

## 1. Background

The foreign investments in Nepal are regulated and administered by Foreign Investment and Technology Transfer Act (FITTA) 1992 and Industrial Enterprises Act (IEA) 2016. The Department of Industries (DOI) is the sole agency for administration and implementation of Foreign Investment & Technology Transfer Act in Nepal.

## 2. Foreign Investment

Foreign investment can be made by a foreign investor in an industry in the following forms:

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

## Areas not allowed for foreign investment

- Cottage Industries
- Personal Service businesses (Business such as hair cutting, beauty parlour, tailoring, driving training, etc.)
- Arms and Ammunition Industries
- Gunpowder and Explosives
- Industries related to Radio-Active Materials
- Real Estate Business (excluding construction industries)
- Film Industries (National Languages and other recognised languages of Nation)
- Security Printing
- Bank notes and Coins
- Retail Business (excluding international chain retail business with its business more than two countries)
- Bidi (excluding more than 90% exportable)
- Internal Courier Service
- Atomic Energy
- Poultry
- Fisheries
- Bee Keeping
- Consultancy Services such as Management, Accounting, Engineering, Legal Services (Maximum 51% foreign investment is allowed)
- Processing of Food Grains on Rent
- Local Catering Services
- Rural Tourism

## 3. Foreign Equity Investment in a New Industry

Documents required:

- Project Report 3 copies
- Joint Venture Agreement (JVA), in case of more than one investor 3 copies
- Citizenship certificate of local party or Certificate of Incorporation including Memorandum of Association and Articles of Association, if the 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 the party 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

## 4. Deposits and Fees

The amount to be deposited at the time of Foreign Investment Approval, refundable after the operation of industry are as follows:

Range of Fixed Asset	Amount Rs. Deposit
Fixed assets $\leq$ 2,500,000	4,000
2,500,000 < Fixed assets $\leq$ 5,000,000	7,000
5,000,000 < Fixed assets $\leq$ 10,000,000	10,000
10,000,00 < Fixed assets	20,000

*Note: The amount shall be deposited at the Nepal Rastra Bank, Teku*

The non refundable fees for the Company Registration are as given below:

Range of Authorised Capital	Amount Rs. Fee
500,000 < Authorised Capital $\leq$ 2,500,000	9,500
2,500,000 < Authorised Capital $\leq$ 10,000,000	16,000
10,000,000 < Authorised Capital $\leq$ 20,000,000	19,000
Similarly the fee will be calculated at the rate of Rs. 30 per Rs. 100,000 of Authorised Capital	

## 5. Foreign Investment in an Existing Industry by Share Transfer

Documents required:

- Request from the share transferor 1 copy
- Request from the share transferee 1 copy
- Share Transfer Agreement 3 copies
- Copy of minute of the Board meeting of Nepalese company regarding inclusion of foreign investor into the company 1 copy
- Copy of minute of Board meeting, Certificate of incorporation and company profile of the foreign party if the party is a company 1 copy
- Copy of passport and Bio-data of foreign party, if party is an individual 1 copy
- Financial Credibility Certificate of the Foreign Investor provided by a bank 1 copy
- Current Share Holders' List as certified by the Company Registrar's Office 1 copy
- Auditor's Report 1 copy
- Tax clearance certificate 1 copy
- Authority letter(s) from the companies concerned to sign on behalf of the companies.

## 6. Loan Investment in an Existing Nepalese Industry

Documents required:

- Loan Agreement 3 copies
- Certificate of Incorporation, including Memorandum of Association and Articles of Association of the lending agency 1 copy
- Company profile of the lending agency 1 copy
- Industry Registration Certificate 1 copy
- 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

## 7. Technology Transfer

Technology transfer is possible even in areas where foreign investment is not allowed. Followings are the forms of "Technology Transfer" to be made under an agreement between an industry and a foreign investor:

- Use of any technological right, specialisation, formula, process, patent or technical know-how of foreign origin,
- Use of any trademark of foreign ownership,
- Acquiring any foreign technical consultancy, management and marketing service,

Documents required:

- Technology Transfer Agreement (TTA) 3 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 the party 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

## 8. Repatriation

Document Required

- ❖ Application
- ❖ Decision of Board of Directors
- ❖ Approved Share Purchase Agreement for share sold OR, Decision of AGM of shareholders for the dividend OR, Approved Loan Agreement OR, Approved Technology Transfer Agreement
- ❖ Share Holders' Book endorsed by Office of Company Registrar
- ❖ Proof of investment through banking channel
- ❖ Audit Report and Tax Clearance Certificate

Following amounts are entitled to be repatriated.

- 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 the payment of principal and interest on any foreign loan.
- c) 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.
- d) 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.

#### 9. Provisions Related to Dispute Settlement

- ❖ For industries with fixed assets investment of upto NRs. 500 millions, according to Nepali law venue at Kathmandu.
- ❖ For industries with fixed assets investment of above NRs. 500 millions, disputes may be settled as mentioned in the Joint Venture Agreement/Share Purchase Agreement.

#### 10. Visa Arrangements

All the visa applications shall be submitted to DOI at least a month prior to expiry of current visa. Investor must be present in person at DOI for the first time.

##### 10.1 Non-tourist Visa for Carrying out the Feasibility Study

Documents required at DOI:

- a) Bio-Data of the applicant
- b) Notarized copy of the passport with the last visa
- c) Brief description of the project in which research and study will be undertaken.
- d) Photocopy of the citizenship certificate of the Nepalese investor, if the proposed industry is going to be established as a joint venture.
- e) Application must be submitted with 60 days of tourist visa

##### 10.2 Non-tourist visa for Expatriates working in the industries

Documents required at DOI:

- a) Copy of the Agreement between the industry and expatriate
- b) Progress report of the industry
- c) Bio-Data of the expatriate personnel (mainly describing the experience in the related industry) and academic certificates
- d) Notarized copy of the passport with last visa
- e) Name list of Nepalese workers who will be trained from the expatriate
- f) Industry registration certificate
- g) Copy of vacancy announcement advertised in national daily
- h) Tax clearance, Audit report of the company
- j) Application must be submitted within 60 days of tourist visa

##### 10.3 Business Visa

Foreign investors 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. Documents required at DOI:

- a) Notarized copy of the passport with last visa
- b) Proof showing investment made in the company.
- c) Industry registration certificate
- d) Progress report of the industry including the current status
- e) Certificate of relationship with the dependents.
- f) In case of an authorised representative, a letter authorising representation for the foreign investor and the photocopy of passport. Verification is required.
- g) Contact address and telephone number of the investor
- h) Foreign investment approval letter for the first time application.

#### Criteria for 5 years Business Visa

Industry must be in operation and

- ❖ Investment:  $\geq$  US\$ 200,000 OR
  - ❖ Average Income Tax Paid in the last 3 years = Rs.200,000 – 1 investor; for every next Rs.100,000 – 1 additional investor, OR
  - ❖ Permanent Employment = 30 people – 1 investor, for every next 15 employment – 1 additional investor, OR
  - ❖ Average Export of Last 3 years = \$s.10,000,000 – 1 investor, for every next Rs.10,000,000 of export – 1 additional investor
- If industry is not in operation.
- ❖ Investment :  $\geq$  US\$ 500,000 for a person
  - ❖ Investment :  $\geq$  US\$ 3 million for a company

#### 10.4 Residential Visa

Foreign investor making an investment equivalent to more than one hundred thousand United States Dollar, at one time Documents required at DOI:

- a) Notarized copy of the passport with last visa
- b) Proof showing investment made: equivalent to more than one hundred thousand United States Dollar in one time in convertible foreign currency.
- c) Industry registration certificate
- d) Progress report of the industry including the current status
- e) Certificate of relationship with the dependents.

#### 11. Compliance with Environmental Regulations

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 establishment as per Environmental Protection Act (EIA) 1997 and Environmental Protection Regulation (EPR) 1997.



## Foreign Investment in Nepal



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