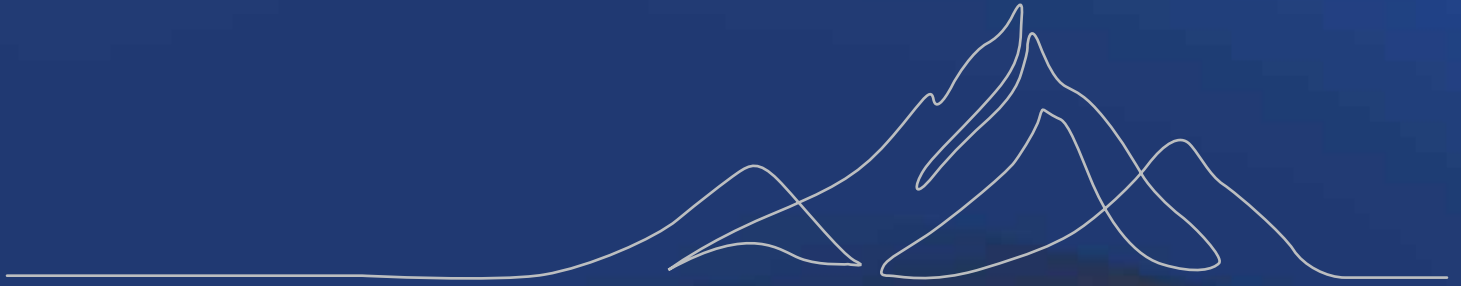




Government of Nepal
Ministry of Industry, Commerce and Supplies
Department of Industry



One Stop Service Center



Disclaimer:

This brochure is intended information. Where information in the brochure conflicts with existing laws and regulations at the time of use, the concerned laws and rules will apply.



Why invest in PAL?

NEPAL – located between two rapidly expanding economies India and China – offers numerous opportunities for investment, production and trade in goods and services. Nepal has a diverse geography, natural resources, and cultures, which together with improvements in basic infrastructure that have taken place over the years make it an attractive destination for investment, including foreign investment, in almost all sectors: manufacturing, agro-processing, energy, tourism, and other service sectors. The comparative advantages investors can secure while investing in Nepal are access to vast natural resources, a large domestic market in addition to preferential access to markets in neighbouring countries, and a young labour force.

Nepal welcomes Foreign Direct Investment (FDI). This policy is a result of its realization of the

important role FDI can play in the country's development, in addition to capital formation, enhancement of productive capacity as well as the transfer of technology, skills, innovation, and managerial capabilities. Nepal already has a very accommodative policy to support foreign investors and has been continuously reviewing and improving its laws and regulations to encourage FDI inflows. Nepal also extends national treatment to foreign investors and permits repatriation of profits.

In addition, Nepal offers incentives to investors – both tax and non-tax concessions to specific industries and sectors – post-investment services and a hassle-free business environment. The country has bilateral investment agreements with six countries France, Germany, United Kingdom, Mauritius, Finland and India; and double taxation avoidance

treaties with Norway, India, China, Pakistan, Sri Lanka, Qatar, Bangladesh, South Korea, Mauritius, Thailand and Austria. The government is also working to operationalize the direct or automatic route for investments that would not require prior approval in a number of sectors and investments of certain sizes.

Nepal has two specific agencies responsible for facilitating investment, including FDI, each with clear and separate mandates. All investments less than NPR 6 billion are facilitated by the Department of Industry, under the Ministry of Industry, Commerce and Supplies, and those above this, are routed through the Investment Board Nepal (IBN), a high-level body chaired by the Prime Minister of Nepal. The minimum investment threshold for FDI is NPR 20 million.

FDI

Nepal allows both greenfield and brownfield investments, and most applicable approvals below are related to new industries. For brownfield investments there is one requirement, the need to obtain approval from the central bank to bring the investment. Nepal allows the following five categories of FDI.

in Nepal

FOREIGN CURRENCY
INVESTMENT IN
SHARES

INVESTMENT
THROUGH LEASING
OF MACHINES

INVESTMENT
THROUGH VENTURE
CAPITAL FUNDS

INVESTMENT THROUGH
TECHNOLOGY TRANSFER

REINVESTMENT OF DIVIDEND
RECEIVED FROM FOREIGN
INVESTMENT

Policy and legal environment

Nepal has enacted a number of new laws and regulations and has amended and updated existing laws to facilitate investment. The major laws governing investment are:

- ▶ **FOREIGN INVESTMENT AND TECHNOLOGY TRANSFER ACT, 2019**
- ▶ **INCOME TAX ACT, 2002**
- ▶ **COMPANY ACT, 2006**
- ▶ **PUBLIC PRIVATE PARTNERSHIP AND INVESTMENT ACT, 2019**
- ▶ **ENVIRONMENT PROTECTION ACT, 2019**
- ▶ **INDUSTRIAL ENTERPRISE ACT, 2020**
- ▶ **FOREIGN INVESTMENT AND TECHNOLOGY TRANSFER REGULATION, 2021**
- ▶ **INVESTMENT ENTERPRISE REGULATION, 2022**

(Note: English texts of most laws and regulations related to trade, investment, and business can be downloaded from <https://www.lawcommission.gov.np/en/>)



Steps related to FDI approval

	Concerned authority	Related laws and regulations
Foreign Investment approval	Department of Industry <i>Foreign Investment and Technology Transfer Section</i>	Foreign Investment and Technology Transfer Act, 2019. (FITTA, 2019)
Company registration	Office of the Company Registrar	Company Act, 2006 and amendments
Industry registration	Department of Industry <i>Licensing and registration section</i>	Industrial Enterprises Act, 2016, and regulations
VAT/PAN registration	One Stop Service Center (OSSC)/ Inland Revenue Office	VAT Act, 1996, Income Tax Act, 2002 and amendments
Foreign exchange and transfer of investment	Nepal Rastra Bank	Nepal Rastra Bank Act, 2002, and amendments

Note: All these services can now be availed from the OSSC at Dol.

The following section highlights some provisions in existing laws on trade and investment.

The Foreign Investment and Technology Transfer Act, 2019 (2075) (FITTA)

Guarantees national and non-discriminatory treatment to all foreign investors.

100 percent foreign investment allowed in all types of industries except industries mentioned in the negative list of FITTA and some sectors like casinos, telecommunications and aviation.

Open to technology transfer in all industrial sectors.

Guarantees repatriation of profits in convertible currency.

Provides business/residential visas for investors.

Defines FDI broadly, includes lease financing and investment made in the permitted sectors of equity investment, in new industry in foreign currency, investment through purchase of shares of existing industry through capital investment fund, technology transfer and reinvestment of dividends earned from foreign investment.

Provides for a One-Stop-Service Centre to facilitate and fast-track investment.

Allows opening bank accounts in convertible foreign currency.

Provides for dispute settlement as agreed between the parties in agreement.

Provides for hiring foreign nationals in high-level managerial positions.

Public - Private Partnership and Investment Act 2019 (PPPIA)

Provides for the formation of the Investment Board Nepal (IBN), a high-level body, to facilitate large infrastructure projects.

IBN is chaired by the Prime Minister of Nepal and includes relevant ministers and heads of major government agencies and the private sector as members.

Approves investments of over NPR 6 billion in all sectors, and energy projects of over 200 MW of installed capacity.

Provides for a separate PPP Unit and Investment Unit.

Provides for viability gap funding for construction, operation, and expansion.

Provides for One-Stop Service Centre with authority to issue survey licenses, sign MoUs and agreements, and grant investment approvals, among others.

Company Act 2006 (Amended in 2019)

Company Act 2006 (Amended in 2019)

Statutory recognition for online company registration.

Robust legal mechanism to protect trademarks.

Allows a public company to hold 100% shares of a private company and vice versa without conversion.

Simplifies the conversion of a liaison office of a foreign company into a branch office.

Provides for buying back own shares to protect against hostile takeovers.

Flexible provision for issuing shares at premium price.

Industrial Enterprises Act (IEA) 2020

Classification of industry based on fixed asset investment and nature of business.

Provides for a One-Stop Service Centre.

Provides for importing goods from the foreign parent company for market development of new goods.

Provides for hiring foreign nationals in high-level managerial positions.

Provides for industrial environmental standards.

Provides for contract manufacturing for supply of goods and services.

Provides for allowing various fiscal incentives.

Government agencies related to FDI-related approvals

SN	Agencies	Major functions
a.	Ministry of Industry, Commerce and Supplies	Formulation of policies and laws
b.	Industry and Investment Promotion Board	Providing suggestions to policy, institution and procedural reforms, consent to industries that require permission, among others
c.	Investment Board of Nepal	Approving FDI exceeding NPR 6 billion, and facilitation of investments
d.	Department of Industry (One Stop Service Center)	Approving FDI less than NPR 6 billion and providing industry administration related services
e.	Office of Company Registrar	Registering companies and administrative services
f.	Nepal Rastra Bank	Approving foreign currency transfer against approved investment, recording, and repatriation support

ONE STOP SERVICE CENTRE

The One Stop Service Centre (OSSC) at the Department of Industry is an arrangement that has been made to facilitate investments as provisioned by the Industrial Enterprise Act (2020) and Foreign Investment and Technology Transfer Act (2019). The purpose of the OSSC is to provide all investment and industry-related services from a single point for the convenience of investors. All services required for foreign investors, from registration to and winding up of operations are provided through the OSSC. Along with the administrative services, approval of facilities, exemptions, and concessions, the OSSC also supports industries, entrepreneurs, and investors in obtaining electricity, water, land, and other infrastructure.

The OSSC at DOI provides services related to FDI approval (less than NPR 6 billion), recommends visas for foreign investors, their authorised representatives, and experts; approves Initial Environmental Examination (IEE) and Environment Impact Assessment (EIA), and recommends foreign currency exchange facilities.

Industries/businesses where FDI is not permitted

The industries/businesses where FDI is restricted are those that involve the manufacture of arms and armaments and those producing atomic energy and radioactive materials. The other areas where FDI is restricted are those reserved for national investors in an effort to boost domestic production and industrialisation.

- Poultry farming, fisheries, beekeeping, fruits, vegetables, oil seeds, pulse seeds, milk industry and other sectors of primary agro-production,
- Cottage and small industries,
- Personal service business (hair cutting, tailoring, driving, etc.),
- Real estate business (excluding construction industries), retail business, internal courier service, local catering service, moneychanger, remittance service.
- Travel agency, guide involved in tourism, trekking and mountaineering guide, rural tourism including homestay.
- Business of mass communication media (newspaper, radio, television, and online news) and motion picture in national languages,
- Management, accounting, engineering, legal consultancy service and language training, music training, computer training, and
- Consultancy services having foreign investment of more than fifty-one percent.

(Source: FITTA, 2019, Schedule: <https://www.lawcommission.gov.np/en/wp-content/uploads/2019/09/The-Foreign-Investment-and-Technology-Transfer-Act-2019-2075.pdf>)

The law specifically bars FDI in industries manufacturing arms, ammunition, gunpowder, or explosives, and nuclear, biological, and chemical (N.B.C.) weapons; and industries producing atomic energy and radio-active materials. Other restricted industries are security printing, bank notes and coin industries; tobacco products, alcohol; excavation, including precious minerals and petroleum products, etc.

(See: Schedule-1, Industrial Enterprises Act, 2020. <https://moics.gov.np/uploads/shares/laws/Industrial%20Enterprises%20Act%20%202020.pdf>)

100 percent FDI is not permitted in some sectors like casinos, telecommunication, and aviation. For these industries the rules of concerned regulating bodies are applicable.



Minimum investment threshold

Nepal has a minimum threshold for industries with FDI. In October 2022, the government lowered the foreign investment threshold to **NPR 20 million**.

Documents required for approval of FDI in industry

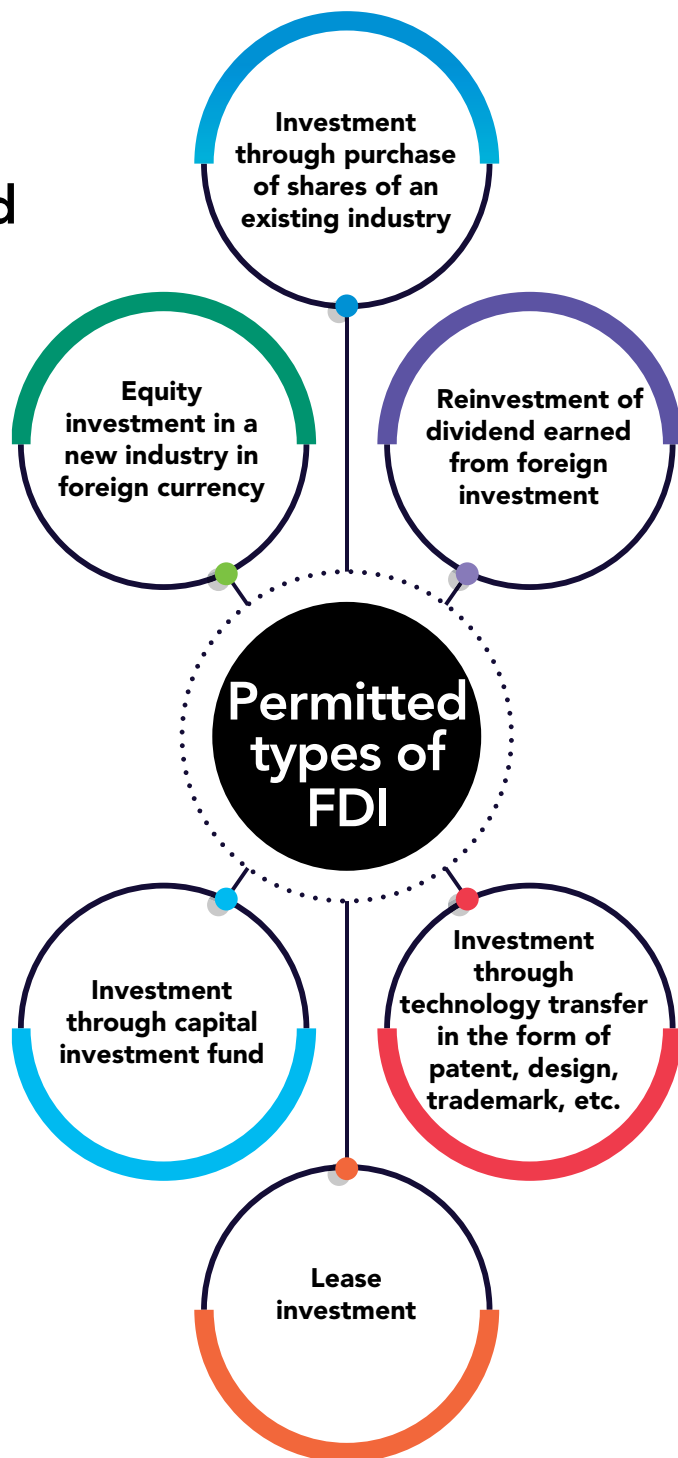
The investment process in Nepal begins with approval of the investment. There are different documents required for specific types of approvals and permits, which are provided below;

FDI approval

- Project proposal - two copies.
- Joint Venture Agreement (in case of more than one investor).
- Notarized copies of citizenship certificate of local partner or Certificate of Incorporation, including Memorandum of Association, if the local party is a company – one copy each.
- Notarized copy of passport of foreign partner or Certificate of Incorporation, including Memorandum of Association and Articles of Association, if the party is a company– one copy each.
- Bio-data/CV of foreign investor or company profile – one copy.
- Financial Credibility Certificate of the foreign investor issued by a home country bank.
- Letter of Authorization from the company or the investor (if necessary).

Approval of FDI in existing industry through share purchase

- Application from the share transferor.
- Financial Credibility Certificate of the Foreign Investor issued by a home bank – one copy,
- Current shareholders' list as recorded in the Office of Company Registrar - one copy, and Audit Report – one copy.
- Tax Clearance Certificate – one copy.
- Letter of Authorization to sign on behalf of the company – one copy.
- Certificate of industry/company registration – one copy.



FDI through technology transfer

Technology transfer through FDI is permitted in the following areas:

Patent, design, trademark, goodwill, technological specificity, formula, process.

User license, technological know-how sharing, or use of technological knowledge (franchise).

Provision of foreign technical adviser, management and marketing service, or other technological skills or knowledge.

Documents required for approval of FDI through technology transfer agreement

- a. Technology Transfer Agreement – three copies.
- b. Notarized photocopies of Certificate of Incorporation, including Memorandum of Association and Articles of Association of the domestic company – one copy each.
- c. Notarized copy of passport of foreign investor or Certificate of Incorporation, including Memorandum of Association and Articles of Association if the party is a company – one copy each
- d. Bio-data/CV of foreign investor or company profile.
- e. Minutes of the meeting of the Board of Directors from concerned companies for Technology Transfer.
- f. Letter of Authorization from the company.
- g. Notarized copy of current Audit Report and Tax Clearance Certificate.

Foreign investment procedure

There are two agencies that can approve FDI, the IBN and the DoI. Following investment approval, investors are required to fulfil certain procedures before they can operationalize the investment. The steps in the process include:

- a. Investment approval from the Department of Industry or Investment Board of Nepal.
- b. Company registration at the Company Registrar's Office after FDI approval.
- c. Tax registration at the Department of Inland Revenue.
- d. Industry registration at the DoI.
- e. Central bank clearances (permissions from Nepal Rastra Bank to bring in foreign currency through proper banking channels, and recording of remitted FCY.)
- f. Other permits and approvals (Visa, trademark, environmental clearance, land acquisition, etc.) by relevant government agencies.

Documents Required for Repatriation of Investment, Dividend, Royalty, etc.

Nepali law allows repatriation of investment, dividends and royalties. Repatriation permission is issued by the Nepal Rastra Bank upon recommendation of agencies that approved the investment (IBN and DoI), and clearances of all applicable taxes. The following documents are required for making a request for recommendation for repatriation from the DoI.

- a. Application and copy of Industry and Company Registration Certificate.
- b. Copy of approval of FDI.
 - i. Minutes of the meeting of the Board of Directors.
 - ii. Approved Share Purchase Agreement.
 - iii. AGM decision on dividend.
- c. Copy of the Approved Loan Agreement or an attested copy of the decision regarding compensation
- d. Copy of approved Agreement of Technology Transfer and Lease Investment.
- e. Copy of current Audit Report, Tax Clearance Certificate, and notarized copy of letter certifying no blacklisting.
- f. Copy of the list of promoters and shareholders documented in the Company Registrar's Office.
- g. Letter of FDI Recording at the Nepal Rastra Bank.
- h. Document showing the amount received from the sale of shares.
- i. Royalty calculation by a Certified Chartered Accountant.
- j. Copy of the document showing the amount paid as the principal or interest on FDI.

Visas

Foreign investors or his/her authorised representatives and family members are eligible for business visas after they obtain FDI approval effective for the period of the investment. Applications for visa extension need to be submitted at the DoI 30 days before expiry of the existing visa. Applications must be made in-person when applying for visa for the first time. The following documents are required with the application for different types of visas.

Business visa for investor

- a. Notarized copy of passport with most recent visa.
- b. Letter of FDI approval from the Department of Industry/the Investment Board of Nepal.
- c. Copy of Industry/Company Registration Certificate
- d. In case of industry in operation, report of industry inspection.
- e. Notarized copies of Letter of Authorization as a Representative of foreign investor and passport.
- f. Notarized documents of the relation with the dependents.
- g. Contact address and telephone number of the investor/representative.

Residential visa

Foreign investors investing the equivalent of USD 1 million or more at a time, can apply for a residential visa for the investor and his/her representative and family members. The documents requesting recommendation for a residential visa are as follows:

- a. Notarized copy of passport with most recent visa.
- b. Evidence of investment equivalent to USD 1 million or more at a time.
- c. Copy of the Industry Registration Certificate
- d. Physical and financial progress reports of the industry.
- e. Document certifying the relation with the dependents.

Non-tourist visa for foreign workers

- a. Notarized copy of agreement between worker and industry.
- b. Copy of the job vacancy published in the national daily newspaper.
- c. Progress report of the industry.
- d. Worker's bio data (showing his/her experience in industry) and certificates of academic qualifications.
- e. Notarized copy of passport with most recent visa.
- f. List of Nepali workers to be trained by the foreign workers.
- g. Work approval and work permit.
- h. Copy of Industry Registration.
- i. Copies of current Audit Report and Tax Clearance Certificate of the company.

Note: In case of a non-tourist visa, the application should be submitted 60 days before the visa expiry date.

Compliance with environmental laws

Nepali laws require the approval of the Initial Environmental Examination (IEE) by the DOI, and Environmental Impact Assessment (EIA) for establishing an industry, extension, and diversification of existing industry. The approvals are provided under the Environment Protection Act, 2019 (<https://www.lawcommission.gov.np/en/wp-content/uploads/2021/03/The-Environment-Protection-Act-2019-2076.pdf>).

Dispute resolution

There are established procedures for settling disputes related to investment in Nepal. The following procedures apply for settlement of investment related disputes:

- a. The DoI may facilitate discussion and negotiation to settle the dispute on investment among the domestic and foreign investors.
- b. In the event the facilitation does not lead to an amicable resolution, the dispute is settled in accordance with the provisions in the Joint Venture Agreement.
- c. If the dispute remains unresolved, it is settled in accordance with the provisions of the Arbitration Law of Nepal.

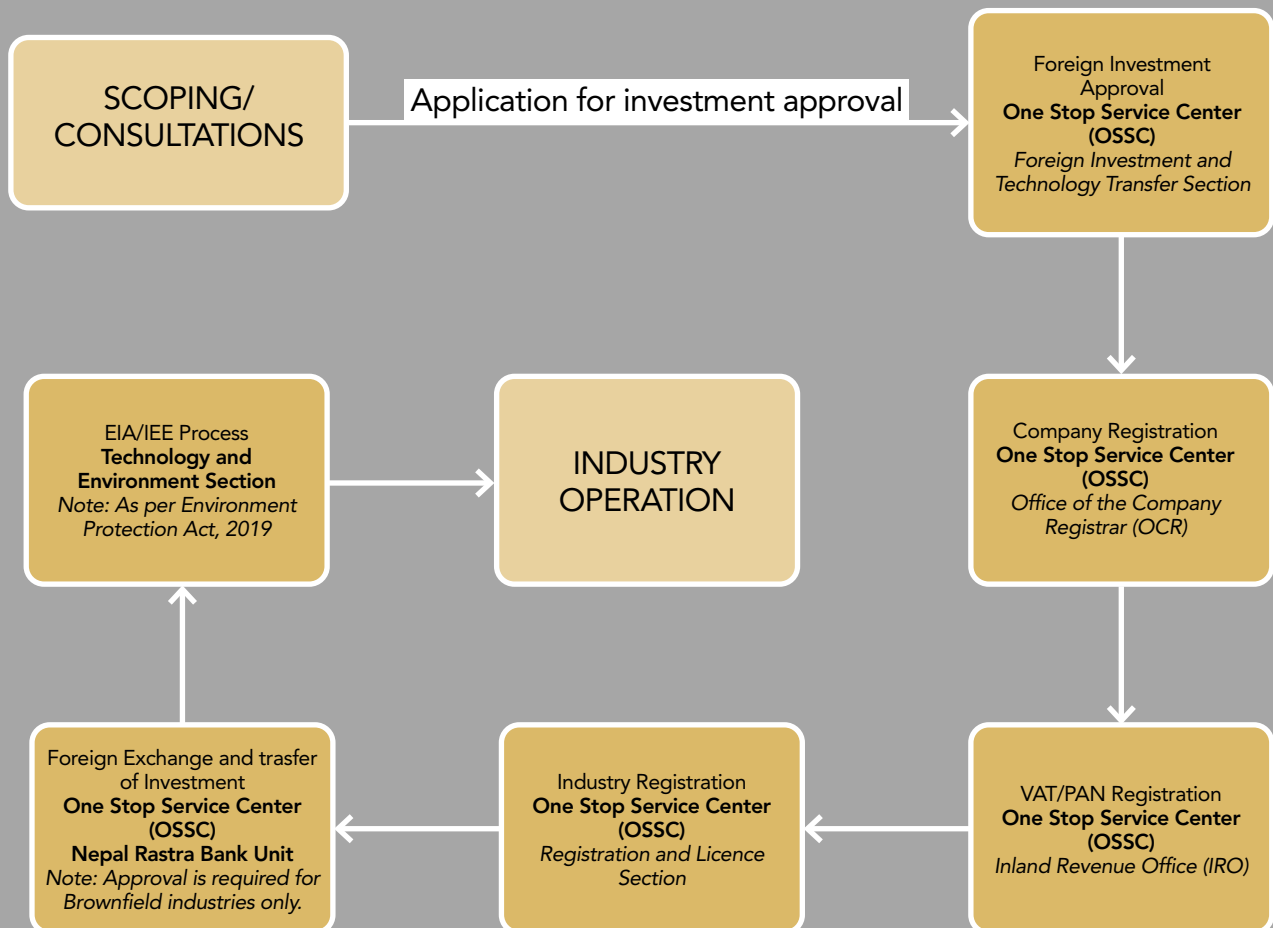
Applicable charges and fees

There are certain charges that apply for different services from the DOI. Some of the charges are refundable, say, for example in the case of FDI approval. The applicable fees are determined by specific legislation in some cases.

Particulars	Applicable fees
FDI approval	Free of charge
Company registration	In accordance with the Company Act
Industry registration	Free of charge
Capital currency against foreign investment	Free of charge
Visa	Fees as per Immigration Act

Note: Some services may require a refundable deposit

FDI services offered at OSSC



FOR MORE INFORMATION:

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Ministry of Industry, Commerce and Supplies
Department of Industry
One Stop Service Center

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