nepal.

Article 8. Pre-emptive Rights.

- 8.1. The parties hereto shall have pre-emptive rights in proportion to the number of shares held by each of them with respect to any new issuance of shares of the Company. However, upon the consent of all shareholders, the pre-emptive rights may be exercised in a ratio other than the shareholding ratio.
- 8.2. If either party does not wish to exercise its pre-emptive rights in whole or in part, such party shall notify the Board of Directors of such intention within days from the day of the allocation of new shares. In this case, the other party shall have the pre-emptive right to such unsubscribed new shares.
- 8.3. New shares to which none of the parties hereto have subscribed shall be preferentially allocated to persons who have agreed to accept all of the terms and conditions hereunder, pursuant to the conditions set by the Board of Directors.

Article 9. General Meeting of Shareholders

Except as otherwise provided in the Articles of Incorporation, resolutions of the General Meeting of Shareholders of the Company (hereinafter referred to as the "General Meeting of Shareholders") shall be adopted by an affirmative vote of a majority of the shares represented at a meeting where shareholders representing more than fifty percent of the total number of shares issued and outstanding are present.

Article 10. Board of Directors

Each of the parties hereto will exercise its respective voting rights in the Company and take such other steps as are necessary to ensure:

- 10.1. The Board of Directors of the Company shall consist of.....members of which shall be nominated by Party X and of which shall be nominated by Party Y. This change will be effective after getting formal approval from the Company registrar's Office.
- 10.2. If either party wishes to change its nominated directors with or without cause, the other party shall consent to such change, provided, however, that if such change is without cause, the party proposing the dismissal shall indemnify and hold the Company and the other party harmless from any and all damages and other expenses that may arise from such action.
- 10.3. All resolutions adopted at a meeting of the Board of Directors shall be adopted by the affirmative vote of the majority of the directors present at a meeting where a majority of directors in office is present.
- 10.4. Meeting of the Board of Directors may be called by the Chairman when he deems the same to be necessary or advisable or when any director so requests.
- 10.5. The Chairman of the Board of Directors shall be elected from among the Directors.

Article 11. Distribution of Authority Among Directors

The power and responsibility of each director of the Company shall be as determined by the Board of Directors.

Article 12. Statutory Auditor

The Company shall have an auditor nominated with full consent of both parties or the auditor shall be nominated by the general share holders meeting.

Article 13. Working Capital

The parties hereto shall exercise their best efforts to enable the Company to obtain the necessary working capital by arranging financing to the Company or providing guarantees to the banks of the Company.

Article 14. Dividends

The Company, depending upon the results of each fiscal year's settlement of accounts, shall make periodic payments of dividends to the shareholders according to the Articles of Incorporation.

Article 15. Fiscal Period and Accounting Books

- 15.1. The fiscal year of the Company shall, commence on and end on of each (next) year, provided that the first fiscal year shall commence on the date of incorporation and end on of that (next) year.
- 15.2. The Company shall maintain accounting books, records and supporting documents in accordance with generally accepted accounting principles and practices in Nepal.
- 15.3. Immediately upon the end of each fiscal year, the Company shall submit the balance sheet and profit and loss statement to each party. Further, the Company shall keep its accounting books and records at the head office of the Company for inspection by the parties or their representatives upon request of either party.

Article 16. Incorporation Expenses

All of the incorporation expenses of the Company shall be borne by each of the parties hereto, except for the expenses incurred or borne by the Company

Article 17. Payment and Tax

- 17.2. Unless otherwise prescribed hereunder, all of the payments made by the Company to Party Y will be made in foreign currency, depending on the currency of the investment, at the bank or other address nominated by Party Y in writing.

- 17.2. The withholding tax, if any, imposed on the payments to Party Y shall be withheld from the payments by the Company and be immediately paid to the competent tax office. The parties hereto shall cause the Company to obtain from the competent taxation authorities a certificate of payment of such withholding tax or other appropriate evidence in such form as shall be most useful to, and necessary for tax credit purposes in (the nation of the foreign investor) and forwarded the same to Party Y.

Article 18. Non-Assignability

Except for the transfer of shares in accordance with Article 7 hereof, the rights and obligations of each of the parties under this Agreement shall not be assignable directly or indirectly except with the prior written consent of the other party.

Article 19. Effective Date

This Agreement shall come into effect on the date all necessary approvals and/or licenses are obtained from the governments of both Nepal and the (nation of foreign investor), whichever is later.

Article 20. Termination

- 20.1. This Agreement shall be terminable by a party, if the other party shall commit a material breach of any of its obligations under this Agreement, which it shall fail to remedy within days of receipt of written notice requiring that the breach be remedied.
- 20.2. In case of termination of this Agreement under the preceding paragraph, the party at fault shall transfer its shares to the other party or a third party, under conditions reasonably prescribed by the Board of Directors. Prior approval of HMG will be obtained if required.

Article 21. Modification

This Agreement may be changed, amended or otherwise modified only by means of written agreement executed by the duly authorised representatives of the parties. Such a modification shall be effective only upon the approval of the relevant authority of HMG/Nepal.

Article 22. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Kingdom of Nepal.

In case of conflict of the provisions of this agreement with the laws of the Kingdom of Nepal, the conflicting provision of this agreement shall be automatically invalid to the extent of conflict.

Article 23. Arbitration

- 23.1. Any dispute arising out of or in relation to this Agreement shall be settled amicably between the parties failing this it shall be finally settled by arbitration. Such arbitration shall be conducted in accordance with Arbitration Act, 2055.
- 23.2. Such arbitration shall be conducted in accordance with the Rules of United Nation Commission for International Trade Law (UNCITRAL)⁸
- 23.3. The venue of arbitration shall be Kathmandu, Nepal
- 23.4. The laws of the kingdom of Nepal shall be applicable in arbitration.

⁸ For industries with fixed assets investment of above NRs. 500 millions, disputes may be settled in accordance with the mutually agreed rules and venue of such arbitration may also be mutually agreed .

Article 24. Non-competition

- 24.1. The parties hereto agree that they or their affiliates shall not, directly or indirectly, manufacture or sell any goods, which are competitive with the Company's products, in Nepal.
- 24.2. The scope of the term "affiliates" shall be prescribed by mutual agreement between the parties.

Article 25. Confidentiality

The parties hereto agree to keep secret and confidential all information furnished to them by the other party or the Company which are designated as confidential by said other party or the Company, or considered desirable to remain secret. The parties further agree not to use such information for any purpose whatsoever except in a manner expressly provided for in this Agreement.

Article 26. Force Majeure

Neither party shall be liable for any breach or non-observance of any term or condition of this Agreement on account of force majeure which shall mean fire, explosion, acts of government and other similar circumstances beyond a party's control.

Article 27. Approval, License

Party X shall extend his best co-operation in obtaining any necessary Nepalese government approvals or licenses for the effective implementation of this agreement, and Party Y shall bear all responsibility for obtaining any necessary approvals or licenses from the government of(nation of the foreign investor).

Article 28. Entire Agreement

This Agreement contains the entire understanding of the parties as to the terms and conditions of their relationship, and supersedes all prior agreements and representations between the parties, which shall hereby be repealed.

Article 29 Language

This Agreement is executed in the English language which shall be deemed to be the original. In case of any discrepancy between any translation and the above version, the English version shall be controlling in all respects.

Article 30. Notice

30.1. Any notice required or permitted to be given hereunder shall be in writing and may be given by registered airmail, hand delivery or by telex, facsimile transmission or cable to the following address:

To Party X:

To Party Y:

30.2. Either party may amend its address set forth above by written notice, made pursuant to any of the above methods to the other party.

30.3. Any notice so given shall be deemed to be received; if by airmail, days after posting; or if by hand delivery, on the day of delivery; or if by telex, facsimile transmission or cable, on the day of dispatch.

IN WITNESS WHEREOF, the parties have caused their duly authorised representatives to execute this Agreement on the date first written

X

Y

By

By

Name :

Name :

Title :

Title :

Witness :

Witness :

Name :

Name :

Address :

Address :

Contents of the Memorandum and Articles of Association

The **Memorandum and Articles of Association** must be presented as per the outline established by the Nepal Company Act 1997. Memorandum of Association should, inter-alia, include:

- a. Full name of the company
- b. Address of the head office of the company
- c. Objectives of the company (based on information contained in the DOI permission and the project report submitted to DOI).
- d. Work to be done to fulfil the objective of the company.
- e. Total share capital, number of shares with different features and its face value.
- f. Limited liability (the liability of the shareholders is limited to the value of the shares, they have subscribed or agreed to subscribe).
- g. Authorised capital of the company and number of different types of shares.
- h. Initial issued capital of the company.
- i. Special provisions if any, regarding sale and transfer of shares.
- j. Special provisions, if any.
- k. Promoter's commitments

- l. The memorandum should mention the full names and addresses of the persons who have undertaken to purchase share. It should indicate the number of shares, which each of them has undertaken to purchase and should be signed by each of them. It should also indicate the number of shares, which each of them has agreed to contribute immediately.
- m. The signatures of each promoter, signing the memorandum should be attested by at least one witness. No person, who is connected with the company to which the memorandum refers, can be a witness.

Articles of Association should, inter-alia, include:

- a. Particulars mentioned in Memorandum of Association.
- b. Formation of Board of Directors, their remuneration and tenure and working procedure.
- c. Number of share required to be contributed to be a Director.
- d. Time of convening share holders' meeting.
- e. Procedure for convening meeting of the company and information to be provided for the meeting.
- f. Special rights of the preferential shareholders and limitations.
- g. Rights and duties of the managing director.
- h. Share capital (i. Authorised capital, ii. issued capital).
- i. Share certificate.
- j. Accounts and records - Accounts in Nepalese language, only, are authoritative. However, accounts in other languages can also be maintained. Statements of accounts of the public company has to be prepared at least 30 days prior to the

general meeting and for private companies, statements of accounts should be prepared within 60 days of the end of the financial year. It should mention

- (i) Balance sheet till the end of the financial year.
- (ii) Profit and loss account of the financial year.
- (iii) Description of capital flow of the financial year.

k. Audit - The company is authorised to appoint an auditor who holds a certificate issued by the Auditor General's Office.

Before sale of shares to the public, a public company must publish a prospectus with the approval of CRO. The prospectus should contain the following particulars.

- (a) Objectives of the company and particular mentioned in Articles and Memorandum of Association.
- (b) Shares, which promoter directors have undertaken to purchase, their remuneration and allowances.
- (c) Minimum shares to be contributed by the directors, their remunerations and allowances.
- (d) Other particulars as mentioned in the Company Act.

Application Form for Industry Registration

Department of Industries

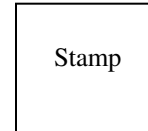
Application form 'Ka'

for

Registration/License of Industries

(For the industries listed in annexure 1 and 2, Industrial Enterprises Act 1992)

The Director General,
Department of Industries
Tripureshwor, Kathmandu



Dear Sir,

We are interested to set up (*name of industry*)
..... at Zone
District Municipality/VDC Ward No. We,
hereby, request you to register the industry with the details attached herewith as
per the Industrial Enterprises Act 1992.

Name of applicant :

Mailing Address :

Citizenship no., date and place of issue :

Phone no. :

Fax no. :

Email :

Applicant's Signature :

Attachments

Submitted (Y/N)

- | | | |
|---|-------------|--------------------------|
| 1. Project Details | 1 copy | <input type="checkbox"/> |
| 2. Copy of Citizenship certificate | 1 copy | <input type="checkbox"/> |
| 3. Copy of Memorandum & Articles of Association | 1 copy each | <input type="checkbox"/> |
| 4. Recommendation from other authorities
(For tourism, pharmaceutical etc. industries) | 1 copy | <input type="checkbox"/> |

Project Details

1. Name of Industry :
 Location : District Municipality/VDC Ward No.
 Mailing address and Tel No.:
- Contact Person :
2. Scale : Small Medium Large
3. Legal Status : Proprietorship Partnership
 Private Ltd. Public Limited
4. Classification of Industry
- Manufacturing Agro and forest based Tourism
 Energy based Service Construction
 Mine based
5. a) No. of working days/year : No. of Shift/day :
 b) Objective

S. No.	Description of Product/Services	Annual Capacity	Unit	Rate	Total Value Rs.

6. Project Cost and Source of Finance

	Investment Rs.	Source	
		Equity Rs.	Loan Rs.
Fixed Assets			
Working Capital			
Total Investment			

7. Fixed Assets Details

S. No.	Description	Rs.	Remarks
1	Land (Area		
2	Building (Area		
3	Machinery and Equipment		
4	Furniture, Fixtures and Office Equipment		
5	Vehicles		
6	Pre-operational Expenses		
7	Others		
	Total Fixed Assets		

8. Working Capital Details

S. No.	Description	Rs.
1	Raw Materials (Fordays/months)	
2	Semi finished Goods (Fordays/months)	
3	Credits(Fordays/months)	
4	Others	
	Total	.

9. Machinery List

S. No.	Name	No./Set	Rs.

10. List of Raw materials

S. No.	Name of raw materials, packing materials etc.	Unit	Rate	Required qty. per annu	Amount Rs.

11. Requirement of convertible foreign exchange

For raw materials :..... per annum

For Machineries :.....

Others :.....

Total :.....

12. Employment

Description	Local	Foreigner	Total
Administrative			
Technical			
Labours, Highly Skilled			
Skilled			
Semi skilled			
Unskilled			
Total			

13. Utilities

Type	Requirement	Unit	Source
Electricity		kVA	
Diesel		kL	
LDO, Furnace Oil		kL	
Coal		MT	
Rice Husk		MT	
Water		L	
Others			

14. Investors' Details

	1	2	3	4
Name				
Father's name				
Grand Father's name				
Citizenship				
Mailing Address				
Phone No.				
Email				
Share %				
Signature				

-
1. IEE/EIA shall be carried out for the industries mentioned in rule 3 and rule 6 of Environmental Protection Rules 1997.
 2. This Form shall be duly filled.
 3. Separate sheet can be attached if the space in the form is not sufficient.
 4. The details in this form shall be updated after three months from the date of commercial operation.

List of Industries Requiring IEE

Sector : Industry

A.

1. Alcohol manufacturing by blending process and distillery works which include boiling and fermentation with capacity upto 500 thousand litres / day.
2. Brewery & wines works which include boiling and fermentation with capacity upto 500 thousand litres / day.
3. Chemical industry such as primary acid and alkali with capacity upto 100 Mt. / day.
4. Tannery processing upto 5000 s.ft./ day.
5. Stone crushing and paint industry.
6. Electroplating & galvanising.
7. Cooking and natural gas filling, refilling, manufacturing and distribution.
8. Dairy industry.
9. Lubricants manufacturing by blending, reprocessing, reclamation
10. Foam industry.
11. Dry and wet cell battery manufacturing.
12. Sugar industry including Khandsari upto 3000 Mt. / day.
13. Textile dyeing, printing, washing including carpet except traditional industry.
14. Pulp & paper industry with capacity up to 100 Mt/day except traditional pulp & paper industry.
15. Brick & tile industry with capacity up to 10 million pieces annually.
16. Cement industry with capacity up to 30 Mt/hr based on lime stone or up to 50 Mt/hr based on clinker.
17. Lime industry with capacity up to 50 Mt/day.
18. Pharmaceutical
19. Chemical fertiliser (blending), insecticides (blending)
20. Waste plastic recycling industry.
21. Match factory
22. Auto workshops (except two wheeler)
23. Coke, briquette manufacturing from coal.

B. Following industries having fixed assets investments more than Rs. 1 million.

1. Plastic processing (virgin)
2. Tyre, tube, rubber, processing & manufacturing
3. Soap, detergent & cleaning shampoo.
4. Photo processing
5. Foundry
6. Cigarette, bidi, tobacco, pan masala.
7. Slaughter house.
8. Glass
9. Food processing
10. Metal (ferrous, non ferrous) re-melting, re-rolling and fabrication.
11. Bitumen & emulsion.
12. Cold storage
13. Yarn spinning
14. Vegetable ghee & oil.
15. Herbal processing
16. Manufacturing of articles of bone and horns.
17. Rosin and turpentine, veneer & katechu.
18. Meat processing
19. Packaging industry.
20. Animal feed.
21. Machine Shop.

Note : Far mining and other sector industry, please refer Environment Protection Regulation - 1997 (First Amendment - 1998).

Major Steps for IEE Study

(As per Environment Protection Regulation 1997 and its first amendment 1998)

A. Notification

Notification in a National daily for comments from concerned individuals, VDC, Municipality, Hospital, School about the project and its impacts on the environment and human health within 15 days from the date of publication of the notice. Similar notification should be posted on the concerned VDC/Municipality notice board.

B. TOR

Submission of Term of Reference (TOR) prepared according to Annex 3 of Environment Protection Regulation 1998 and its first amendment 1999 and subsequent approval by DOI.

C. Final IEE Report

1. Preparation of IEE report, based on approved TOR, according to Annex 5 of Environment Protection Regulation 1998 and its first amendment 1999 including the comments from the concerned individuals or institutions.
2. Submission of the Report in DOI and final approval by DOI

List of Industries Requiring EIA Report

Sector : Industry

1. Chemical Industries such as primary acid and alkali with production capacity greater than 100 t/day.
2. Petrochemical processing works of all sizes. including plastics and synthetic rubber.
3. Ferrous, Non-ferrous metal industries (primary smelting excluding re-rolling, re-melting & fabrication)
4. Non-metallic industries
 - a. Cement more than 30 Mt/ hr (based on lime stone), more than 50 Mt/ hr (based on clinker)
 - b. Lime - with production over 50 t/day
 - c. Asbestos industries of all sizes.
 - d. Radio active related industries of all sizes.
5.
 - a. Bulk drug manufacturing industry.
 - b. Extremely hazardous chemicals such as isocyanide, mercury etc.
6. Pulp and Paper with capacity more than 100 Mt/day.
7. Mine based large industry, forest based medium and large industry.
8. Tannery with a capacity of over 500 sft/day.
9.
 - a. Distillery Works which include boiling and fermentation with production capacity of over 500 thousand litres/day.
 - b. Brewery works which include boiling and fermentation with production capacity of over 500 thousand litres/day.
10. Brick and tile industry with capacity more than 10 million pieces per annum.
11. Chemical processing of bone & horn etc.
12. Manufacturing of chemical fertiliser and insecticide (except blending)
13. Mine based industry having more than 50 million fixed assets investment.
14. Sugar industry (including Khandsari) with capacity of over 3000 Mt /day.
15. Arms, ammunition and explosives.

Note :

- I. **For mine based and other sector industry, please refer Environment Protection Regulation 1997 (First amendment 1998)**
11. **Procedure of IEE and EIA study has to be followed as per Environment Protection Regulation, 1997.**

MAJOR STEPS FOR EIA STUDY

(As per Environment Protection Regulation 1997 and its first amendment 1998)

A. Scoping:

1. Notification in a National daily for comments from concerned individuals, VDC, Municipality, Hospital, School about the project and its possible impacts on the environment and human health within 15 days from the date of publication of the notice. Similar notification should be posted on the concerned VDC / Municipality notice board.
2. Application in DOI for scoping including the comments, if any, from the individuals and/or institutions.
3. Forwarding of the application with comments from DOI to Ministry of Industry / Ministry of Population and Environment.
4. Final approval by MOEST

B. TOR:

1. Preparation of TOR, based on approved scoping, according to Annex 4 of Environment Protection Regulation 1998 and first amendment 1999.
2. Approval by Ministry of Environment, Science and Technology (MOEST).

C. Report:

1. Public meeting to be held in the concerned VDC/Municipality about the possible impacts from the project and the mitigation measures to be applied.
2. Report preparation, based on approved TOR, according to Annex 6 of Environment Protection Regulation 2054 (First Amendment 2055).
3. A copy of the report to be sent to the concerned VDC/Municipality/DDC and/or other concerned individuals.
4. With recommendation of the concerned VDC/Municipality, 15 copies of the report to be submitted to DOI, 10 copies of which to be forwarded to MOICS and from there to MOEST within 30 days from the date of receiving of the application.
5. Publication of the notice about the project in a National Daily by MOEST. Comments to be given to MOEST within 30 days from the date of first publication.
6. Final approval by MOEST.

Application for Registration of the Trademark

To
 Director General,
 Department of Industries,
 Tripureshwor, Kathmandu.

As I/We am/are/have going to use/used the trademark as the model attached herewith in I/We hereby, apply for the registration of the trademark enclosing herewith four copies of the proposed designed (if applicable) along with application fees. I/We would like to request you to issue a certificate of registration, having registered the trademark in my/our name.

1. Full Name of Proprietor (Individual, Company , other institution) of Trademark :

--

2. Full Address of Proprietor of Trademark

Zone :	District :	Village/City :	
P.O.Box No :	Telephone No. :	Fax No. :	Email :

3. Detail Specification of Trademark.

a. Description of Mark..... b. International Class..... c. Date of first use (if any) d. Goods or services in which marks is used.....	Mark Design
--	-------------

4. Description of origin, selection and meaning of word (s), symbol or picture in the proposed mark.

5. Elements of claimer or disclaimer in the mark

Elements having exclusive rights	Elements not having exclusive rights

6. I hereby declare that proposed trademark is my original selection. It is not copied wholly or partially from others.
7. Regarding the use of mark, if any situation as specified in the proviso clause of Article 18(1) exists, I will be subject to departmental action under the clause of 18(3) of the Act.
8. I will put the mark in the practice within one year of registration and inform the department, otherwise I will be subject to departmental action under article 18.c of the Act.
9. I will comply with Article 16(2), Article 23.a and Article 18.b of the Act.
10. Documents to be enclosed. (All documents must be endorsed by the applicant).
 - a. Permission of undertaking pertaining to the production of goods or delivery of services (If filing is not based on foreign registration).
 - b. Four copies of registration that affixed with the mark design(if applicable).
 - c. Letter of nomination if application is filed through the representative (if applicable).
 - d. Evidence of use of mark (if applicable).

Name of Applicant

Signature

Address

Date

11. Name & Address of Witnesses (2 persons):
 - 1.
 - 2.

Application Form for Business Visa

The Director General,
Department of Industries
Tripureshwor, Kathmandu.

Date:

Rs. 5/- postage stamp

Subject: Recommendation for Business Visa

Dear Sir,

We are a joint venture/cent percent foreign investment company with an objective of producing Our industry was registered at your Department on, and came into the operation on Out of direct employment created in the factory, are foreign nationals. The approved investments on fixed asset and working capital were Rs..... and Rs..... respectively. Till date Rs..... has been invested in the company, out of which Rs..... has been invested by the foreign investor/s. The current status of the existing foreign investors is given below/enclosed herewith.

SN	Foreign Investor		Committed Investment – Rs.	Investment made till date – Rs.	Status in the company ¹
	Name	Country			
1					
2					

Amongst the aforementioned investors, the following investors' (authorised representative)/dependents' business visa expires as mentioned below. The Department last recommended His/her/their visa on for a period of year/s. We, therefore, kindly request you to recommend business visa to him/her/them for years.

SN	Name	Investor/dependent (Relation to investor, if dependent)	Visa expiry date	Contact address & telephone number of the investor
1				
2				

Enclosed

1. Progress report of the industry (for new) or last audited balance sheet
2. Proof of the investment made by the said investor/s
3. Photocopy of the passport with latest visa
4. Dependent relation certificate, if applicable

Yours faithfully,

Note:

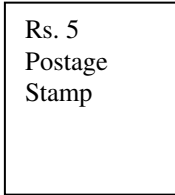
1. 'Status' means either shareholder or director or managing director or chairman (or similar position in the company)
2. Application for visa extension should be filed at least 30 days prior to visa expiry date.
3. Recommendation for visa period is dependent on the criteria set by the Department.

(Name & Designation)

Company seal

Application Form for Non-Tourist Visa

The Director General,
Department of Industries
Tripureshwor, Kathmandu.



Subject : Recommendation for non tourist visa.

Dear Sir/Madam,

My name is and am a citizen of holding passport no I am interested to set up industry in Nepal on 100% foreign ownership/on a joint venture with Mr./Messrs

The proposed venture is estimated to manufacture/provide service to per year. The total project cost is estimated at Rs. out of which I will invest up to Rs. The project is also expected to provide direct employment to persons.

I, therefore, kindly request you to recommend month/s non tourist visa to prepare feasibility study of the above mentioned industry.

Enclosed :

1. Brief description about the proposed industry.
2. Citizenship certificate of Nepalese promoter
3. My bio-data.
4. Passport and latest visa photocopy.

Note :

1. Application for Visa Extension should be filed at least fifteen days before visa expiry date.
2. Further visa extension will be recommended only on presentation of progress report during the last visa recommendation period.
3. Person holding such non-tourist visa are not allowed to do any other business or work other than proposed study.
4. If necessary, original passport is to be produced to the Department.

Thanking You.

Yours faithfully,

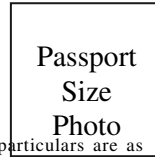
.....
(Name of investor)

Contact Address
.....
.....

Tel. no.....

Application Form : Department of Immigration

The Director General,
Department of Immigration
Kathmandu, Nepal.



Dear Sir/madam,

I would like to request you to kindly issue me study/non-tourist/business visa for period mentioned below. My particulars are as under:

1. Name in full Mr. / Mrs. / Miss.
2. Nationality
3. Place of Birth
4. Date of Birth
5. Permanent Address
6. Present address in Nepal
7. Profession
8. Particulars of Passport : (a) Passport No.
(b) Date of issue
- (c) Validity
8. (a) Date of entry in to Nepal (b) Port of entry.....
9. Period spent in Nepal (Total)
10. Last Visa number
11. (a) Validity of last visa issued (b) Type of visa.....
12. Reason for request for visa extension
13. Period of which extension is sought
14. Affiliated agency/area in Nepal.....
15. (a) Whether local tax to be borne? (b) If yes, proof attached?
16. Family members (number)
17. Means of support in Nepal (State amount in foreign exchange)
18. Basis for extension request.....
19. Others, if any
20. Attached documents: (a) Recommendation from the concerned agency
(b) Work Permit (c) (d)

.....
Signature of Applicant

Date :-

For official use only

- 1) Visa approval date
- 2) File Number
- 3) Visa sticker number
- 4) Type of visa granted
- 5) Visa Fee
- 6) Bill No.
- 7) Date of visa issued
- 8) Validity of Visa
- 9) Others, if any

.....
Immigration Officer
Code Number
Date :-

Certificate of Origin

FOR EXPORTS FREE OF CUSTOM DUTIES UNDER THE TREATY OF TRADE BETWEEN HIS MAJESTY'S GOVERNMENT OF NEPAL AND THE GOVERNMENT OF INDIA

Reference No.

1. Articles consigned from (Exporter's business name, address)
2. Articles consigned to (Consignee's name, address)
3. Means of transport and route
4. Item Number (HS Tariff Line)
5. Marks and number of packages
6. Description of Articles
7. Gross weight or other quantity
8. Number of date of Invoice together with value.
9. Declaration by the exporter :

The undersigned hereby declares that the details furnished above are correct, that the articles were produced in Nepal and that they comply with the Rules of Origin specified in the Treaty of Trade between His Majesty's Government of Nepal and the Government of India.

.....
(Place & Date, Signature of Authorised Signatory)

10. Certification

It is certified that the articles herein referred to are eligible for preferential treatment as per provisions of the Treaty of Trade between His Majesty's Government of Nepal and the Government of India. It is further certified that :

1. The articles have been manufactured in Nepal at a factory situated at
(name of the place/district) by M/s (name of the company);
2. The articles involve manufacturing activities in Nepal and that the manufacturing activity consists of converting (Major inputs) into (out put) through a process consisting(brief description of manufacturing process)
3. The above articles do not involve any assembly of parts / repackaging operations.
4. The articles in question are not products of third country origin.

For His Majesty's Govt. of Nepal

(Place and Date, Signature and Stamp of FNCCI / FNCCI member)

Locating the Industries

1. List of industries that CAN be established in MUNICIPALITIES in KATHMANDU VALLEY.

- a) Cottage Industry
 - Traditional cottage industries (except rural tanning)
- b) Tourism Industry
 - Travel agency
 - Trekking agency
 - Hotel, resort, restaurant
- c) Manufacturing Industry
 - Food processing (with machineries of value upto Rs. 200,000) except meat processing
 - Electronic assembly industry
 - Candle industry (with machineries of value upto Rs. 100,000)
 - Stationery industry (stationery goods made of paper: with machineries of value upto Rs. 100,000)
 - Wooden furniture industry (Band saw is not permitted and with machineries of value upto Rs. 50,000)
 - Woollen yarn spinning (using hand "*charkha*")
 - Resin Bag industry (with machineries of value upto Rs. 100,000)
 - Leather goods industry (with machineries of value upto Rs. 100,000)
 - Aayurvedic medicine industry (with machineries of value upto Rs. 50,000)
- d) Construction Industry
 - Fly over bridge
 - Official, commercial and business complex
 - Trolley bus service (workshop and garage, if any, shall be established outside the city area)
- e) Service Industry

Following industries cannot be established in the city area in Kathmandu valley.

 - Medium and Large chemical laboratory industries
 - Workshop (with machineries of value above Rs. 200,000)
 - Cut to Length Sheets, Strips and Tube
 - Repacking Industries except Packing of Tea, Domestic Masala, Sugar, Maida, Salt, Daal etc.
 - Movie Processing Laboratory.
 - Washing, dyeing plant, textile printing
 - Cold Storage

2. **List of industries that CAN NOT be established in KATHMANDU VALLEY.**

<u>Sector</u>	<u>Pollution : Parameters</u>
Tannery	chromium Sulphides High BOD, Sodium Odour
Chemical Fertilizer	Ammonia, NH ₄ Cl, SiF ₄ , HF NO _x from Ammonium Nitrate Reactor
Cement	Particulate (Dust) CO, SO _x , NO _x
Steel Melting & Foundry (Medium & Large)	Hydrocarbons, Aldehydes, Ketones, Carbon Monoxide fumes, Smokes, SO _x NO _x spent pickle liquor - Acidic
Pulp & Paper (expect traditional handmade paper & small scale recycling plant)	Sulphite waste liquor with calcium bisulphite liquor white water effluent
Caustic Soda Chemical Manufacturing Industries	Mercury from caustic soda production many acidic and alkali wastes
Oil Refineries Petroleum Product (Petrol, Diesel, Kerosene, Lubricant, Furnace oil etc.)	Oil & Grease, Hydrocarbon, phenols fatty acid & Nitrogen Compounds and sulphur compounds, fire hazardous
Dyeing (medium & large)	Alkali wastes from dyestuff high pH, high BOD
Acid Manufacturing	Acidic wastes
Fermentation, Distillation & Blending (Distillery & Beer)	Odour, High BOD & high COD
Electroplating & Galvanization (medium & large)	High pH, BOD, Oil & greases metals, phenols & organic
Smelting Ferrous & non ferrous (medium & large)	Particulate matters (dust)
Sugar Production and <i>Khandsari</i>	Odour, High pH, BOD, COD
Rubber Processing (tube & tyre manufacturing)	High pH, COD, Sulphide, Oil & grease
Paints Industries (medium & large scale)	
Bleaching powder	

3. **List of industries that CAN NOT be established in MUNICIPALITIES OUTSIDE KATHMANDU VALLEY.**

- a) Industries listed in S. No. 2 above.
- b) Stone Crushing industries

Application Form for Electricity Connection

S.No.

Nepal Electricity Authority

Office copy		
Ref.No.		

Application for Supply of Electricity
Date :-

Application's Name IN BLOCK LETTER							
Father's Name/Husband's Name :-							
Grand Father's Name :-							
Owner's Name :-							
Full address at which supply is required							
Block No.	Tole	Municipality		Ward No			
District	Phone No.	Office		Residence			
Description of premises, (House, Shop etc.)				Flour No. Total Room No.			
If the supply is available in the above mentioned place in whose name				Name and address of wiring contractor			
Customer No.		Year of connection					
Name :							
Father's Name :							
Tariff required	Domestic	Industrial	Commercial	Non commercial	Others		
Mark circle on the category given below							
New Supply	Temporary Supply	Additional Supply		Change of Tariff	Others		
Supply is required	No.	Total Watts	Motor	No.	Power	Phase	List of Install equipments in the case of three phase supply
Light							
Fans							
Power Sockets							
Water Heater							
Heater							
Cooker, Hot Pl.							
Refrigerators							
Air Cond.							
Others							
Date of Power Connection :							
Customer Name's :		Signature of Customer			Date		

Details of Incentives and Facilities

- a. Corporate tax shall not exceed 20 percent of profit for industries other than manufacturing cigarettes, bidi, cigar, tobacco, alcohol and beer.
- b. Industries (other than cigarette, bidi, and alcohol industries) established in remote, undeveloped and underdeveloped areas, are entitled to a tax exemption of 30, 25 and 20 percent respectively.
- c. Industries are permitted to deduct one-third of the value of the fixed assets investment as depreciation in addition to the normal depreciation allowed under the income tax law.
- d. Industries in operation which diversify production through re-investment or expand installed capacity by 25 percent or more or modernise technology or develop ancillary industries are entitled to a deduction of 40 percent of the value of new fixed investment in computing taxable income. Such deduction may be made in lump sum or in instalments within a maximum period of 3 years.
- e. Industries which invest in modern plant, machinery and equipment which will control environmental pollution are entitled to deduct 50 percent of the investment so made as deductible expenses in computing taxable income.
- f. Pre-operating expenses incurred in connection with skill development and training will be allowed to be capitalised.
- g. 10 percent of the gross profit is allowed as a deduction against net income on account of expenses connected with technology or product development and skill enhancement.
- h. Dividends declared from investments made in industry are taxed at a nominal rate of 5 percent.
- i. 5 percent of the gross income would be allowed as a deduction in computing net income on account of donations made for the improvement of schools, colleges, universities, hospitals, religious places and other social welfare activities.
- j. 5 percent of the gross income will be allowed as deduction in computing net income as expenses on account of expenditure incurred on advertisements for the promotion of products or services, hospitality and for similar miscellaneous.
- k. Industries (other than cigarettes, bidi, alcohol, saw mill and catechu) using 80 percent or more domestic raw materials in production and employing all local manpower are exempted income tax at the rate of 10 percent..
- l. Industries which provide direct employment to 600 persons or more than 600 Nepali citizens round the year shall be entitled to an additional income tax exemption at the rate of 10 percent for that year.
- m. Export oriented industries receiving duty drawback facilities under the Industrial Enterprises Act and Industries manufacturing intermediate goods to be used for the production of exportable commodities will be refunded the amount of premium, customs duty, excise and sales tax paid on the raw materials used to produce such intermediate goods, as well as the excise and sales tax paid on such intermediate goods on the basis of the actual volume of the export of the commodities manufactured by using them. For this purpose transferable tax credit system will be used.
- n. Priority will be given to arrange infrastructures required for the establishment of industries.
- o. Industries will be given priority for government land and land in industrial districts for the establishment of industries.

Cottage Industries

(As per Industrial Enterprises Ordinance 2054)

Handloom, Pedal loom, Semi-automatic loom, Warping, Dyeing and Printing, Tailoring (other than Readymade Garments), Knitting, Hand knitted Woollen Mat and Blanket (Radi, Pakhi), Woollen Carpet, Pashmina, Woollen Garments, Carpentry, Wooden Artistic Product, Cane and Bamboo Works, Natural Fibre Products, Hand Made Paper and Goods made up thereof, Gold, Philgiree Products including Silver, Brass, Copper, Precious and Semi-precious Stones, Ornaments. Sculptures and Pottery, Honey, Chyuri, Cardamom Processing, Clay or Ceramic Pottery, Leather Cutting and Tanning, Rural Tanning and Leather Goods Producing Works, Jute, Sabai Grass, Babio, Choya, Cotton Thread Products, Artistic Products made up of Bones and Horns, Stone Carving, Ceramic Fine Arts, Pauwa, Boutique, Incense Stick (Dhup), Dolls and Toys Industries and industries having NRs 200,000 fixed assets (excluding land and building)

Note:-

1. Unless otherwise mentioned specifically, machines of the above mentioned industries should not employ through electric motors of diesel or petrol or crude oil engine more than a total of five Kilowatt. Power looms shall not be included under Cottage Industries.
2. Permission shall be required for the establishment of mechanised woollen spinning and mechanised woollen carpet manufacturing.

List of National Priority Industries
(As per Industrial Enterprises Ordinance 2054)

1. Agro & forest-based industries
2. Engineering Industries (Producing Agricultural and Industrial machines).
3. Industry manufacturing fuel saving or pollution control devices.
4. Solid waste processing industry.
5. Road, Bridge, Tunnel, Rope way, Flying Bridge, Trolley Bus & Tram Manufacturing and operating industry.
6. Hospital & Nursing Home (only out side the Kathmandu valley).
7. Industries producing Aayurvedic, Homeopathic and other traditional medicines & industries producing crutches, seat belt, wheel chair, stretcher & stick and so on to be used in aid of the disabled and orthopaedic.
8. Cold storage installed for the storage of fruits and vegetables.

Classification of Areas
(Annex - 3 of Industrial Enterprises Act)

Remote Area

- | | |
|-----------------|-------------------|
| 1. Darchula | 2. Bajhang |
| 3. Bajura | 4. Humla |
| 5. Jumla | 6. Mugu |
| 7. Kalikot | 8. Ropla |
| 9. Mustang | 10. Manang |
| 11. Solukhumbu | 12. Sankhuwasabha |
| 13. Khotang | 14. Bhojpur |
| 15. Achham | 16. Dailekh |
| 17. Jajarkot | 18. Rukum |
| 19. Okhaldhunga | 20. Myagdi |
| 21. Terathum | 22. Ramechhap |

Undeveloped Area

- | | |
|-------------------|-------------|
| 1. Taplejung | 2. Rolpa |
| 3. Baitadi | 4. Rasuwa |
| 5. Gulmi | 6. Prabat |
| 7. Dadeldhura | 8. Pyuthan |
| 9. Doti | 10. Salyan |
| 11. Panchthar | 12. Baglung |
| 13. Sindhupalchok | |

Underdeveloped Area

- | | |
|-----------------|--------------------|
| 1. Kailali | 2. Surkhet |
| 3. Arghakhanchi | 4. Palpa |
| 5. Syanja | 6. Dhading |
| 7. Lamjung | 8. Tanahun |
| 9. Gorkha | 10. Sindhuli |
| 11. Udayapur | 12. Dhanakuta |
| 13. Ilam | 14. Kanchanpur |
| 15. Bardia | 16. Dang |
| 17. Nuwakot | 18. Kavrepalanchok |
| 19. Dolakha | |

Depreciation Rate as Per Income Tax Rule

(Rate of decreasing depreciation system)

1.	Building -	
	a. Cement mortar	5 %
	b. Mud Mortar	7 %
	c. Temporary (wooden or thatch)	50 %
2.	Vehicles	
	a. Aeroplane, Helicopter	25 %
	b. Ship, boat	20 %
	c. Bus, Truck, Tractor	20 %
	d. Car, Jeep, Van, Motorbike	15 %
	e. Bicycle, Rickshaw	20 %
	f. Animal driven vehicle & boat	25 %
	g. Other Vehicles	15 %
3.	Furnitures	
	a. Metal	10 %
	b. Wooden	15 %
4.	Machinery, Equipment and Tools	
	a. Relating to building, road, bridge, mines, tunnel construction:	
	i. Crane, Bulldozer, Dozer, Grader, Roller, Dump truck and other similar machineries & equipment	25 %
	ii. Other light machine equipment	15 %
	b. Machine and equipment relating to electricity and Telephone	15%

c.	Refrigerator, Air-conditioner, Air-cooler and other similar type of machinery & equipment	15 %
d.	Lift, elevator and escalator	15 %
e.	Computer and related equipment	20 %
f.	Machinery and equipment relating to production and screening of motion picture	20 %
g.	Frames used for producing brick and tiles	15 %
h.	Machinery for Rubber and plastic goods	15 %
i.	Machinery for Hosiery and woollen goods	15 %
j.	Machinery and equipment for canvas and leather stitching & joining	15 %
k.	Plant, Machinery, and Equipment used in tea factory including roller and drier	15 %
l.	Juice boiling pans	20 %
m.	Sugarcane crushing machine	15 %
n.	Wooden frame for match making	20 %
o.	Tools and equipment used for medical treatment	15 %
p.	X - ray machine	20 %
q.	Laboratory machine and equipment	15 %
r.	Office goods and equipment (typewriter, calculator, duplicating machine, photocopy machine etc.,)	15 %

Application Form for Duty Draw-back
(as per the clauses "u" and "w" of Article 15 of the Industrial Enterprises Act, 1992).

- | | |
|--|--------------------------------------|
| 1. Name & Address of the Industry : | 2. Name & Address of Buyer : |
| 3. Name & quantity of goods sold : | 4. Duration of supply from Factory : |
| 5. Sales Price in foreign currency : | 6. Agency certifying the incomes : |
| 7. Description of raw materials used : | |

Details of goods sold				Details of raw materials used (provision for duty draw back)					Details of raw materials used (provision for premium refund)						
Bill No	Date	Value & quantity	Date of delivery from the factory or date of declaration certificate	Import custom declaration certificate No. & date	Value & quantity	Amount of custom duty paid & receipt No.	Quantity actually used	Custom duty	L/C No.	Import licence No. & date	Quantity & value	Amount of premium paid & receipt No.	Premium percentage	Quantity actually used	Amount to be refunded

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Documents to be attached

1. Sales Invoice
2. Original Custom Declaration Certificate of imported raw materials & receipt of custom payment
3. Proof of payment in convertible foreign currency
4. Copy of agreement with buyer
5. Original copy of import licence and receipt No.
6. L/C and Invoice of raw material, if imported under auction.

Industrial Factor Costs

1. Cost of Industrial Sites (1 Ropani = 5476 Sq. ft.)

a. Kathmandu	Rs.	20,00,000	-	60,00,000	Per ropani
b. Outside Kathmandu					
Lalitpur	Rs.	1,500,000	-3,000,000		Per ropani
Bhaktapur	Rs.	500,000	-1,500,000		Per ropani
Hetauda	Rs.	200,000	-300,000		Per ropani
Pokhara	Rs.	500,000	-2,000,000		Per ropani
Butawal	Rs.	200,000	-250,000		Per ropani
Dharan	Rs.	200,000	-250,000		Per ropani
Nepalgunj	Rs.	250,000	-450,000		Per ropani
Surkhet	Rs.	70,000	-85,000		Per ropani
Biratnagar	Rs.	200,000	-400,000		Per ropani
Birgunj	Rs.	300,000	-450,000		Per ropani
Banepa, Dhulikhel	Rs.	300,000	-1500,000		Per ropani

2. Construction Costs

A. Factory Building	Rs.	500	-	700	Per Sq.ft
B. Office Building	Rs.	600	-	800	Per Sq.ft
C. Material Cost :					
a. Cement	Rs.	8,000/mt.			
b. Torsteels Rods	Rs.	43000/ (CRT)-44000 (TMT) mt			
c. Bricks	Rs.	3080- 3575 / Thousand Pieces			
d. Sand	Rs.	350/ Cubic Meter			
e. Stone Aggregates	Rs.	800-1000 / Cubic Meter			
f. Asbestos Sheets -	Rs.	450-650 / Square Meter			
g. Other Roofing Sheets	Rs.	500 / Square Meter			

Source : From various organizations

3. Electricity (Industrial Tariff) : Effective from August 17, 2001

All Amounts in NRs.

Sub Category	Demand Fee per month Rs / <u>KVA</u>	Energy Charge per <u>mont</u> (Rs./Unit)
a. Lower Voltage/ (400/230 Volt)		
i. Rural and Cottage	45.00	5.45
ii. Small Industries	90.00	6.60
b. Medium Voltage (11 KV)	190.00	5.90
c. High Voltage (66 KV & above)	175.00	4.60

Note : If demand meter reads Kilo Watts (KW) then KVA= KW/.8.

10% discount in the total bill amount will be given to the HMG/N approved Industrial Districts.

Source : NEA

4. Fuel (As of August 2004)

(For Kathmandu)

a. Petrol	Rs.	62.00/litre
b. Diesel	Rs.	41.00/litre
c. LPG	Rs.	900/Cylinder
d. Aviation Turbine Fuel	Rs.	46.00/litre
e. Kerosene	Rs.	36.00/litre
f. Furnace Oil	Rs.	33.00/litre
g. Light Diesel Oil	Rs.	44.00/litre

Source :Nepal Oil Corporation

5. Salaries and Wages (Per month)

a. Managerial Grade	Rs.	15,000	-	30,000
b. Engineers	Rs.	10,000	-	25,000
c. Technical Operator	Rs.	5000	-	8,000
d. Junior Operator	Rs.	3,500	-	5,000
e. Office Assistant	Rs.	4,000	-	5,000
f. Clerical Grade	Rs.	3000	-	4,500
g. Labour Grades				
Skilled	Rs.	6,000		
Semiskilled	Rs.	4,500		
Unskilled	Rs.	2,500		

(* It would be appropriate to add 25 percent of above salaries to take account of social costs.).

6. Rent (Office and Residential)

Kathmandu -residential	Rs.	15,000	-	40,000/month
Kathmandu - office	Rs.	6	- 15	per sq.ft. per month
Butawal - office	Rs.	5	- 8	per sq.ft. per month
Hetauda - office	Rs.	3	- 5	per sq.ft. per month
Pokhara - office	Rs.	4	- 5	per sq.ft. per month
Biratnagar - office	Rs.	4	- 6	per sq.ft. per month
Birgunj - office	Rs.	6	10	per sq.ft. per month

7. Water Rates

<u>Size of Taps</u>	<u>Consumption (Litre)</u>	<u>Minimum Charge</u>	Charge on exceeding Consumption Rs. / KL.	Man Tap Rs./ Month	Branch Tap Rs./ Month
1/2"	10,000	50/	15/	360/	100/
3/4"	27,000	810/	30	1950/	650/
1"	56,000	1680/	30/	4050/	1115/
1 1/2"	1,55,000	4650/	30/	11160/	3000/
2"	32,0000	9600/	30/	23,040/	5000/
3"	88,1000	26430/	30/	63,450/	14,830/
4"	18,10,000	54,300/	30/	1,30,320/	30,000/

8. Clearing & Forwarding Charges at Calcutta and Haldia Ports.

Clearing commission and undertaking charges : One percent of the CIF Calcutta price of the consignment.

9. Freight by Road*

<u>Destination</u>	<u>Open Truck</u>	<u>Trailer</u>	<u>Container</u>
Sector	Nrs./M.T on	Minimum Chargeable weigh	NRs.M.Ton Minimum Chargeable weigh
Calcutta to Birgunj	1920	9 M. Ton	2240
Calcutta to Biratnagar	1440	9 M. Ton	1760
Birgunj to Kathmandu	1200	10 M. Ton	3200
Biratnagar to Kathmandu	1920	10 M. Ton	4800

Minimum chargeable weight - 18 tonnes.

10. Air Freight

	Minimum Charge <u>Upto 3 Kg.</u>	National Charge upto 45 Kg.	Charge Per Kg. if exceeding	Charge Per Kg. if exceeding 500 Kg
Kathmandu - Delhi	NRs. 138.00	NRs. 43.00	NRs. 35.00	NRs. 19.25
Kathmandu - Calcutta	NRs. 138.00	NRs. 29.00	NRs. 25.00	NRs. 15.50
Kathmandu - Bangkok	US\$ 20.00	US\$ 1.83	US\$ 1.37	US\$ 1.07
Kathmandu - Karachi	US\$ 11.00	US\$ 1.51	US\$ 1.13	US\$ 1.01
Kathmandu - Singapore	US\$ 20.00	US\$ 3.14	US\$ 2.45	US\$ 1.45
Kathmandu - Hongkong	US\$ 20.00	US\$ 2.64	US\$ 1.99	US\$ 1.60
Kathmandu - Dubai	US\$ 19.00	US\$ 3.82	US\$ 2.86	US\$ 2.14
Kathmandu - Frankfurt	US\$ 24.00	US\$ 4.40	US\$ 3.47	US\$ 2.52
Kathmandu - Tokyo	US\$ 20.00	US\$ 5.17	US\$ 3.88	US\$ 3.73
Kathmandu - London	US\$ 24.00	US\$ 4.63	US\$ 3.62	US\$ 2.66
Kathmandu - Dhaka	US\$ 11.00	US\$ 0.55	US\$ 0.42	-
Kathmandu- Colombo	US\$ 11.00	US\$ 1.71	US\$ 1.28	US\$ 11.00
Kathmandu-Male	US\$ 11.00	US\$ 1.79	US\$ 1.34	US\$ 1.03

11. Current Lending Rates of Commercial Banks (as of May 2004)

(Negotiable depending upon volume and other business)

a. Commercial Loan	8.5- 16.0 %
b. Deprived Sector Loan	5.5-12.0 %
c. Priority Sector Loan	10.5-14.5 %
d. Over Draft Facility	10.0-17.0 %
e. Term Loan	10.5-14.0 %
f. Working Capital Loan	9.0 - 13.5 %
g. Loan Against Bond	6.5-9.5 %
h. Loan Against Bank Guarantee	8.0-12.0 %
i. Loan Against Fixed Deposit	1.0-3.0 % Over deposit rate
j. Import Finance	8.0-13.5 %
k. Hire Purchase Loan	9.0-15.0 %
l. Export Credit Loan	4.0-12.5 %
m. Industrial Loan	8.5-14.0 %

13. Telecommunication

a. International Trunk (ISD) Tariff Rates

	6 Am to 8 Pm		8 Pm to 6 Am		Per Plus (Rs.)
	Per minute Tariff (Rs)	Plus Period (Second)	Per minute Tariff (Rs)	Plus Period (Second)	
India.	25.00	2.4	15.00	4.00	1.00
SAARC Countries (Except India)	25.00	2.4	20.00	3.00	1.00

Kinds of Call	Business Hour Call (8 am to 6 Pm)		8 Pm to 6 Am Normal Hour Call (6 Pm - 10 Pm & 6 am to 8 am.		Off Hour Call (10 Pm to 6 Am)		Per Plus (Rs.)
	Per minute Tariff (Rs)	Plus Period (Second)	Per minute Tariff (Rs)	Plus Period (Second)	Per minute Tariff (Rs)	Plus Period (Second)	
Continents & Countries.							
India. Trans Boarder Call	5.00	12.00	5.00	12.00	5.00	12.00	1.00
Asian Countries (Except SAARC Countries), Australia, Europe, & North America	75.00	2.4.	75.00	2.4	75.00	2.4	3.00
Rest other Countries	90.00	2.00	90.00	2.00	90.00	2.00	3.00

- b. Telex
- i. India NRs. 54 per minute
 - ii. SAARC Countries NRs. 54 per minute
 - iii. Other Countries NRs. 120 per minute
- c. Fax
Rates same as for international Calls.

14. Exchange Rates As on June 29, 2005 (Major Currency)

<u>Exchange Rates Fixed by Nepal Rastra Bank</u>			
Currency	Unit	Buying (Rs.)	Selling (Rs.)
Indian Rupees	100	160.00	160.15
<u>Open Market Exchange Rates</u>			
(For the purpose of Nepal Rastra Bank)			
<u>Currency</u>	<u>Unit</u>	<u>Buying Rate (Rs.)</u>	<u>Selling Rate (Rs.)</u>
U.S. Dollar	1	70.35	70.49
Euro	1	85.33	86.04
Pound Sterling	1	128.26	120.34
Swiss Frank	1	55.25	55.71
Australian Dollar	1	53.97	54.42
Canadian Dollar	1	57.02	57.49
Singapore Dollar	1	41.28	42.24
Japanese Yen	10	6.41	6.46
Swedish Crooner	1	9.09	
Austrian Ceiling	1	4.93	
Danish Crooner	1	11.46	
Hongkong Dollar	1	9.05	
Saudi Arab Riyal	1	18.76	
Qatar Riyal	1	19.32	

Note : Under the present system, the open market exchange rates quoted by different banks may differ.

Industrial Statistics Report

1. Name of Industry

2. Address

3. Telephone No.

3. Fax No.

4. E-mail

5. Industrial Statistics

S. No.	Product/Service	Annual Capacity	Unit	From Month to Month of Fiscal Year		
				Production	Sales	
					Local	Export

6. Raw Material

Consumed Quantity

7. No of Employees : Local

Foreign Total

8. Current Status of the industry

Operational/Closed/Under-construction

9. No of days the industry in operation

10. Shift per day

Filled by :

Name :

Designation :

Signature :

Date :

Seal of Company

Application for Determining Raw Material Consumption Norms

The Director General,
Department of Industries
Tripureshwar, Kathmandu

Date:

Subject: Fixation/Certification of Material Consumption Norms

We would like to request you to fix/certify the material consumption norms for our product listed below for purpose.

1. Name and address of Industry :
2. Contact Person, Tel No.:
Mailing address :

3. Approved products and annual production capacities

Name of Product	Annual Capacity	Unit

4. Name of Product which the material consumption norms has to be fixed for:

5. Production Process

6. Material Consumption details perkg/ltr./mtr. of product

S. No.	Name of Raw Material	Qty.	Unit

7. Detail of wastes*

S. No.	Process Steps	Waste		
		Qty.	Unit	How is it managed?***

* wastes in the different production stages have to be mentioned

*** whether the wastes are recycled or disposed or else shall be mentioned.

8. List of Machineries

S. No.	Name	No./Set	Installed Capacity

9. The details given in this form is true and correct. We agree that we shall be prosecuted if the information provided in this form is not correct in any way.

Seal Authorized Signature

10. Attachments

- Copy of Industry Registration certificate
- Copy of approval letter of expansion/diversification, if there is any.
- Process Flow Chart
- Production and Raw material consumption data for the last two years
- Copy of last two years' Financial Audit Report.

Names and Addresses of Useful Institutions

1. Ministry of Industry, Commerce & Supplies
Singha Durbar
Kathmandu, Nepal
Tel 4226686, 4244190, 4251174,
Fax 977-1-4220319
Email : moc@wlink.com.np
URL : <http://www.moics.gov.np>
2. Department of Industries
Tripureshwor,
Kathmandu, Nepal.
Tel. 4261101, 4261203, 4261302, 4261169
Fax 977-1-4261112
Email: info@doind.gov.np
URL : <http://www.doind.gov.np>
3. Company Registrar's Office
Tripureshwor,
Kathmandu, Nepal
Tel 4259961, 4263089
4. Department of Commerce
Babar Mahal,
Kathmandu, Nepal
Tel 4247912, 4247913
5. Department of Immigration
Pradarshani Marga
Kathmandu, Nepal
Tel 4222453
URL : <http://www.doi.gov.np>
6. Ministry of Culture, Tourism and Civil Aviation
Singhadurbar
Kathmandu, Nepal
Tel 4225870, 4225579
URL : <http://www.tourism.gov.np>
7. Department of Labour & Employment
Promotion
New Baneshwor
Kathmandu, Nepal
Tel 4490826,
8. Department of Mines and Geology
Lainchaur
Kathmandu, Nepal
Tel 4414806, 4414740
Fax 977-1-4411783
9. Nepal Bureau of Standard and Metrology
Balaju, Kathmandu
P.O. Box No. 985
Tel 4350445, 4350447, 4350818
Telex. GUNIS
10. Department of Customs
Tripureshwor,
Kathmandu , Nepal
Tel 4259942,4259862, 4259793, 4259791
URL : <http://www.customs.gov.np>
11. Inland Revenue Department
Lazimpat
Kathmandu, Nepal
Tel 4410340, 4419
URL : <http://www.ird.gov.np>
12. Central Bureau of Statistics
Ram Shah Path
Kathmandu, Nepal
Tel 4245947, 4245948, 4229406
Fax 977-1-4227720
URL : <http://www.cbs.gov.np>

13. Nepal Rastra Bank
Lalit Niwas, Baluwatar
Kathmandu, Nepal
Tel 4410158, 4419804 -7, 4412204
Telex 42207 RABA NP
Fax 977-1-4421018
URL : <http://www.nrb.org.np>
14. Nepal Industrial Development Corporation
Durbar Marg,
Kathmandu, Nepal
Tel 4230198, 4230203
Fax 977-1-4227428
15. Federation of Nepalese Chambers of
Commerce & Industry
Teku, P.O. Box 269
Kathmandu, Nepal
Tel 4262218, 4262061
Fax 977-1-4262007/4261022
URL : <http://www.fncci.org>
16. Nepal Stock Exchange Ltd.
P.O.Box 1550
Dillibazar,
Kathmandu, Nepal
Tel 4250755, 4250756
URL : <http://www.nepalstock.com>
17. Industrial District Management
P.O.Box 812,
Balaju Industrial District,
Balaju,
Kathmandu, Nepal
Tel 4351224
18. Trade Promotion Centre
Natole, Pulchowk,
P.O.Box 825
Kathmandu, Nepal
Tel 5525348, 5525362, 5532642
Fax 977- 1-478143
Email: tpcnep@mos.com.np
URL : <http://www.tpcnepal.org.np>
19. National Productivity and Economic
Development Centre,
Balaju Industrial District,
Balaju,
Kathmandu, Nepal
Tel 4350552
Fax 977-1-4350530
20. Management Association of Nepal
Ga- 2/701, Bag Bazar
G.P.O.Box 3032
Kathmandu, Nepal
Tel 4224475
Fax 977-1-4226820
21. Hotel Association of Nepal
Hattishar, Naxal
P.O.Box 2151
Kathmandu, Nepal
Tel 4412705, 4424914
Fax 977-1-4412705

List of References

1. Industrial Enterprise Act, 1992
2. Foreign Investment and Technology Transfer Act, 1992.
3. Industrial Policy, 1992
4. Foreign Investment and One Window Policy, 1992
5. Income Tax Act. 2002
6. Immigration Rules, 1994.
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For more information, Please Contact:

Department of Industries
Tripureshwor,
Kathmandu
NEPAL
Tel. : 4261169/168/101/203
Fax : 977-1-4261112
E-mail : info@doind.gov.np
URL : <http://www.doind.gov.np>

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