



**DOING  
BUSINESS  
IN NEPAL**

**2026**

## **ABOUT REANDA BIZ SERVE**

Reanda Biz Serve, a network firm of Reanda International, is Nepal's leading business advisory and consulting firm that helps enterprises sail smoothly towards their goal. Through our integrated service lines and our deep sectoral knowledge, we help our clients to capitalize on new opportunities, assess and manage risk to deliver responsible growth.

Our high-performing, multidisciplinary team help our clients fulfill regulatory requirements, minimize business risk, plan appropriate taxation and secure information system.

We are committed to quality and service excellence in all that we do, bringing our best to clients and earning the public trust through our action and behaviors both professionally and personally.

## **ABOUT REANDA INTERNATIONAL**

Reanda International is an international accounting network to collaborate with independent member firms from around the world. These member firms provide assurance, tax consulting and specialist business advisory to privately held business and transnational conglomerates.

Reanda International is a full member of Forum of Firms effective from 1 January 2022. Reanda International Network is represented by 66 global presence with more than 6176 employees, 300 partners working across around 151 offices worldwide to provide high quality service. According to the International Accounting Bulletin (IAB) World Survey published in March 2024, Reanda International is ranked 24th among the world's leading international networks.

For over 13 years, our steadfast commitment to excellence has positioned us as a trusted advisor to a diverse range of businesses and stakeholders in Nepal and around the world. At Reanda Biz Serve, our growth and trust are directly shaped by the quality and consistency of the services we provide. Sustaining this standard of excellence requires continuous effort, disciplined dedication, and ongoing investment in both our people and technological capabilities.

As part of our ongoing commitment to transparency and knowledge sharing, we are pleased to introduce the ninth consecutive edition of our investor's guide, ***Doing Business in Nepal 2026***. This publication is designed to offer practical and up-to-date insights into Nepal's economic environment, investment landscape, prevailing tax regime, regulatory framework, and overall business ecosystem. It is intended to support our existing clients as well as prospective foreign investors by providing guidance on market entry, regulatory compliance, investment opportunities, income repatriation, and other critical considerations relevant to doing business in Nepal.

Unless otherwise stated, the information presented in this guide reflects the legislative framework and prevailing conditions as of December 2025. Investors are strongly encouraged to seek professional advice including from independent certified experts, consultants, and legal advisors prior to making any investment decisions. Our experienced professionals at Reanda Biz Serve remain readily available to provide tailored support and assistance.

We also welcome constructive feedback and suggestions from our readers, which will help us enhance future editions of this publication. Your insights are highly valued, and we sincerely thank you for the trust and confidence you place in Reanda Biz Serve.

Yours Sincerely,



**Bharat Rijal**  
Chairman  
1 January 2026



### Chairman's Message

## Certifications and Accreditation



Trainee Development - Platinum



# Our Leadership



**CA. Bharat Rijal**  
Chairman



**CA. Gopal Prasad Pokharel**  
Strategy and Quality  
Control Leader



**CA. Bishnu Prasad Bhandari**  
Head - Global Advisory



**CA. Abhaya Poudel**  
Head - Emerging Technology



**CA. Santosh Kafle**  
Head - Global Managed Services



**CA. Bhava Nath Dahal**  
Head - Tax Advisory



**Er. Manoj Ghimire**  
Head - Information Security



**CA. Sitesh Bhattarai**  
Lead - Advisory  
and Outsourcing



**CA. Sudip Paudel**  
Lead - Taxation



**CA. Sunil Shrestha**  
Lead FP&A



**CA. Prabin Mishra**  
Manager - Advisory



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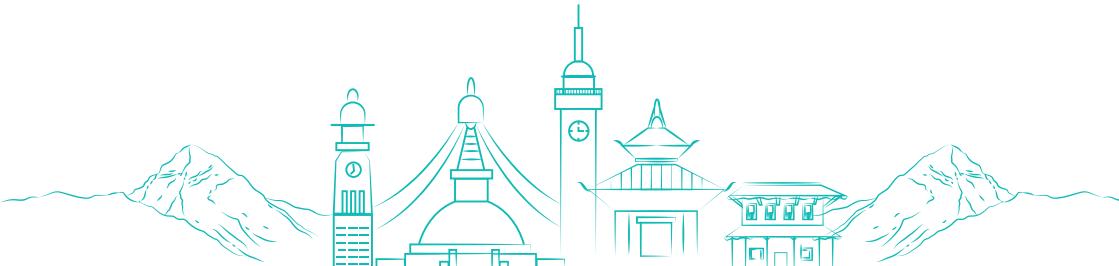
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# DOING BUSINESS IN NEPAL

# 2026

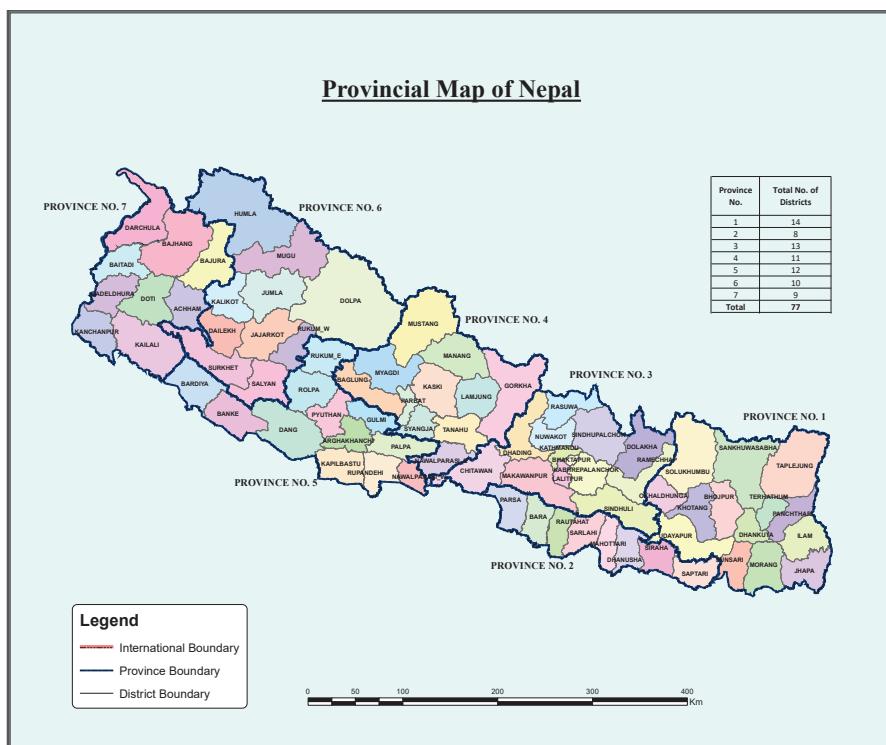
## WHY NEPAL ?



Nepal is a sovereign, independent land-linked country located in South Asian region. It is located in the southern slope of Himalayas. Two gigantic countries frame Nepal from all four sides; China in North and India in East, West and South, keeping it away from any sea or ocean.

Geographically, Nepal lies between 26° and 31°N latitudes and 80° and 89°E longitudes. Its length runs 885 kilometers from East to West and breadth varies from 145 to 241 kilometers from North to South. Nepal's altitude ranges from about 59 meters in South to over 8,848 meters above sea-level in North. Nepal is the 94<sup>th</sup> largest nation in the world with a total area of 147,516 km<sup>2</sup>.

The geographical position of the country plays a significant role for its development as a business hub as it lies in between the world's two giant economy - India and China. Nepal is one of the world's lesser developed countries and has immense potential for development, especially in the natural resource, tourism and hydroelectricity sectors.



## Nepal Fact Sheet

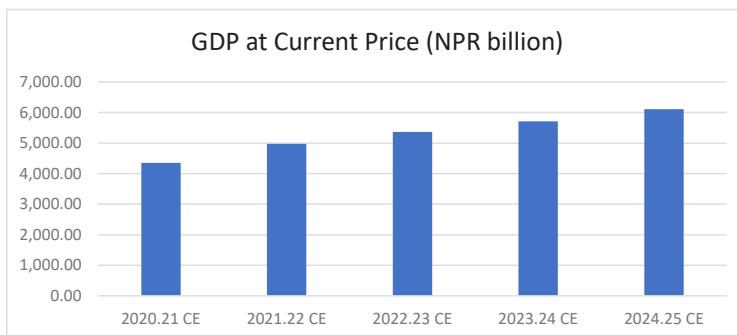
<b>Location</b>	: 26°22' North to 30°27' North and 80°4' East to 88°12' East
<b>Time zone</b>	: GMT + 5:45
<b>Area</b>	: 147,516 Square KM
<b>Altitude</b>	: 59 to 8,848.86 meters
<b>Official country name</b>	: Federal Democratic Republic of Nepal
<b>Governing system</b>	: Multiparty Parliamentary System
<b>Executive power</b>	: Prime Minister (elected by majority in the parliament)
<b>Legislative power</b>	: House of Representative
<b>International Memberships</b>	: <ul style="list-style-type: none"><li>- United Nations</li><li>- South Asian Association for Regional Cooperation (SAARC)</li><li>- World Trade Organization (WTO)</li><li>- Asian Infrastructure Investment Bank (AIIB)</li><li>- World Bank</li><li>- Belt and Road Initiative (BRI)</li><li>- Asian Development Bank (ADB)</li><li>- International Monetary Fund (IMF)</li><li>- Multilateral Investment Guarantee Arrangement (MIGA)</li><li>- South Asian Free Trade Area (SAFTA)</li><li>- BIMSTEC</li><li>- UNESCAP</li><li>- UNCTAD</li></ul>
<b>Currency</b>	: Nepalese Rupee (NPR) (Pegged with Indian Currency, 100 INR = 160 NPR)
<b>Economy</b>	: Open
<b>Judiciary power</b>	: Supreme Court of Nepal
<b>Official language</b>	: Nepali (English is widely used in business and profession)
<b>Population</b>	: 29.16 million
<b>Human Development Index (HDI)</b>	: 0.622
<b>International Dialing Code</b>	: +977
<b>Voltage</b>	: 240
<b>Nearest Ports</b>	: Kolkata to Birgunj (739.4 Km) Visakhapatnam to Birgunj (1470.6 Km)

## Economic Indicators of Nepal

Particulars	2077.78	2078.79	2079.80	2080.81	2081.82
	(2020.21CE)	(2021.22CE)	(2022.23 CE)	(2023.24 CE)	(2024.25 CE)
Population (million)	28.92	29.19	29.46	29.73	30.01
GDP at Current Price (NPR billion)	4,352.55	4,976.56	5,367.00	5,709.01	6,107.22
Real GDP at Basic Price (NPR billion)	2,150.50	2,263.98	2,315.72	2,393.48	2,488.88
Annual GDP growth rate at basic price (%)	4.49	5.28	2.29	3.36	3.99
GNI at Current Price (NPR billion)	4,375.84	5005.40	5429.85	5,802.80	6,193.83
GDP at Current Price per Capita (USD)	1,276.81	1,411.00	1,393.47	1,443.46	1,496.21
GNI per Capita (USD)	1,283.64	1,419	1,405	1,456	1,456
Wholesale Inflation Rate (%)	7.6	9.51	8.47	3.92	4.5*
Salary and Wage Inflation Rate (%)	1.6	6.65	9.90	5.09	3.2*
Annual growth rate in Consumer Price Index (CPI) (%)	3.60	6.32	7.74	5.44	4.9*
Remittance Income (NPR billion)	961.05	1,007.31	1,240.69	1,445.32	1,577.00*
Tourism Income (NPR billion)	7.27	32.45	62.3	82.33	85.06*
USD NPR Exchange Rate (Period Average)	117.87	120.84	130.75	133.03	136.04

Source: Economic Survey, GoN Fiscal Year 2081.82 (2024.25CE)

\* Based on projection of 2024.25



## Economic Growth Rate (%) in South Asia and China

Country	2021	2022	2023	2024	2025*
Nepal	4.8	5.6	2.0	3.1	4.0
Bangladesh	6.9	7.1	5.8	4.2	3.8
Bhutan	-3.3	4.8	5.0	4.0	7.0
India	9.7	7.0	7.8	6.5	6.2
Sri Lanka	3.5	-7.8	-2.3	5.0	#
Pakistan	5.8	6.2	-0.2	2.5	2.6
China	8.4	3.0	5.2	5.0	4.0

\*Projected

#Not Estimated

Source: Economic Survey, GoN Fiscal Year 2081.82 (2024.25 CE)

## Approved Foreign Direct Investment

### Investment Board Nepal (IBN)

Till mid-July 2023, Investment Board Nepal (IBN) has approved total investment equivalent to NPR 1,207.84 billion in 38 mega projects.

Projects	NPR in Billion
23 Hydropower Projects with combined capacity of 4,968 MW	871.17
7 Mines and Minerals (Cement) Projects	210.06
3 Industrial Infrastructure related projects	85.13
Tourism related project (Hotels)	13.99
Kathmandu Valley Waste Management Project (Package I to III)	5.67
Grid Connected Solar Photo Voltaic Plus Battery Storage Project	21.60
Venture Waste to Energy, Dharan	0.24
<b>Total</b>	<b>1,207.84</b>

Source: IBN Annual Report 2022.23

Out of those projects approved by IBN, 19 projects with a combined cost of NPR 999.69 billion involves foreign investment. The projects involving foreign investment are as below:

S.N.	Project	NPR in billion
<b>A</b>	<b>Energy (Hydropower and Solar)</b>	
1	West Seti Hydropower Project (750 MW)	156.8
2	Solar Photo Voltaic Plus Battery Storage Project (170 MW)	21.6
3	Upper Tamor Hydropower Project (285 MW)	63.72
4	Lower ManangMarsyangdi Hydropower Project (139.2 MW)	33.41
5	Arun III Hydropower Project (Sankhuwasabha) (900 MW)	144.76
6	Upper Marsyangdi-2 Hydropower Project (347 MW)	78.31
7	Upper Trishuli-1 Hydropower Project (216 MW)	73.16
8	MyagdiKhola Hydropower Project (57.3 MW)	10.32
9	Kaligandaki Gorge Hydropower Project (164 MW)	28.07
10	Lower Arun Hydropower Project (669 MW)	92.68
11	Upper Marsyangdi-1 HEP Project (102 MW)	33.19
12	Dudhkoshi-2 (Jaleshwar) HEP Project (70MW)	20.35
<b>B</b>	<b>Mines and Minerals (Cement )</b>	
1	Dangote Cement	56.28
2	Hongsi-Shivam Cement Pvt. Ltd.	37.35
3	Huaxin Cement Narayani Pvt. Ltd.	14.83
4	Reliance Cement	39.76
<b>C</b>	<b>Industrial Infrastructure</b>	
1	Vehicle Manufacturing and Assembly Plant Project	10.54
2	China-Nepal Friendship Industrial Park, Damak	64.9
<b>D</b>	<b>Tourism</b>	
1	Hotel Project	13.99
<b>E</b>	<b>Urban Infrastructure</b>	
1	Kathmandu Valley Waste Management Project (Package I)	4.87
2	Kathmandu Valley Waste Management Project (Package II & III)	0.8
	<b>Total</b>	<b>999.69</b>

During the year 2023.24, the IBN has approved investment in further seven hydropower projects (with combined capacity of 526.67 MW), one solar project with capacity of 250 MW and additional investment approval of Huaxin Cement Narayani Pvt. Ltd. involving total investment of NPR 142.184 billion. Out of this NPR 21.1 billion is the investment involving foreign investment.

## Department of Industries (DOI)

Till mid-March 2025, 9,963 industries have been registered in Department of Industries with a total investment proposal of NPR 3,248.07 billion.

Till mid-March 2025, Department of Industries has approved foreign direct investment equivalent to NPR 564.59 billion in 6,982 industries.

During financial year 2024.25, DOI has approved FDI equivalent to NPR 44.66 billion in 427 industries till mid-March 2025.

## Country-wise Approved FDI from DOI (till mid-March 2025)

Country	No. of Industries	FDI (NPR 10 million)	Share in total approved FDI
China	2,854	24,828	43.98%
India	881	10,952	19.40%
USA	551	1,990	3.52%
UK	221	1,587	2.81%
South Korea	398	2,631	4.66%
British Virgin Island	17	1,106	1.96%
Singapore	74	827	1.46%
Hong Kong	49	2,958	5.24%
Canada	65	405	0.72%
Spain	35	759	1.34%
Others	1,837	8,416	14.91%
<b>Total</b>	<b>6,982</b>	<b>56,459</b>	<b>100%</b>

Source: Economic Survey, GoN Fiscal Year 2081.82 (2024.25 CE)

## Industry-wise Approved FDI from DOI (till mid-March 2025)

Industry	No. of Industries	FDI (NPR 10 million)	Share in Total approved FDI
Energy-related	96	14,390	25.49%
Service	2,179	16,517	29.25%
Tourism	2,469	13,569	24.03%
Productive	1,373	7,877	13.95%
Information Broadcasting & Communication Technology	406	1,457	2.58%
Agriculture and Forest Based Industries	313	946	1.68%
Mineral	75	833	1.48%
Infrastructure	71	870	1.54%
<b>Total</b>	<b>6,982</b>	<b>56,459</b>	<b>100%</b>

Source: Economic Survey, GoN Fiscal Year 2081.82 (2024.25 CE)

## Why Nepal

- Nepal is strategically located between two large and rapidly growing economies China and India, with easy access to markets of more than 2.9 billion people.
- Nepal has large pool of capable workers (out of total population, about 61.96%<sup>1</sup> are of working age i.e. 15-59 years). Nepal has relatively low cost of labor compared to other peer countries.
- Nepal is ranked 94th in the World and 3rd in South Asia in “Ease of Doing Business Report 2020” by the World Bank Group.
- Foreign investors are allowed 100% ownership of a company in a majority of sectors. Repatriation of capital and profits are allowed by law.
- Minimum threshold for foreign investment has been reduced to NPR 20 million (earlier it was NPR 50 million).
- Land ownership is allowed in company's name.
- Visa facilities are provided on arrival, with tourist visas available for visitors and business visas for investors, under a simplified and streamlined process.
- Various bilateral investment protection and double tax avoidance arrangements are in place.
- Nepal has signed Bilateral Investment Promotion and Protection Agreement (BIPPA) with India, Finland, Germany, Mauritius, UK, and France.
- Double Taxation Avoidance Agreement signed with Austria, Bangladesh, China, India, South Korea, Mauritius, Norway, Pakistan, Qatar, Sri Lanka and Thailand.
- Compared to other countries in South Asia, Nepal offers the lowest tax burden in the region. Some of the reasons for comparatively high ROI in Nepal include:
  - Huge investment potential in tourism, hydro-power, agriculture, and mine and mineral sectors;
  - Abundance of natural resources;
  - General income tax rate of 25% (20% in sectors like Public Infrastructure projects that are ultimately handed over to Government

<sup>1</sup>Source: Nepal Population and Housing Census 2021

of Nepal (BOOT project), Entities involved in construction of power house, generation and transmission of electricity, Infrastructure and Manufacturing), Value Added Tax (VAT) of 13%;

- Tax Holiday for specific sectors;
- Income tax concession on profits from exports;
- Tax concession of 50% to the income in foreign currency from export of Business Process Outsourcing, Software Programming, and Cloud Computing and similar IT based services up to FY 2084.85 (2027.28).
- 100% Tax exemption for 15 years and 50% Tax exemption for further 6 years for reservoir based and semi-reservoir based hydropower with capacity more than 40 MW as well as to Lower Belt Hydro power projects operating with Tandem operation under such projects and completing its financial closure within Chaitra end 2085 (13th April, 2019).
- Withholding tax rate of 15% on royalties and technical & management fees;
- Customs, excise duties, and VAT levied on raw materials of export-oriented industries is reimbursed to the exporter on the basis of amount of exports within 60 days of application.
- Nepal has open boarder access to India. Nepal has duty free access to China for around 8,000 products. Nepal has duty free access to US market for 77 items for 10 years starting from 2016.

## Socio-Political and Economic Environment

- Nepal's economic growth is estimated to be 4.61% in FY 2024.25 due to increase in agriculture, transportation and storage, housing, and food services, financial and insurance services, and professional scientific sectors. In the FY 2023.24, growth rate was 3.67%.
- Economic growth rates are expected to increase across all provinces in the current fiscal year. Economic growth rate of other provinces, except Koshi, Madhesh and Sudurpashchim is estimated to exceed the national average of 4.61%.
- Annual Inflation remained at 5.44% in FY 2023.24 and is expected to be 4.90% in FY 2024.25.

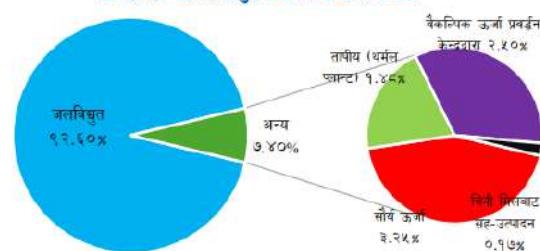
- Share of agriculture, industry and service sectors in GDP stands 25.16%, 12.83% and 62.01% respectively in FY 2024.25. This ratio was 24.71%, 12.91% and 62.38% in agriculture, industry and service sectors respectively.
- Development of the country being the major agenda of the Government.
- Legal reforms going on to attract investors; Companies Act, Labor law, Industrial Enterprise Act, Foreign Investment and Technology Transfer Act (FITTA), Special Economic Zone Act, have either been revised or in process of revision.
- Nijgadh International Airport (proposed Airport), Argakhachi Airport, Kamal Bazaar Airport and Kalikot Airport are under construction in Bara, Siddharthnagar, Accham and Kalikot respectively.
- Annual Investment estimated NPR 2,025 billion per year to Meet Sustainable Development Goals (SDGs) by 2030 AD.

## Potential Areas/Sectors for Investment

### Energy

- Rich in water resources with multiple sources of water, including glaciers, snowmelt from the Himalayas, rainfall and groundwater. Theoretical capacity of hydropower is around 80,000 MW, out of which 43,000 MW is estimated to be economically feasible.
- Due to the policy measures adopted in recent years, hydropower production has been increasing, steering the country toward energy self-reliance. By the end of mid-March 2025, electricity access has reached 99% of the population. Also, for the same period, the total installed electricity capacity stood at 3,602 MW.
- As of mid-March 2025, the total installed hydropower capacity is 3,336 megawatts. In addition to this, solar energy production stands at 117 megawatts and thermal (thermal plant) energy at 53.4 megawatts. Furthermore, electricity produced by the Alternative Energy Promotion Center is at 90 megawatts, and co-generated electricity from sugar mills totals 6 megawatts, bringing the total installed electricity capacity to 3,602.4 megawatts.

चार्ट ९(क): सोतगत विद्युत उत्पादन कामताको विवरण



स्रोत: ऊर्जा, जलस्रोत तथा सिंचाय मन्त्रालय, २०८१

Source: Ministry of Energy, Water Resource and Irrigation, 2025

- As of mid-March of this fiscal year, electricity exports to India amounted to 1,775 gigawatt-hours (GWh), while imports stood at 929 GWh. In the previous fiscal year, electricity imports from India were recorded at 928 GWh and exports at 1,475 GWh.
- As mid-March 2025, a total of 3,335.60 megawatts have been connected to the national grid, with 661.57 megawatts from projects operated by the Nepal Electricity Authority, 636.40 megawatts through its subsidiaries, and 2,037.63 megawatts from private sector- operated projects.
- As of mid-March of 2025, National Transmission line (66 KV or higher) has reached 6,745 circuit kilometer and Distribution line (33 KV or lower) has reached 210,317 circuit kilometer.
- As of mid-March 2025, construction work for five substations has been completed and operational - three for transmission and two for distribution. The capacity of grid substations has increased from 13,050 megavolt-amperes (MVA) to 13,754 MVA.

**Table: Sectoral Electricity Consumption (in Gigawatt Hours)**

Sector	2020.21	2021.22	2022.23	2023.24	2024.25*
Residential	3,138	3,719	3,897	4,309	3,084
Industrial	2,816	3,443	3,586	3,694	2,608
Commercial	511	655	737	826	568
Other	809	1,007	1,143	1,398	952
Exports	44	493	1,333	1,951	1,775
<b>Total</b>	<b>7,318</b>	<b>9,317</b>	<b>10,696</b>	<b>12,178</b>	<b>8,986</b>

Source: Nepal Electricity Authority, 2025

\*As of mid-March

- As of mid-March 2024, around 8.0 percent of the population had access to electricity through renewable energy sources. As of mid-March 2025, this has increased to 8.5 percent of the population. Accordingly, 360,000 households have been using renewable energy.
- Nepal has potential to use wind to generate energy in an area of about 6,074 sq. km. Studies have suggested the potential to generate over 3000 MW of electricity from wind.
- To meet the target of graduating from least developed country (LDC) status to developing country status by 2022 CE and become a middle income country by 2030 CE, additional 6,000+ MW (which requires investment of approximately USD 10 billion) is required, consequently huge opportunities.
- Investment opportunities in the up-gradation and expansion of distribution systems (for which investment of approximately USD 2 billion is required) and transmission systems (for which investment of approximately USD 4.45 billion is required).
- The Power Trade Agreement (PTA) signed with India has opened up a large market for export.
- The SAARC Framework agreement on Energy Cooperation signed during the 18th SAARC Summit in 2014 has paved the way for the eventual formation of a regional energy market.

### Electricity Production, Demand and Infrastructure Status

Particulars	2020.21	2021.22	2022.23	2023.24	2024.25*
Electricity Production (MW)	1,451	2,190	2,684	3,243	3602
Transmission Line (KM)	3,976.6	4,576.6	5,742	6,462	6,745
Distribution Line (KM)	132,650	136,595	145,270	150,477	152,031
Available Energy (GWH)	8,851	11,064	12,370	#	#
Peak Demand (MW)	1,482	1,748	1,986	2,212	2,337
Access of Population to Electricity (in %)	89.70	92.51	95.00	97.00	99.00

Source: Economic Survey, GoN Fiscal Year 2081.82 (2024.25 CE)

\*till mid-March 2025

#actual data to be obtained after mid-July

## Tourism

- Nepal is recognized as a major global destination due to its unique tourist attractions and offerings. The reconstruction of most cultural and tourist heritage damaged by the earthquake has largely been completed.
- To promote tourism, the period from 2023 to 2032 has been declared the "Tourism Decade," with a goal of increasing per tourist daily spending to \$125 and new tourist destinations are also being developed.
- With the world's highest mountain range, the Himalayas, and 8 of the 10 highest peaks in world, popular among mountaineers, trekkers and adventure seekers.
- The number of mountaineering teams increased by 5.42 percent in 2024 to reach a total of 2,375 teams. The number of climbers declined from 9,398 in 2023 to reach 9,191 in 2024; this also led to a decrease in royalties from mountaineering activities by 7.4 percent, reaching NPR 925.8 million.
- Offers beautiful lakes, steep rivers and gorges, unique wildlife, historic monuments, impressive fine arts, significant religious sites and exotic cultures attracting a wide array of travelers for a variety of reasons.
- A destination for religious tourism and pilgrimages. Lumbini, the birthplace of Lord Buddha, and Pashupatinath and other Hindu pilgrimage sites are the main attractions for people following Buddhism and Hinduism.
- Opportunities in developing tourism infrastructure (hotels, restaurants, roads, airports, cable car etc.), also great potential for expanding the market for meetings, international conferences and events (MICE).
- Construction of International airports at Bhairahawa and Pokhara are already complete, which will help to increase the tourist traffic significantly.
- Number of international airlines operating in Nepal has reached to 28 and the number of countries with bilateral air service agreement has reached to 42. There are 35 operational airports in Nepal.
- As of mid-March 2025, there were a total of 197 five-star hotels including deluxe accommodations which increased from 182 five-star hotels including deluxe accommodations from last year.

## Number of Star Hotels

Classification of Star hotel	Number of Hotels
One star	44
Two Star	49
Three Star	37
Four Star	41
Five Star	23
Five Star (Deluxe)	3
<b>Total</b>	<b>197</b>

Source: Ministry of Culture, Tourism and Civil Aviation, 2025

- Tourist-standard hotels including deluxe/luxury heritage boutique hotels numbered at least 1,234 as of mid-March 2024 and increased to 1,364 by mid-March of the year 2025.
- As of mid-March 2025, 9 casinos and 20 mini-casinos are in operation in Nepal. Similarly, number of travel agencies has reached 4,963, trekking agencies 3,252, rafting agencies 97 and tourist transportation services has reached 155.
- As of mid-March 2025, number of tour guides has reached to 5,269, trekking guides 27,128 and river guides 425.

## Tourists arrival data of Nepal

Year	No. of Tourists	Average stay (days)	Annual Growth
2024	1,147,548	13.3	13.07%
2023	1,014,882	13.2	65.05%
2022	614,869	13.1	307%
2021	150,962	15.5	-34.3%
2020	230,085	15.1	-80.7%
2019	1,197,191	12.7	2.1%
2018	1,173,072	12.4	24.8%
2017	940,218	12.6	24.9%
2016	753,002	13.4	39.7%
2015	538,970	12.8	-31.8%

(Note: arrival of Indian Tourist by land not included)

Source: Economic Survey, GoN Fiscal Year 2081.82 (2024.25 CE)

## Infrastructure

- As the country is focusing on the development of infrastructures, lots of opportunities to expand the road network in PPP models.
- As of Mid-March of 2025, the total length of the road including all roads constructed by Central Government and local authorities has reached 36,132 kilometers including 8,765 kilometers unpaved/ gravel roads, 8,204 kilometers graveled roads and 19,163 kilometers paved roads.
- Nepal's main highways require expansion to accommodate the increase in traffic, which is another area for public-private partnerships.
- In order to cater to the needs of the growing population, the development of mass public transportation systems – bus-rapid transport (BRT), railways, monorails, airports has been prioritized. To finance these projects, the government is looking at public - private partnerships.
- All over the country there are 55 airports, including 3 International airports (Tribhuvan International Airport in Kathmandu, Gautam Buddha International Airport in Bhairahawa and Pokhara International Airport in Pokhara) and 52 domestic airports. Of the total airports, 42 airports (paved) are feasible to operate in all weathers. The regular air services are being carried out in 35 airports in all weather.
- Eight north-south corridors (roads) linking China and India through Nepal, a cross-border railway line connecting Kathmandu with China, five cross-border railway lines, ultimately connecting Kathmandu with India, a railway line along the East-West Highway, and cable cars in the hilly regions are planned.

## Agriculture

- Nepalese economy is largely dependent on agriculture.
- The contribution of agriculture sector (agriculture, forest and fisheries) to GDP was 29.39 percent in fiscal year 2014.15 whereas it has been gradually decreasing in recent years and is estimated to remain 25.16 percent in fiscal year 2024.25.
- The Agro Production is expected to grow by 3.28% in fiscal year 2024.25. The growth was 3.35% in 2023.24.
- Government is focused on the modernization, diversification, commercialization and marketing of the agriculture sector.

- Government plans to make available agricultural inputs, such as irrigation, electricity, transportation and agro-credit.
- The Nepal Trade Integration Strategy 2023 focuses on the development of cardamom, ginger, honey, lentils, tea and medicinal herbs/essentials oil as priority export products.
- Good opportunities exist in agriculture production; processing, packaging and branding.
- Non-timber forest products, cardamom, ginger, aquaculture, vegetables, floriculture, tea, coffee and honey offer many opportunities.
- Good opportunities in input markets (such as for seeds, nurseries, fertilizers, agricultural infra- structure and technology, and agriculture financing)
- Due to favorable climatic conditions, the focus on high value organic crops is increasing.

## Information and Communication Technology

- One of the fastest emerging sectors in the country, with huge potential for growth in the coming years.
- All areas open to foreign direct investment except for media. For telecommunications, 80% foreign ownership is allowed.
- The Government has identified IT and business process outsourcing (BPO) as one of the five priority potential export service sectors.
- Only two major telecommunications companies (NTC and NCell) dominating the sector, ample room for new firms to enter the market.
- Foreign BPO companies can tap into the young English-speaking population and benefit from the cost advantages offered by the low wages and low establishment and operating costs.
- The time zone favorable for companies looking to outsource from America or Europe.
- Unmet needs for the use of ICTs in governmental agencies and the private sector.
- Long Himalayan range and cold climate in the surrounding area presents opportunities for establishing data mining/warehouse industries in Nepal.

## Some indicators related to ICT

Indicators	Till Mid-March 2025
Telephone Density (%)	102.097
Broadband Density (%)	135.35
Total Telephone Number (in millions)	29.77
Broadband Subscribers (in millions)	39.47

Source: Economic Survey, GoN Fiscal Year 2081.82 (2024.25 CE)

## Health and Education

- Opportunities exist in developing education infrastructure, including upgrading and building educational institutions and even education cities (medical, IT, engineering, management etc.), for which the government is seeking to engage in private-public partnerships.
- It is estimated that the contribution of the health and social sector to the total Gross Domestic Product (GDP) for the fiscal year 2024.25 will be 1.91 percent.
- The total value addition from the health and social sector is expected to increase by 4.77 percent in the current fiscal year.

## Details of Health Institutions and Human Resources in Government Services

Description	Mid July 2021	Mid July 2022	Mid July 2023	Mid July 2024	2025*
1. Health Institutions	7,154	7,566	7,598	7,858	8,746
a) Hospitals	125	125	154	215	345
b) Primary Health Centers	203	205	196	201	149
c) Health Posts	3,805	3,870	3,853	3,820	3,742
d) Ayurvedic Clinics	395	395	424	426	426
e) Sub-Health Posts/ Basic Health Service Centers	2,626	2,971	2,971	3,196	4,084
f) Doctors	2,640	2,640	4,660	6,138	7,030
g) Nurses/ANMs	20,653	20,653	24,693	27,683	28,650
h) Vaidya	693	693	693	693	693
i) Health Assistants	14,347	14,347	15,367	15,896	16,313

Source: Ministry of Health and Population, 2025

\*upto mid-March

- Every year, thousands of students go abroad for further studies spending large sums of money. With more and better education institutions within country, this could be avoided.
- Government is looking to develop health infrastructure, including modernization and increasing the capacity of health facilities and mobilizing privately-run hospitals by means of public-private partnerships.
- Persistent shortages of quality medicines in the market presenting opportunities for manufacturers of pharmaceutical goods.

## Financial Sector

- Although the financial sector is growing at a rapid pace, still a significant portion of Nepal's population has no bank accounts.
- As of mid-March 2025, there are a total of 107 banks and financial institutions operating in Nepal, which include 20 commercial banks, 17 development banks, 17 finance companies, 52 microfinance institutions, and 1 infrastructure development bank. Additionally, 37 insurance companies, over 32,000 cooperatives, the Employees' Provident Fund, Citizen Investment Trust, Deposit and Credit Guarantee Fund, Social Security Fund, and Mutual Funds are in operations in the financial system.
- Banking services are heavily concentrated in urban areas.
- Financial sector of Nepal still has a large untapped market for banking and financial services.
- As of the month of mid-March in the current fiscal year, the number of insurance companies has reached 37, which includes 14 life insurance companies, 14 non-life insurance companies, 7 micro-insurance companies (comprising 3 life micro-insurance and 4 non-life micro-insurance), and 2 reinsurance companies. Among the total of 37 insurance companies, there are 3 with government investment, 29 with domestic investment, 3 branch offices of foreign companies, and 2 with joint ventures.
- Electronic payment transaction has increased significantly due to the development of payment infrastructure, policy of encouraging electronic payments and gradual adoption of electronic payment instruments. As of mid-March 2025, in addition to banks and financial institutions, there are 9 payment system operators and 25 payment service providers in operation to facilitate digital transactions.

## Status of Securities Market Participants

Institutions	Mid-July 2021	Mid-July 2022	Mid-July 2023	Mid-July 2024	Mid-March 2025
Securities Market	1	1	1	1	1
Central Depository Service Company	1	1	1	1	1
Credit Rating Companies	2	3	3	3	3
Mutual Investment Fund	14	14	20	21	22
Stock Dealer	1	1	2	2	2
Stock Brokers	50	50	67	90	90
Merchant Banker	30	30	30	29	31
Depository Participants	79	81	91	109	119
ASBA Members	52	49	49	43	43
Qualified Institutional Investors	88	111	132	150	150
Listed Organized Institution	219	234	254	271	268
Specialized Investment Fund	-	-	12	12	13
<b>Total</b>	<b>537</b>	<b>575</b>	<b>662</b>	<b>732</b>	<b>743</b>

Source: Securities Board of Nepal / Nepal Stock Exchange Limited, 2025 Note: The full form of ASBA is "Application Supported by Blocked Amount"

- Nepal's Insurance market has also huge potential as the penetration rate is very low.

## Mines and Minerals

- Nepal has an abundance of minerals used in industry and construction, including limestone (most abundant), coal, talc, red clay, granite and marble, gold, and precious and semi-precious stones (tourmaline, aquamarine, ruby and sapphire).
- With existing capacity, 17 million tonnes (both clinker and grinding units) cement is expected to be produced yearly.
- Nepal has an estimated 2 billion metric tons of dolomite and 200 million metric tons of high grade magnesite.<sup>2</sup>

<sup>2</sup>Source: Sector Review 2024 of IBN

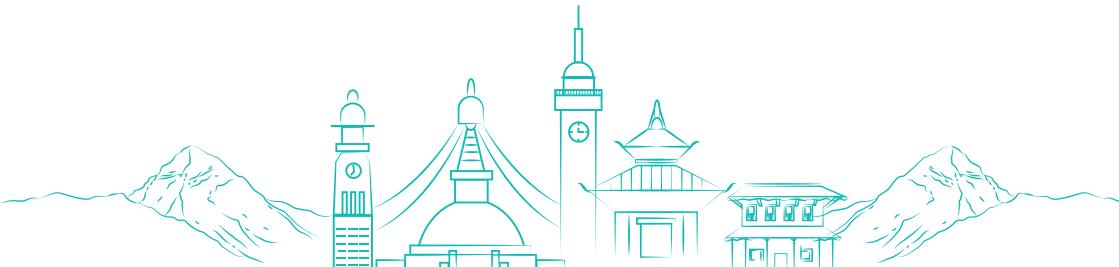
- The western part of Nepal has witnessed gas and oil seepage, confirming the presence of oil and natural gas in Nepal.
- About 10 petroleum and natural gas exploration sites have been identified so far.
- Nepal has more than 20 million metric tons of ore reserves in more than 80 locations.
- Copper occurs in Nepal in more than 107 locations.



# DOING BUSINESS IN NEPAL

# 2026

## How To Invest In Nepal?



## Mode of Investment in Nepal

Foreign Investment can be made in any industry in the following forms:

- through investment in shares in a new or in existing industry, in foreign currency,
- reinvestment of earnings derived from earlier investment,
- lease financing of specified equipment like airlines, ships, machineries and equipment (up to prescribed threshold),
- investment in venture capital funds (VCFs) by institutional foreign investors,
- investment in listed securities through secondary market by VCFs,
- acquisition of shares/assets of existing companies,
- issuance of securities in foreign capital market,
- investment made through technology & know-how transfer agreement,
- investment maintained by establishing and expanding an industry in Nepal,
- investment as a foreign loan having prior approval from NRB beside the FITTA based on the separate regulations promulgated by NRB,
- investment made in the units of the Specialized Investment Fund.

**Note:**

1. *Investment can be made either in cash or in the form of tangible / intangible assets, e.g. machinery and equipment.*
2. *"Investment in listed securities through secondary market by VCFs" can be done only after notification by Nepal Government.*
3. *Foreign Financial Institution, with approval of NRB can invest in a Foreign Invested Industry, in the form of project loan or project finance.*
4. *The minimum ceiling for foreign investment in Nepal is NPR 20 million.*

## Approving Authority for Foreign Investment

**All FDI approvals can be obtained from the Department of Industries.**

In case of investment in the form of Foreign Loan of any amount, Nepal Rastra Bank (NRB) is the approving authority.

# Starting a business in Nepal by establishing a new industry

## Procedure for establishing industry

1. Project Identification and Initial Consultation at Department of Industries (DOI)
2. Application for foreign investment approval at DOI including all required documents
3. Approval of foreign investment by DOI and issuance of approval letter by DOI
4. Incorporation of a company at Office of Company Registrar (OCR) by making application with required documents and payment of registration fee
5. PAN/VAT registration at Inland Revenue Office (IRO), Business Registration at Local Authority, and opening of Bank Accounts
6. Industry Registration at DOI
7. Written notification to Foreign Exchange Facilitation Unit of NRB located at single point service center for bringing foreign currency into Nepal
8. Inflow of FDI into Nepal and deposit in concerned commercial bank after necessary verification by the bank
9. Application to NRB for recording/accounting of foreign currency brought into Nepal
10. Environmental Assessment as required under related laws
11. Application for business license from concerned regulating authorities as applicable
12. Commissioning of Industry

### Note:

1. *Prior approval for foreign investment or approval of NRB will not be mandatory for interested foreign investors to send / remit foreign currency into Nepal through banking system for feasibility study /pre-operating expenses. Such amount, upto 3% of their paid-up capital may be considered /accounted as foreign investment later if expenses are certified by auditor and are properly accounted while doing endorsement of foreign investment in NRB.*
2. *Prior approval of NRB shall be required to bring foreign currency into Nepal for foreign investment where such foreign investment results in change of share ownership.*
3. *On 2 October 2023, the Government of Nepal proclaimed the process for approving foreign investments of up to NPR 500 million through the automatic route. Interested Foreign investors may apply from abroad to invest up to NPR 500 million and they will automatically receive pre-approval through the online system, which is under construction. The proposed automatic route provided them to invest in the following areas; energy industry, agriculture and forest-based industry, infrastructure industry, tourism industry, information technology-based industry , service industry and manufacturing industry.*

## Procedure for investing in Infrastructure Projects under PPP model

1. Short-listing of Projects by IBN / Nepal Government / Province Government / Local Government as appropriate
2. Invitation of Expression of Interest (EOI) from the interested investors by appropriate authority
3. Submission of EOI along with all required details and documents to the appropriate authority
4. Short-listing of the possible candidates and invitation of technical and financial proposals
5. Evaluation and Selection of best proposal
6. Grant of license to carry out the detailed study of the project
7. Execution of PPP agreement

### Note:

*Any entity desirous of implementing a project which it has identified, may submit their EOI directly to the appropriate authority without any public notice. The appropriate authority may either directly grant license for detailed study or invite competitive bidding if competitive bidding seems better option.*

## Starting a business in Nepal by investing in an existing industry

### Procedure for investing in an existing industry in Nepal

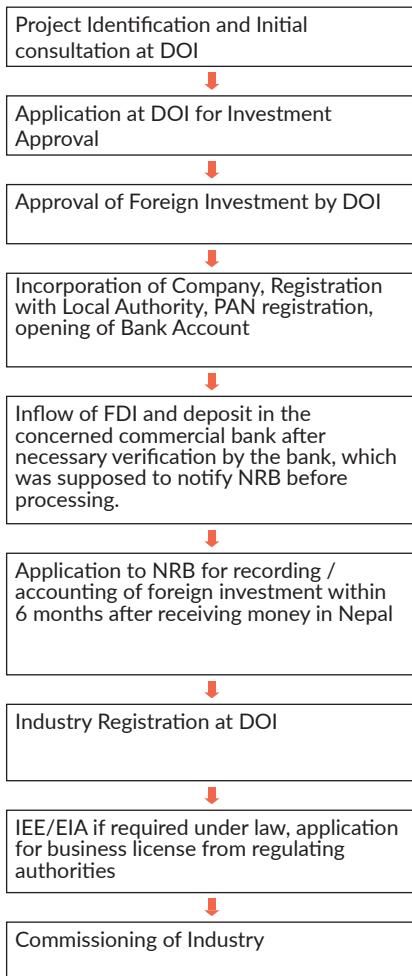
1. Industry identification and initial consultation at DOI
2. Application for foreign investment approval at DOI including all required documents
3. Approval of foreign investment and issuance of approval letter by DOI as the case may be based on the amount of the investment
4. Application to Nepal Rastra Bank for approval to bring FDI into Nepal
5. Inflow of FDI into Nepal after NRB approval
6. Investment in the existing Nepalese company by share transfer or further issue of shares of Nepalese company
7. Certification of investor as new shareholder of the company from Office of Company Registrar (OCR)
8. Industry Registration with DOI or change of the structure of industry at DOI
9. Application to NRB for recording / accounting of the foreign currency brought into Nepal

Note:

1. Prior approval for foreign investment or approval of NRB will not be mandatory for interested foreign investors to send / remit foreign currency into Nepal through banking system for feasibility study / pre-operating expenses. Such amount, upto 3% of their paid-up capital may be considered / recorded as foreign investment later if expenses certified by auditor and properly recorded in NRB.

## Process Flow for Starting a business in Nepal

Procedure for establishing a new industry



Investing in existing industry



## Provision of Single Point Service Centre

As specified in Industrial Enterprises Act 2020, the Nepal Government has established a One Point Service Center (Centre). All services required by an industry including concessions, facilities and incentives shall be provided through this Centre in an easy and spontaneous manner. In addition, other administrative services such as approval, registration, expansion and approvals for industries will be provided from the Centre on a timely manner.

### Services provided by the Centre includes:

- a) Services such as registration, establishment, approval, license renewal, transaction approval, capacity enhancement and classification of company, firm, industry under prevailing laws.
- b) Accepting document required for business registration in electronic form which can be used by various units internally.
- c) Approval of foreign investment and repatriation thereof. Where departmental limit is above the center's authority, take initiative to get the approval from appropriate authority.
- d) Providing concessions on tax and duties and such other facilities, services and incentives as per prevailing laws.
- e) Facilitating the process of getting approval to hold land beyond the approved ceiling for the purpose of establishment of an industry. The Center shall also facilitate to obtain government land on lease and other approval necessary for environment examination.
- f) Facilitate infrastructure such as connection of electricity, communication, water, access road etc.
- g) Providing work permits and visa related facilities to foreign investors and employees.
- h) Issue Export and Import Code Number (EXIM code).
- i) Facilitation in import and providing necessary approvals for all kinds of raw materials required in an industry.
- j) Approval for Initial Environment Examination (IEE) and if delegated from the concerned ministry, approve, scoping documents and Terms of Reference (TOR).
- k) Facilitate approval of Environment Impact Assessment (EIA).
- l) Establish an investment portal to provide necessary information on investment.
- m) Provide Permanent Account Number (PAN).
- n) Provide export subsidy etc.

The FITTA 2019 has also introduced One-Stop Service Mechanism, which is to be established as per the prevailing law. Government of Nepal can provide exemptions, facilities, concession or services to foreign investors through One-Stop Service Mechanism. Such services are registration of Industries, various approvals, labor permit, visa service, quality check and control of products produced by industries and others.

## Recording/Accounting of Foreign Investment in NRB

The Nepalese Company / Industries with foreign investment or the foreign investor are required to submit application along with required documents for the recording /accounting of the foreign investment in Nepal Rastra Bank (NRB) within 6 months of remittance of foreign currency into Nepal. If accounting is not done properly and regularly, then there may be problem at the time of repatriation while taking approval of NRB. This provision also applies to the foreign loan investment approved by the NRB, after the loan investment has been made and received by Borrower's Bank Account in Nepal.

## Registration Requirement for Foreign Companies before carrying out any business or transaction in Nepal

Foreign companies shall not carry out any business or transactions in Nepal without being registered under any of the following modalities:

- BRANCH
- LIAISON OFFICE
- LOCAL SUBSIDIARY
- JOINT VENTURES

### Note:

- A foreign company registered as liaison office shall not be entitled to do any income generating activities in Nepal. It is merely a contact office in Nepal.
- A foreign company can register a branch with rights to do income generating activities in Nepal.
- A foreign company can register a fully owned subsidiary company in Nepal. A private company is the most common corporate vehicle used by foreign companies seeking to establish a business presence in Nepal.
- A joint venture can take the form of a limited liability company among foreign and Nepali investors or among foreign investors only. International Joint Ventures between a foreign company and a local business are common in Nepal as well as individual level Joint Ventures between local and foreigner is also common phenomenon.

## Investment in the form of Foreign Loan

Nepalese individuals, firms, companies, banks and financial institutions and other institutions can take loan from outside Nepal with prior approval of NRB. The provisions regarding acceptable borrower, acceptable foreign lenders, terms of foreign loan and interest cap are as given below:

S. N	Acceptable Borrower	Acceptable Foreign Lenders	Foreign Loan Terms	Place of Submission of loan application
1	Firm, Company, Industry or Institution (except licensed banks and financial institutions)	<p>(A) Bank and financial institution situated abroad Government/ Inter-Government owned Development Finance Institutions (DFIs)</p> <p>(B) Financial institution/ Company situated abroad authorized to disburse loan from the government or central bank or other regulatory body of the concerned country abroad.</p>	<p><u>Interest rate:</u></p> <p>(A) Maximum One Year Benchmark Interest Rate*+ 6.0% p.a.</p> <p>(B) In case of borrowing from India in Indian Rupees:</p> <p>- If the <u>lender is as per (A):</u> The interest rate mentioned in (A) or upto 1 Year marginal Cost of funds-based Lending Rate (MCLR)+2% p.a.</p> <p>-If the <u>lender is as per (B):</u> Upto 1 Year Marginal Cost of funds-based Lending Rate (MCLR) + 2% p.a. or average MCLR+2% p.a. as per the latest details published by the Reserve Bank of India.</p>	Department
			(C) In case of borrowing from China in Chinese Yuan: Upto One Year Loan Prime Rate (LPR) +2% p.a.	

2	Firm, company, institutions, and Nepali citizens	Relatives, Other persons, Non-resident Nepali or Institution/ Organization living or situated abroad	<p>1. <u>Limit:</u> Upto USD 1 Million and upto INR 100 Million in case of India.</p> <p>2. <u>Interest Rate:</u></p> <p>(A) No interest or maximum One Year Benchmark Interest Rate* +2.0% p.a.</p> <p>(B) In case of borrowing in Indian Rupees from India, up to the average One Year MCLR as per the latest details published by the Reserve Bank of India.</p> <p>(C) In case of borrowing from China in Chinese Yuan: Upto One Year LPR in maximum</p> <p>3. <u>Payment term:</u> Minimum 1 Year</p> <p>4. <u>Purpose:</u> Area or business not prohibited by the prevailing law. However, it cannot be used in real estate and transaction of securities.</p>	Department
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3	Industry/ Company having foreign investment (except licensed bank and financial institution)	Foreign Investors of Company/Industry (including Parent Company/Group of Companies)	<p>1. <u>Limit:</u> Up to 2 times of the paid-up capital of the respective foreign investor.</p> <p>However, in the following cases, the limit can be up to 5 times of paid-up capital of the related foreign investor:</p> <ul style="list-style-type: none"> <li>a) If loan from parent company/group of company is outstanding, up to average interest rates of such loan(s) for disbursement of additional/new loans.</li> <li>b) Notwithstanding anything written in clause (a) above, the annual interest rate must not exceed 50% of the premium rate without benchmark interest rate as specified in point (a) of the Interest rate section.</li> </ul> <p>2. <u>Interest Rate:</u></p> <p>(A) No charge of interest or maximum One Year Benchmark Interest Rate*+3.5% p.a.</p>	Unit
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			<p>(B) In case of borrowing in Indian Rupees from India, up to the average One Year MCLR as per the latest details published by the Reserve Bank of India.</p> <p>(C) In case of borrowing from China in Chinese Yuan: Upto One Year LPR in maximum</p> <p>3. <u>Purpose:</u> To be used in specified area of the industry/ company only.</p> <p>4. Recommendation/ approval of Foreign Investment Approving Authority/ concerned body (if available)</p>	
4	Industry/ Company having foreign investment (except licensed bank and financial institution)	Foreign financial institutions Government/ Inter-Government owned Development Finance Institutions (DFIs)	<p>1. <u>Purpose:</u> Project loan or project financing</p> <p>2. <u>Interest rate:</u> As mentioned in S.N. 1.</p>	Unit

5	Projects relating to Construction of Infrastructure Development	Main Company of Project (Parent Company/group of companies)	<ol style="list-style-type: none"> <li>1. <u>Interest Rate:</u> No charge of interest</li> <li>2. <u>Payment term:</u> According to the needs of the project.</li> <li>3. <u>Purpose:</u> For current expenditure and others related to project construction and others.</li> <li>4. Recommendation of project in case of inflow and outflow of amount (if available).</li> </ol>	Department
6	"A", "B", "C" and "D" class Bank and Financial Institutions and Infrastructure Development Bank	Indian Bank and Financial Institution Government/ Inter-Government owned Development Finance Institutions (DFIs)	<ol style="list-style-type: none"> <li>1. <u>Limit:</u> Upto 100% of initial capital including loan borrowed in convertible foreign currency, if any.</li> <li>2. <u>Interest rate:</u> Maximum One Year MCLR+0.5% p.a.</li> <li>3. <u>Payment term:</u> Minimum 6 months to maximum 15 year</li> <li>4. <u>Purpose:</u> Loan disbursement in energy, infrastructure, tourism, agriculture, micro finance related sectors except in housing, real estate sectors such as land development and margin lending loan.</li> </ol>	Department

7	<p>"A", "B", "C" and "D" Bank and Financial Institution and Infrastructure Development Bank</p>	<p>Foreign Bank and Financial Institution as well as foreign pension funds, hedge funds and other institution approved by the regulatory body.</p> <p>Government/Inter Government owned Development Finance Institutions (DFIs)</p>	<ol style="list-style-type: none"> <li>1. <u>Limit:</u> Up to 100% of core capital including, if any, borrowing in Indian Rupees.</li> <li>2. <u>Interest rate:</u> <ul style="list-style-type: none"> <li>(A) Maximum One Year Benchmark Interest Rate*+4.5% p.a.</li> <li>(B) In case of borrowing from China: Maximum upto One Year LPR+1%</li> </ul> </li> <li>3. <u>Payment term:</u> Minimum 6 months to maximum 15 years</li> <li>4. <u>Purpose:</u> Loan disbursement in energy, infrastructure, tourism, agriculture, micro finance related sectors except in housing, real estate sectors such as land development and margin lending loan.</li> <li>5. Interbank transactions of convertible foreign currency and investment in investment instruments will not be allowed from loan amount.</li> </ol>	Department
8	<p>A public limited company established in Nepal or an organization authorized to issue securities</p>	<p>Foreign buyers in the foreign capital markets</p>	<ol style="list-style-type: none"> <li>1. Should be taken issuing bonds, debentures or other securities.</li> <li>2. Recommendation of Securities Board.</li> <li>3. Interest Rate: As mentioned in S.N. 1.</li> </ol>	Unit

### **Other Conditions:**

1. Prior approval of NRB will be mandatory for taking foreign loan.
2. Loans should be brought through banking channel.
3. After the loan amount is received, its recording should be done in NRB.
4. Lender should not be prohibited in any manner from conducting international financial transactions or providing foreign loans in Nepal.
5. The prevailing national and international legal provision related to the prevention of financial investment in money laundering and terrorist activities should be followed.
6. The loan amount is required to be utilized in the area as specified.
7. Interest and fees are required to be paid only after deducting tax as per the prevailing legal provisions. It is not mandatory for such amount to be within the same limit as provided in Condition 8.
8. If there is any expense/ charge/ commission/fee, etc. related to the loan, it should also be within the limit of interest rate. Also, if any expense, charge, commission, fee, etc. has to be paid for the purpose of approval of the loan, arrangements should be made to pay such amount within the prescribed limit of interest rate after the loan has been received.

However, if loan is availed under S.N. 1, S.N. 6 and S.N. 7, the expenses, fees of Contingent nature whose provision are there in loan agreement and the payment to lender is required to be made then it is not necessary to abide by the following interest rate limit:

- a) Compensation Interest Fee: If the borrower fails to make payment of principal and/or interest, the interest on the overdue loan and/or the interest amount shall not exceed 2% per annum at the specified interest rate.
- b) Advance Payment Fee: Maximum lump sum up to 0.25% on the principal amount paid by the borrower prior to the stipulated timeline. However, if the payment of foreign loan is to be done prior to the stipulated time, approval of Nepal Rastra Bank is required.
- c) Commitment fee: Lump sum up to 0.25%

For the above-mentioned contingent fees/expenses or other contingent/non-contingent fees/expenses, approval from the Rastra Bank is to be taken such that they are stipulated in the loan

agreement and remain within the stipulated ceiling of interest rate including taxes on them as per prevailing laws.

9. The loan amount brought in foreign currency where the foreign exchange risk is vested on the concerned lender can be accounted in NPR as well. The maximum interest rate of such loan amount can be up to the average base rate (as mentioned in the latest 'Current economic and financial scenario of country' published by Nepal Rastra Bank) of the commercial banks operating by obtaining license from Nepal Rastra Bank.

However, in the case of foreign loan in commercial agriculture, manufacturing industry, infrastructure industry, tourism industry and energy industry or green debt/green bond, an additional two percentage points can be added to the specified interest rate. Foreign loan denominated in NPR shall be recorded in NPR.

10. In regard to the foreign loan being availed at a fixed interest rate, the interest rate can be to the maximum extent mentioned in the table during the time of approval of application of foreign loan by Nepal Rastra Bank. However, the tenure of implementation of fixed interest rate can be to a maximum of 2 years in one time.

Approval can be obtained from Nepal Rastra Bank for availing foreign loan without increasing the term of fixed interest rate for more than 2 years within the term of loan. However, the two-year limit on fixed interest rate shall not be applicable if the interest rate is up to the premium and addition of 25 basis points without the benchmark interest rate for various types of loans as specified in the bylaw. In the case of loans denominated in NPR, the period for which the fixed interest rate is applicable shall be up to a maximum of ten years at a time. If approval on fixed interest rate is not obtained from Nepal Rastra Bank, then the interest rate in accordance with the table will be implemented. This provision will come into effect only for the approval of foreign loan after the implementation of the amended byelaws.

11. In case of foreign loan to be availed according to conditions 1, 2, 3, 4, 5, and 8 the industries/ companies having foreign investment the proof of recording of foreign investment must be submitted and the application regarding foreign loan should be submitted to the Unit.
12. In transactions relating to foreign loan, no third party (including local party) can be included and no amount can be paid to the third party, apart from the lender and receiver of loan amount. If it is necessary to carry out consulting or any other activities on behalf of the lender, then

arrangements shall be made in such a way that such charges are paid by the lender itself. However, this provision shall not prohibit the following cases :

- 1) In the case of loans under S.N. 6 and 7, inclusion of foreign third party as specified in the loan agreement without incurring any payments.
- 2) In the case of loans under S.N. 6 and 7, payment from the borrower to the local legal businessperson for foreign loan related legal consultation works with concurrence of the lender as specified in the loan agreement and within the aforementioned interest rate ceiling.

13. The provisions relating to security for foreign loans shall be as follows:

- (1) In cases where a loan is obtained or project financing is received from a foreign financial institution under a project loan or project financing arrangement, the industry receiving such loan or financing may create mortgage or charge over its movable or immovable property in the name of such foreign financial institution.
- (2) In the case of other foreign loans, the Nepal Rastra Bank may, as determined, permit the pledging, mortgaging, hypothecation, collateralization, guarantee, and provision of bank guarantee of movable and immovable properties.

14. The foreign loan cannot be used in the areas of real estate like housing, land development and securities market.

15. A loan, initially brought in as foreign loan with the option for the borrower to convert the remaining principal amount of such loan partially or fully into foreign investment either within the loan tenor or after the maturity of loan tenor, can be availed subject to compliance of the following provisions:

- 1) Such loan related transactions shall have to be specified in the initial loan agreement and approved by the Rastra Bank during the loan approval.
- 2) For such loan, a foreign investment ratification-approval or foreign investment approval shall have to be obtained from foreign investment approving entity after inflow of the foreign loan stating the amount and the date.

- 3) Though inflow such amount occurs before approval of foreign investment, it shall be recorded as foreign investment in compliance with all other prevailing provisions.
16. Licensed "A" class commercial banks, for the purpose of providing loans or for the purpose of securing loans that have already been provided locally, may accept financial guarantee issued by foreign banks and financial institutions along with foreign pension funds, hedge funds, Government/ Inter-Government owned Development Finance Institutions (DFIs), and other lending institutions approved by regulatory entities. The concerned commercial banks, on their own, shall have to analyze other security, foreign exchange, and other related risks while granting loans or securing loans that have already been granted in Nepal, on the basis of such bank guarantee or financial guarantee. When providing loans or securing loans that have already been provided, it shall be for the purposes specified in S.N.6 and 7 only of the table above. If such financial guarantee is invoked and inflow of funds occur, approval of the Rastra Bank is required for repatriation of funds abroad.
17. If, with the consent of the lender and the borrower, it is desired to waive the foreign loan, wholly or partially, an application along with documents disclosing such particulars shall be submitted by the lender or the borrower to the concerned unit or department. Upon examination of the application received pursuant to this provision, and if tax is required to be levied in accordance with the prevailing law, the Nepal Rastra Bank may, after causing the concerned person to pay such tax, grant approval.
18. Other conditions shall be as prescribed by the NRB from time to time.

**\*Benchmark Interest Rates:**

- a) Secured Overnight Financing Rate (SOFR) for new loan denominated in USD, Sterling Overnight Interbank Average Rate (SONIA) for new loan denominated in GBP, Swiss Average Rate Overnight (SARON) denominated for new loan denominated in CHF, Tokyo Overnight Average Rate (TONA) for new loan denomination in JPY, and Euro Short-term Rate (€STER) for new loan denomination in EUR.
- b) If the previous loan agreement has the Fallback Provisions instead of LIBOR after 31 December 2021, such provision shall apply. However, if SOFR, SONIA, SARON, TONA or €STER are mentioned in the Fallback Provisions then with the consent of both lender and borrower a maximum All-in-cost 50 basis points margin may be added on the basis of the former LIBOR.
- c) If the previous loan agreement does not have Fallback Provisions instead of LIBOR after 31 December 2021, it is denominated in USD under LIBOR Benchmark interest rate as Overnight, 1 month, 3 months, 6 months or 12 months until 30 June 2023 (in case such LIBOR Benchmark is published) it will be as per the previous loan agreement. Also, such foreign loans will be subject to LIBOR (in the case such LIBOR Benchmarks is published) as calculated by Synthetic Methodology till 31 December 2022, if the LIBOR Benchmark interest rate is 1 month, 3 months or 6 months duration for GBP and JPY under Tough Legacy Contracts.
- d) In the case of previous loan agreements not covered under clauses (b) and (c), SOFR (for loans denominated in USD), SONIA (for loans denominated in GBP), SARON (for loans denominated in CHF), TONA (for loans denominated in JPY) and €STER (for loans denominated in EUR) Benchmark Interest Rate shall be applicable instead of LIBOR after 31st December 2021. And, the maximum All-in-cost 50 basis agreed upon by both the lender and the borrower on the approved margin based on LIBOR shall be added.

# DOING BUSINESS IN NEPAL

# 2026

## How to Repatriate from Nepal ?



## Repatriation by Foreign Investor

A foreign investor may repatriate its investment and/or earnings in accordance with the prevailing laws of Nepal after paying all applicable taxes. The foreign currency exchange facility to repatriate the foreign investment and earned money is provided by NRB normally based on approval/recommendation of Foreign Investment Approving Authority or the concerned body.

Foreign exchange facility is provided by NRB for the repatriation of following foreign investment and earned money.

- a. The amount received from the sale of shares of foreign investment,
- b. The amount of profits or dividends received from foreign investment,
- c. In case the company or industry has gone into liquidation, the amount that remains after the entire liability has been settled after the liquidation.
- d. Amount of gain (royalty) received under technology transfer agreement, but, in case of royalty or fee for the use of trademark under technology transfer in the alcoholic industries other than 100% liquor exporting industry, the amount of such gain shall not exceed five percent of the total selling price, as prescribed, excluding the prevailing tax.
- e. Lease rent amount under lease investment,
- f. The amount of damages or indemnity received from the final settlement of a case, arbitration or any other legal proceedings in Nepal.
- g. The amount to be repatriated in accordance with the prevailing laws.

## Procedure for repatriation of Investment / Return

- Apply to FDI approving authority or concerned body for approval of repatriation
- Get Approval letter for repatriation
- Apply to Foreign Exchange Facilitation Unit of NRB located at single point service centre for foreign exchange approval for repatriation
- After getting approval from NRB, repatriate the investment / earned money

Apply to FDI approving authority or concerned body for Approval of Repatriation



Apply to Foreign Exchange Facilitation Unit of NRB for approval of foreign exchange facility for Repatriation



Repatriate after approval from NRB

## Approval of Foreign Exchange facility from NRB for Repatriation of investment and earnings

The foreign currency exchange facility to repatriate the foreign investment and earned money is provided by NRB based on approval/ recommendation of Foreign Investment Approving Authority or the concerned body. However, in case of transaction whose nature is such that the approval of Foreign Investment Approving Authority or the concerned body may not be available approval for foreign currency exchange facility to repatriate the foreign investment and earned money may be provided by the NRB on the basis of necessary evidence and justification.

While providing approval for foreign currency exchange facility for repatriation of foreign investment and earned money, such approval for foreign currency exchange is provided in such a way that the amount of foreign investment and earned money to be repatriated shall be deposited in the bank account of the same foreign investor in whose name the foreign investment has been originally received and generally in the same country from where initial foreign investment was made.

For the approval of foreign exchange facility for repatriation of investment and earnings, application shall be made to NRB along with the required documents.

## Approval of Foreign Exchange facility from NRB for repayment of foreign loans

The foreign currency exchange facility required for repayment of principal and interest of foreign loan approved by NRB and accounted by NRB and included in the payment schedule approved by NRB can be obtained from the Banks and Financial Institutions. NRB approval is not required for such exchange arrangements unless there is a change in the approved repayment schedule. If the repayment schedule has been changed the approval of NRB is required before repatriation from the local bank.

For the exchange facility of foreign currency required for the payment of foreign loan the concerned borrower shall file an application along with the required documents.

When repaying a foreign loan, the amount shall be deposited in the bank account of the same foreign lender in whose name the foreign loan has been received and generally in the same country from where the foreign loan has entered.

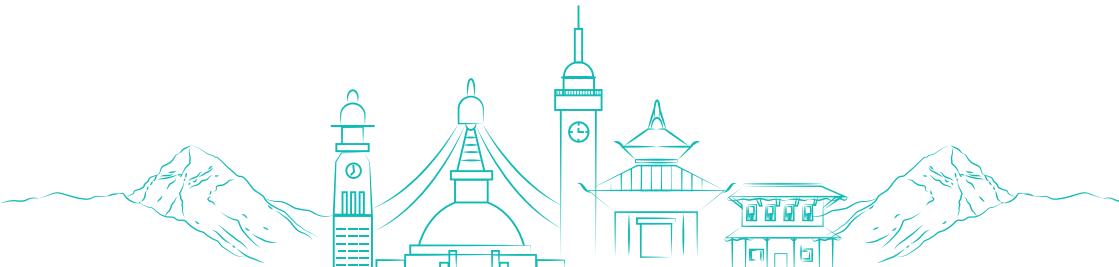
### Sources

**NRB FOREIGN INVESTMENT AND FOREIGN LOAN MANAGEMENT BYLAW, 2021 (INCLUDING 4TH AMMENDMENT)**

# DOING BUSINESS IN NEPAL

# 2026

## What about Taxation In Nepal?



## TAXATION IN NEPAL

Nepal levies a variety of direct and indirect taxes such as income tax (corporate income tax and personal income tax), value added tax, excise duty, customs duty, property related tax (land registration tax, property transfer tax) and others. Some of the major provisions of such taxes are given below:

### A. Direct Taxes

#### Income Year:

Mid-July of one year to Mid-July of another year (Shrawan to Ashadh as per Nepalese Calendar).

#### Corporate Income Tax

The taxability of the income of a person in Nepal is based on two broad principles.

- For Residents : On the basis of “Residence Principle”
- For Non-residents : On the basis of “Source Principle”

#### Note:

- *An entity is resident in Nepal if it is registered/incorporated in Nepal.*
- *In case of company, if its effective management is in Nepal at any time during the income year, then such company shall also be resident for that income year.*
- *An individual is resident in Nepal if the person stays within the territory of Nepal for 183 days or more during an income year.*

## Tax Rate

Particulars	Tax Rate
Corporate tax rate (Normal)	25%
Bank, financial institution, an entity carrying on financial transaction, general insurance business, telecommunication and internet service, money transfer, capital market business, securities business, merchant banking business, commodity future market, securities and commodities broker business, conducting transaction of cigarette, bidi, cigar, chewing tobacco, powder tobacco, gutkha, pan masala, liquor, beer or petroleum operations under the Nepal Petroleum Act, 2040 (1983 CE)	30%
Dividend tax rate	5%
Repatriation by Foreign Permanent Establishment (FPE) of a Non-resident (over corporate tax)	5%
Non-residents carrying on air transport, water transport or chartered service provider for a particular income year, except the amount received from transhipment, Telecommunication Operator via apparatus installed in Nepal whose head office is located outside the Nepal (on gross proceeds)	5%
Non-resident person providing water transport, air transport or telecommunication service that doesn't depart or transmit from Nepal whose head office is located outside the Nepal (on gross proceeds)	2%
Natural Resident Individual not involved in business who receives foreign currency by providing Software or similar electronic service and advisory service outside Nepal, or by uploading audio-visual material on social media	5%

## Presumptive Taxation

S.N.	Natural Person engaged in	Tax Amounts
1.	Metropolitan or Sub-Metropolitan City	NPR 7,500
2.	Municipality	NPR 4,000
3.	Other than mentioned above	NPR 2,500

### Applicability Criteria:

- Person is a Resident Natural Person having source of income in Nepal.
- A person has income only from business.
- People do not claim medical tax credit and TDS as per Income Tax Act, 2058 (2002 CE).
- Taxable Income (Profit) : Up to NPR 0.3 million
- Annual Turnover: : Up to NPR 3 million

## Turnover Based Taxation

S.N.	Natural Person	Tax Rate on Turnover
1.	Conducting transactions of goods including gas and cigarette by adding up to 3% commission or value addition & having transactions: a) Up to NPR 3 million b) More than NPR 3 million up to NPR 5 million c) More than NPR 5 million up to NPR 10 million	a) Presumptive Tax b) 0.25% of Turnover c) 0.3% of Turnover
2.	Conducting a business other than that mentioned above, having transactions: a) Up to NPR 3 million b) More than NPR 3 million up to NPR 5 million c) More than NPR 5 million up to NPR 10 million	a) Presumptive Tax b) 1% of Turnover c) 0.8% of Turnover
3.	Conducting a service nature business having transactions: a) Up to NPR 3 million b) More than NPR 3 million	a) Presumptive Tax b) 2% of Turnover

### Applicability Criteria:

- Person is a Resident Natural Person having source of income in Nepal.
- A person is having income only from business.
- Taxable Income (Profit) : Up to NPR 1 million
- Annual Turnover : More than NPR 3 million up to NPR 10 million
- Income shall not be from professional services like the service provided by:
  - Doctor,
  - Engineer,
  - Auditor,
  - Lawyer,
  - Sports player
  - Actor and
  - Consultant

## Tax Exemptions and Concessions

Industry/Entity/Person	Condition	Applicable Tax Rate / Concession /Exemption
<b>Special Industry, hotel, resort and information technology industry</b> (Special Industry: Agricultural, forest based, mineral based, production or manufacturing industry not producing alcoholic or tobacco related product)	Special Industry, hotel, resort and information technology industry fully operated throughout the year	<b>In case of Natural person:</b> one-third tax concession if tax is levied at the rate of 30% <b>In case of Entity:</b> 20% tax concession on applicable rate [Effective tax rate – 20%]
<b>Agricultural Business (agro-income)</b> <i>(NB. The provincial government will enact an Agriculture tax law in the future.)</i>	Registered as any firm, company, partnership firm and other corporate body	<b>100% Tax Concession</b> Provided that a 50% tax concession on the applicable tax rate is provided to the income earned by registering the agriculture business, business of dehydrating vegetables and cold stores operated by any firm, partnership, company and other corporate body.

**Further concessions as provided by the Income Tax Act, 2058 (2002 CE) are as follows:**

Industry/Entity/Person	Condition	Applicable Tax Rate / Concession /Exemption
<b>Special Industry, Hotel, Resort and Information Technology Industry (Employment concession)</b>  (NB. The applicable rate of tax for the special industry is 20%.)	Direct Employment to 100 or more Nepali Citizens throughout the year  Direct Employment to 300 or more Nepali Citizens throughout the year  Direct Employment to 500 or more Nepali Citizens throughout the year  Direct Employment to 1,000 or more Nepali Citizens throughout the year  Direct Employment more than 100 Nepali Citizens covering at least 33% from among women, marginalized (Dalits) or persons with Disability throughout the year	10% concession on the rate applicable (Effective rate 18%)  20% concession on the rate applicable (Effective rate 16%)  25% concession on the rate applicable (Effective rate 15%)  30% concession on the rate applicable (Effective rate 14%)  Additional 10% concession is allowed on above concession
<b>Special Industry, Hotel, Resort and Information Technology (Geographical concessions)</b>  Concession for 10 Years (of the industrial plant) commencing from the year of commercial production.	Established in the remote area  Established in the undeveloped area  Established in a less developed area	90 % concession on the rate otherwise applicable (Effective rate is 2%)  80 % concession on the rate otherwise applicable (Effective rate is 4%)  70 % concession on the rate otherwise applicable (Effective rate is 6%)

<b>Special industry, Hotel, Resort and Information Technology (Geographical concession)</b>	Established in Karnali Province and hilly region of the Far-Western region and providing Direct Employment to more than 100 Nepali citizens	Tax exemption for 15 years from the date of commencement of the production
<b>Industry established in Special Economic Zone (SEZ)</b>	<p>Industry established in SEZ in mountain districts, or in hilly districts as specified by Nepal Government</p> <p>Industry established in SEZ located in areas other than above</p> <p>Dividend distributed by an industry established in SEZ</p> <p>Royalty or technical service fee or management service fee paid to foreigner paid by the industries established in SEZ</p>	<p>100% Concession for a period of 10 years from the date of commencement of transactions and 50% concession on the applicable rate thereafter</p> <p>100% Concession for a period of 5 years from the date of commencement of transactions and 50% concession on the applicable rate thereafter</p> <p>100% Concession for a period of 5 years from the date of commencement of transactions and 50% concession on the applicable rate for the next 3 years</p> <p>50% concession on applicable tax rate (effective tax rate will be 7.5% of gross amount of royalty or fee)</p>
<b>Person engaged in exploration and excavation of minerals, petroleum, natural gases and fuel</b>	Started commercial operation by Chaitra, 2080 (mid-April 2024)	100% Concession for a period of 7 years from the date of commencement of transactions and 50% concession on the applicable rate thereafter for 3 years

<b>Industry established in a Zoological/Geological or Biotech Park or Information Technology Park Prescribed by GON in Nepal Gazette.</b>	Industry related to software development, data processing, cyber cafe, digital mapping	75% concession on applicable tax rate
<b>Industry engaged in Commercial Sale of Electricity</b>	<p>Licensed Person or entity has to produce, transmit or distribute electricity by Chaitra 2084 (mid-April 2028). This is also applicable to electricity produced from solar, wind and compost (bio-product)</p> <p>Reservoir-based and semi-reservoir-based hydropower projects with a capacity higher than 40 MW and lower cascading hydropower projects operated in tandem and completing financial closure within Chaitra end, 2085 (mid-April, 2029) as well as to Lower cascading Hydro power projects operating with Tandem operation under such projects</p>	100% Concession for first 10 years and 50% concession on the applicable rate thereafter for 5 years in the income from sale of energy.  100 % Concession for the first 15 years and 50 % Concession for the next 6 years in the income from sale of energy

<b>Export Oriented Industry</b>	Exportation of goods or Services	<ul style="list-style-type: none"> <li>(a) In case of natural person, 25% concession if applicable tax rate is 20% and 50% concession if applicable tax rate is 30%.</li> <li>(b) In case of entity, 20% concession on applicable tax rate.</li> <li>(c) Tax concession of 50% shall be provided to the income in foreign currency from export of Business Process Outsourcing, Software Programming, Cloud Computing and similar IT based services upto FY 2084.85 (2027.28 CE).</li> </ul>
<b>Entity related with Infrastructure Development</b>	Income earned by entity from following activities: Operation of Tram or Trolley Bus. Construction and operation of ropeway, cable car, overhead bridge. Construction and operation of Airport, Road, Bridge, Tunnel, subway.	40% concession on the applicable tax rate 40% Concession on the applicable tax rate 50% Concession on the applicable tax rate <i>(Exemption applicable for 10 years from the operation of business transaction)</i>

<b>Tourism Industry or Airlines Company operating International Flight</b>	Capital investment of more than NPR 1 billion	100% Concession for a period of 5 years from the date of commencement of transaction and 50% concession thereafter for 3 years on the applicable rate
	Capital investment of more than NPR 3 billion	100% Concession for a period of 10 years from the date of commencement of business or transaction 50% concession thereafter for 5 years on the applicable rate
	Capital investment of more than NPR 5 billion	100% Concession for a period of 15 years from the date of commencement of business or transaction
<b>Micro enterprise</b>	<p>Micro enterprise as per Section 19(1)(a) of Industrial Enterprises Act, 2076 (2020 CE)</p> <p>(Fixed capital upto NPR 2 million (other than land and building), owner involved in operation and management business, having upto 9 workers including owner, annual transaction less than NPR 10 million, using engines, equipment and machinery (if any) of capacity less than 20 KW)</p>	

<b>Entities Listed in Stock Exchange</b>	Production Oriented Industries, Tourism Service Entities, entities engaged in production, distribution and transmission of electricity and entities related to software development, data processing, cyber cafe, digital mapping established in Information Technology Park, and industry operating in a Zoological /Geological or Biotech Park prescribed by GON in Nepal Gazette.	15% concession on the applicable tax rate
<b>Production Industry</b>	Industry established in remote and underdeveloped area producing brandy, cider and wine based on fruit	40% and 25% concession respectively on the applicable tax rate for a period of 10 years from the date of commencement of transactions
<b>Individual or entity</b>	Royalty income received from export of intellectual property	25% concession on applicable tax rate from such income
<b>Individual or entity</b>	Income from sale of intellectual property through transfer	50% concession on applicable tax rate from such income
<b>Special Industry, Information Technology Industry and Tourism related Industry</b>	Capitalization of its accumulated profit with the view of extension of its capacity	100% concession on the dividend tax on such capitalization.
<b>Conversion of Public company</b>	Conversion of Private Company having paid up capital of NPR 500 million or more to Public Company (not applicable to companies covered by Section 12 of Companies Act 2063 (2006 CE))	10% Concession on the tax rate applicable for 3 years

<b>Domestic Tea/Dairy Industry</b>	Domestic Tea Production and Processing industry, Dairy industry, Textile Industry	50% Concession on the applicable tax rate
<b>Community based health service</b>	Health Institutions operated by communities.	20% Concession on the applicable tax rate
<b>BOOT and Power Generation Industry</b>	Entity wholly engaged in projects conducted by an entity to build public infrastructure, own, operate and transfer it to Government of Nepal or entity engaged in power generation, transmission or distribution.	20% Concession on the applicable tax rate
<b>Special Industry, Hotel, Resort</b>	Established or relocated and operated in industrial areas or industrial village	50% Concession for 3 years from the date of commencement and 25 % Concession for next 5 years on applicable tax rate.
<b>Domestic industry</b>	Sale of raw material or subsidiary raw material, produced within the country to Special Industry.	20% Concession on Applicable Tax Rate on such Income
<b>Special Industry, Hotel, Resort operating in Kathmandu Valley</b>	Shifted and operated outside Kathmandu valley	100 % concession for 3 years after shifting and operation of a business, and 50 % concession for next 2 years on applicable tax rate.
<b>Domestic Industry</b>	Industry producing new product by utilizing only the used materials as raw materials that directly affect the environment	50% concession is provided for up to 3 years from the date of operation, and 25% tax concession is provided for the next 2 years.

<b>Startup Business (as prescribed by Department)</b>	Established by utilizing innovative knowledge, concept, skill, technology, and system having annual transactions up to NPR 100 million	100 % Concession for up to 5 years on applicable tax rate
<b>Industry producing Oxygen, Vaccine and Sanitary pad</b>	Producing immunization vaccine, oxygen gas and sanitary pad	100% concession for a period of 5 years from the date of commencement of production, and 50% concession thereafter for 2 years on the applicable rate
<b>Industry Manufacturing Agricultural Tools</b>	Established within Ashadh 2082 (Mid-July 2025)	100% Concession for 5 years from the date of business operation
<b>Electric Vehicle Industry</b>	Electric vehicle manufacturing or assembling industry established within Ashadh 2082 (Mid-July 2025)	40% concession for 5 years from the commencement of the transaction on applicable tax rate
<b>Green Hydrogen Producing Industry</b>	Production of green hydrogen	100% concession up to 5 years from the date of commencement of operation
<b>EV Charging Equipment Manufacturing Industry</b>	Production and assembly of electric vehicle charging machines	100% concession for 5 years from the date of commencement of operations
<b>Industrial Estate Developer/Operator</b>	Person establishing and operating an industrial zone or industrial estate	100% concession is provided up to 10 years from date of commencement and 50 % concession is provided up to next 5 years

**Note:**

Where a person qualifies for more than one concession for the same income, the person shall be entitled to only one concession for that income at his discretion. However, person enjoying the benefit of special industry under Section 11 (2B) can also avail another concession under Section 11 if eligible.

## About Deductions Under Income Tax Act 2058

### General Deductions

All the expenses incurred to derive the income (from business or from investment) are allowed for deduction if they are incurred during the year in the name of the taxpayer itself.

### Expenses Not Deductible:

Expense for personal purpose, Taxes paid, fines and penalties paid for breach of laws, expense incurred to generate tax exempt income or final withholding income, expense paid in cash (over NPR 50,000) or payment in respect of expenditure not mentioning PAN in invoice exceeding NPR 2,000 are not allowed as deduction. However, such limitation is not applicable when goods are directly purchased from an individual related to agriculture, forest, animal and other household items.

Salary and wages paid to employee or laborers (having no PAN) are not allowed as deduction except for casual wages payment up to NPR 3,000. Monthly remuneration exceeding NPR 25,000 per individual not paid through the bank shall not be allowed for deduction.

Apart from general deductions other deductions are capped as follows:

### Interest Expense Deduction

All the interest expense incurred during any income year is deductible where such debt obligation was incurred to acquire asset used during the year, or incurred in generation of income from business or investment.

### Limit on Deduction on Interest Payment to Controlling Exempt Organization:

Sum of Interest income earned by the entity and 50% of adjustable taxable income or Actual Interest Expense, whichever is lower.

The amount or part thereof, which is in excess of limit, can be carried forward to the next income year.

This limiting provision is applicable if the interest has been paid to shareholder (either a non-resident, concessional person, or exempt-entity) and their control is at least 25% in Nepali company.

## **Repair and Maintenance Expense**

**Limit:** Up to 7% of the depreciation base of each pool of asset (exception, this ceiling is not applicable to Air-line Company if the repair expense is relating to overhauling of aircraft).

The amount or part thereof, which is in excess of limit, can be capitalized in the asset in the beginning of subsequent Income Year and depreciation is allowed subsequently.

## **Pollution Control Cost**

**Limit:** Up to 50% of adjustable taxable income from business.

The amount or part thereof, which is in excess of limit, may be capitalized in the asset in the beginning of subsequent Income Year and depreciation is allowed subsequently.

## **Research and Development Cost**

**Limit:** Up to 50% of adjustable taxable income from business

The amount or part thereof, which is in excess of limit, may be capitalized in the asset in the beginning of subsequent Income Year and depreciation is allowed subsequently.

**Note:** *Adjustable taxable income means taxable income without deducting the expense under consideration and donations, if any.*

## Depreciation

Depreciation is allowed as per written down value (WDV) basis and depreciable assets are categorized into various pools; the rate of depreciation is prescribed by Tax Authority as follows:

Pool	Assets	Depreciation Rate
A	Building, Structure and Assets of similar structures including leasehold asset	5%
B	Computer, Data Processing Equipment, Furniture, Fixtures and Office Equipment	25%
C	Automobiles, Bus and Minibuses	20%
D	Construction and Earth Moving equipment, unabsorbed portion of Repair & Maintenance, Pollution Control Cost and Research and Development Cost, and assets not covered in any other pools.	15%
E	Intangible assets other than depreciable assets mentioned in Pool D	As per Life Span of Asset (SLM)

Accelerated depreciation of 1/3 of applicable rate is also available in case of following entities:

- Special Industries
- Hydro Power and Power Generation
- Tram and Trolley operators
- Building and operation of ropeway, cable car, overhead bridge
- Building and operation of roads, bridge, subway, tunnel, railway, airport way
- Entities engaged in infrastructure development under BOOT scheme
- Cooperatives registered under Cooperative Act except exempt ones.

## Special Cases of Depreciation

- Purchase of power generating asset for its own business purpose shall claim 50% of the cost of asset as depreciation allowances during income year when asset is capitalized.
- In case of Fiscal printer or electronic cash register to issue invoice shall claim 100% of the cost as depreciation in the year when such asset is purchased irrespective of the date of purchase.

## Losses Carried Forward

Losses can be carried forward up to 7 years from the year of occurrence.

However, in the case of business extracting petroleum products, BOOT projects, Projects involved in the Electricity Powerhouse, Generation and Transmission are allowed to carry forward up to 12 years.

In case of long-term contract obtained from international bidding losses can be carried back.

## Foreign Tax Credit

In case that a resident person has paid overseas income tax on its taxable income derived from sources outside Nepal, the income tax paid overseas can be adjusted against its tax payable in Nepal. However, the adjustable amount of overseas income tax shall be lower than the amount calculated cannot exceed the amount of income tax otherwise payable in Nepal in respect of non-Nepal sourced income.

If the taxpayer wishes for a deduction of foreign tax from its foreign income, the deduction is permitted.

## Tax Avoidance Scheme

If a person makes any arrangement with the purpose of avoiding or reducing tax liability, the Taxation Authority may, for the purpose of determination of tax liability, re-characterize the arrangement or part of it. Similarly, if a person does any transaction with a purpose to reduce tax liability entering into 'Transfer Pricing' or 'Income Splitting' arrangement, Tax Authority has the power to re-characterize and assess the tax.

## Transfer Pricing

Nepal tax laws have provisions on Transfer Pricing which covers transaction between "Associated person". In any arrangement between persons who

are associates (related parties), the IRD may, by notice in writing, distribute, apportion, or allocate amounts to be included or deducted in calculating the income between the persons as is necessary to reflect the taxable income (or tax payable) that would have arisen for them if the arrangement had been conducted at arm's length.

The IRD may:

- Re-characterize the source and type of any income, loss, amount, or payment; or,
- Allocate costs, including head office expenses, incurred by one party in conducting business with their associate or associates (related party or related parties) based on the comparative turnovers of the businesses.
- Formalities for appropriate adjustment will be applicable for the taxpayer from the countries having tax treaty with Nepal.

The tax law, in brief, states that transaction should be at arm's length price. On 6th October 2024 CE, Inland Revenue Department of Nepal had issued a "Transfer Pricing Directive, 2081 (2024 CE)" for the strict compliance of arm length dealing between the associated persons.

### **Double Taxation Avoidance Agreement (DTAA)**

Nepal has signed Double Tax Avoidance Agreement (DTAA) with Ten countries, namely: India, Norway, Thailand, Qatar, Korea, Austria, China, Sri Lanka, Pakistan and Bangladesh. It has also signed a SAARC Limited Multilateral Agreement on Avoidance of Double Taxation and Mutual Administrative Assistance in Tax Matters. The purposes of tax treaties are to avoid international double taxation on the same income and to prevent tax avoidance.

### **Cooperatives**

Cooperatives registered under Cooperative Act, 2074 (2017 CE) and not involved in transactions exempted under Section 11(2) of Income Tax Act, 2058 (2002 CE) shall be levied tax as follows:

- Cooperatives operating in Municipality areas :5%
- Cooperatives operating in sub- metropolitan areas :7%
- Cooperatives operating in metropolitan areas :10%

However, tax rates for saving and credit cooperatives shall be as under:

- Operating in municipality areas :10%
- Operating in sub-metropolitan areas :15%
- Operating in metropolitan areas :20%

## Personal Income Tax

An individual is resident in Nepal if he resides for a period of 183 days or more in income year (mid-July to mid-July basis). A person who is not resident of Nepal is non-resident individual.

### For Resident Person - FY 2082.83 (2025.26 CE)

Assessed as Individual		Assessed as Couple	
Income Level (NPR)	Tax Rate	Income Level (NPR)	Tax Rate
Up to 500,000	0% / 1%*	Up to 600,000	0% / 1%*
Next 200,000	10%	Next 200,000	10%
Next 300,000	20%	Next 300,000	20%
Next 1,000,000	30%	Next 900,000	30%
Next 3,000,000	36%	Next 3,000,000	36%
More than 5,000,000	39%	More than 5,000,000	39%

\*Note: 1% SST shall not be applicable in case of proprietorship, pension income and individual contribution in the Social Security Fund.

### For Non-Resident Person - FY 2082.83 (2025.26 CE)

SN	Nature	FY 2082.83 (2025.26 CE)
1.	Income earned from normal transactions (employment or business)	25% flat rate
2.	Income earned from the transactions subject to withholding tax	Withholding tax will be final

#### Note:

The following amounts are deductible:

- Contribution to Retirement Fund up to one-third of assessable income to maximum of NPR 500,000
- Donation to tax exempted entities up to maximum of NPR 100,000
- Insurance premium up to maximum of NPR 40,000
- Health Insurance premium up to NPR 20,000
- House insurance premium up to NPR 5,000
- Remote area allowances up to a maximum of NPR 50,000
- 25% of basic exemption limits allowed to resident natural person having pension income

- Foreign Allowance up to 75% of basic exemption limit of Foreign Allowance
- Handicapped Allowance up to 50% of basic exemption limit

Further, medical tax credit up to a maximum of NPR 1,500 is allowed and the remaining can be carried forward. Additionally, 10% tax rebate is allowed to resident female earning employment income only.

## Withholding Taxes

Payment Subject to Withholding	Withholding Tax Rate (%)	Final Withholding (Yes or No)
If the payee is non-resident	As below	Always final
Interest, Natural Resource, Royalty, Commission, Service Fee, Sales Bonus payment by a resident person having source in Nepal	15%	No
Resident employment company making payment of employment related commission to non-resident	5%	Yes
Payment of interest on deposit to Life Insurance Company by resident Bank and Financial Institutions.	5%	No
Payment of interest on loan provided to each other by Cooperative bank and Co-operatives	No TDS	-
Payment of interest (having Nepal source) to individual (other than related to business) by resident bank, financial institution, cooperative, any other entity issuing debenture, or listed companies	5%	Yes
Lease payment of aircraft	10%	No
Service payment to a resident person registered under VAT		
Payment of more than NPR 50,000 under a contract or agreement (last 10-days period)	1.5%	No
House rent payment to a natural person not conducting business	No federal tax, but there is local tax, rate may vary to local authorities (indicative rate is 10%)	Yes

Rent	10%	No
Dividend, Gain from Investment Insurance	5%	Yes
Windfall Gain	25%	Yes
Payment for service to a non-resident company	15%	Yes
Payment of repair & maintenance of contract or agreement to a non-resident company	5%	Yes
Payment of re-insurance premium to a non-resident	1.5%	Yes
Payment for the carriage service and vehicle provide in rent for carriage service (VAT Unregistered person)	2.5%	No
Payment for the carriage service and vehicle provide in rent for carriage service (to VAT Registered person)	1.5%	No
Resident BFIs making payment of Interest on loan taken from foreign banks or other financial institutions in foreign currency and investing in specified areas prescribed by Nepal Rastra Bank.	5%	Yes
Resident BFIs on providing foreign exchange facility for language test or standardized test fee to students going abroad	15%	Yes
Reward/rebate awarded to consumer making payment through electronic payment medium including payment card, digital wallet, mobile banking on purchase of goods or services.	No TDS	-
Payment of registration fee, education fee, and exam fee to foreign university or school	5%	Yes
Receipt of payment in foreign currency by providing software or similar electronic service outside Nepal	5% (Deducted by banks and financial institutions as advance Tax)	No

Interest in loan taken in foreign currency from foreign banks or other financial institutions by reservoir or partial reservoir hydropower project of more than 200 MW and whose financial closure have been completed within Chaitra end, 2082 (13 April 2026)	5%	Yes
Other payment to non-resident	As per written notice by IRD	Yes
Consideration distributed to individual by mutual fund	5%	Yes
Payment for use of satellite, bandwidth, optical fiber, tools related to communications or electricity transmission line	10%	No
Royalty payment to a resident individual for literary article and composition	1.5%	No
Payment made by a resident e-commerce operator to a person associated with that platform against the sales of any goods/ services	1% (advance tax)	No

## Capital Gain Tax

### Gain on Sale of Shares

Seller	Tax collected at source (TCS)		Annual tax rate
	Listed Entity	Unlisted entity	
Resident - Individual	Ownership of more than 365 days- 5%	10%	Same as TCS rate
	Ownership of 365 days and less than 365 days – 7.5%		
Resident - Entity	10%	15%	Corporate tax rate
Other	25%	25%	

## Gain on Transfer of Land & Building

Seller	Tax collected at source (TCS)		Annual tax rate
	Owned less than 5 years	Owned 5 Years or more	
Resident - Individual	7.5%	5%	Same as TCS rate
Resident - Entity	1.5%	1.5%	Corporate tax rate

Note:

- *For Individual : Rate shall be applied on gain on disposal*
- *For Entity : Rate shall be applied on disposal value*

## Change in Control

Where there is a change of 50% or more in the underlying ownership of an entity as compared with its ownership 3 years previously, the entity shall be treated as disposing off any assets and any liabilities owned by it at the market price. Provided this provision shall not be applicable in case where the number of shares and capital of the existing shareholders or partners remain unchanged and the capital increases with the addition of new shareholders or partners.

Where there is a change in ownership during the Income Year of an entity, the parts of the Income Year before and after the change in ownership are treated as separate Income Years.

## Compliance Requirement

### Income Tax Return

Within 3 months from the end of Income Year. If application is made to the Tax Office for extension, IRD may extend such notice for maximum of 3 months.

Any error on Income Tax Return submitted can be rectified by submitting revised Income Tax Return within 30 days from the date of submission of erroneous tax return.

### Estimated Tax Return

Taxpayer needs to file an estimated tax return till Mid-January.

They need to pay installment tax on the basis of estimated tax liability:

- Within Mid-January (Poush end) of Income Year (First Installment) – 40% of estimated tax liability
- Within Mid-April (Chaitra end) of Income Year (Second Installment) – 70% of estimated tax liability
- Within Mid-July (Ashadh end) of Income Year (Third Installment) – 100% of estimated tax liability

*Estimated tax liability, for this purpose, should be not less than 90% of tax for that year. An interest at the rate of 15% p.a. is charged in case a lesser amount of estimated tax is deposited as a result of an estimation error of more than 10% as compared to the final tax liability.*

## Tax Assessment

Assessment system is based on Self-Assessment. However, an assessment under Self-Assessment scheme may be subject to review and amendment, termed as “Re-assessment” or “Amended Assessment” by Tax Authority which can be performed within four (4) years from the due date of submission of Income Tax Return. For example, an amended assessment of Income tax return for FY 2082.83 (2025.26 CE) may be issued by Ashwin end 2087 (16 October 2030 CE).

## Advance Ruling

If there is ambiguity in application of any issue as per Income Tax Act, there is provision of making application for advance ruling to IRD and the instruction issued by IRD is binding to the applicant and the department both.

## Appeal

If the taxpayer is not satisfied with the decision of amended assessment by Tax Authority, the taxpayer has a right to apply for administrative review by depositing 100% of undisputed amount and one-fourth of disputed amount. Further, if not satisfied with the decision of administrative review, the taxpayer can file appeal to Revenue Tribunal by depositing 100% of undisputed amount and 50% of disputed amount as a cash deposit or a bank guarantee (the amount previously deposited for administrative review in Inland Revenue Department shall be considered).

## Income Tax Records

Every person liable to pay tax as per the Income Tax Act, 2058 (2002 CE) shall maintain the following necessary documents:

- Information and documents needed to substantiate the return of income or other documents to be submitted to the Inland Revenue Department.
- Documents which help to assess the tax payable by him/her.
- Documents substantiating deduction of expenses.

The documents mentioned above shall be retained safely for a period of five (5) years from the end of the income-year or years to which they are relevant.

## Tax amnesties as per Finance Act, 2082 (2025 CE)

1. Community hospitals, Health Institutions, and Transportation related unions established under Association Registration Act, 2034 (1977 CE), if deposits the outstanding assessed tax, re-assessed tax and other leviable tax as per Value Added Tax Act, 2052 (1996 CE), Income Tax Act, 2058 (2002 CE) and as per the Finance Act of preceding years before 2082 Jestha 15 (29 May 2025 CE) within 2082 Poush end (15 January 2026 CE), such taxpayer may enjoy the amnesties from interest, fines, additional fees, and penalties.
2. If an individual who has not submitted an income tax return for any year was previously assessed for tax by the relevant tax office, and subsequently submits the Income Tax Return and pays the applicable tax amount or even if the Income Tax return is yet to be submitted, that individual may still file the Income Tax Return and pay the corresponding tax by the end of Poush 2082 (15 January 2026 CE). For Income Tax Returns submitted or to be submitted under this provision, the relevant tax office may reassess the tax before the end of Ashadh 2083 (16 July 2026 CE) and determine the revised tax liability. The limitation of periods specified in Section 20(4) of the VAT Act, 2052 and Section 101(3) of the Income Tax Act, 2058 (2002 CE) shall not be applicable during this assessment process.
3. If a transportation service provider having incurred expenses from the rental of vehicle incurred with natural person (not conducting business) having no PAN on invoice so raised and incase TDS as per Section 88(8) of the Income Tax Act, 2058 (2002 CE) has been deducted and deposited, such taxpayer shall be allowed to deduct such expenses for the income year 2078.79 (2021.22 CE), 2079.80 (2022.23 CE) and 2080.81 (2023.24 CE).

4. If a resident entity, on which tax has already been levied due to the application of Section 57: Change in Control, and, if based on that change in ownership, an amended tax assessment has been made to another entity on which interest of the first entity lies, such another entity if deposits the determined tax amount, if any, by the end of Ashadh 2082 (16 July 2025 CE), the interest and fees as per such amended tax assessment shall be waived.

## Digital Service Tax (DST)

To bring the foreign technology-based companies into the purview of Nepalese tax jurisdiction, the concept of Digital Service Tax (DST) has been provisioned under the administration of the IRD. Digital Service Tax at the rate of 2% on transaction value shall be collected on digital services provided by non-residents to the customers in Nepal.

The following are the major provisions relating to DST:

- Tax shall not be levied for digital services provided to consumers in Nepal up to transaction value of NPR 3 million rupees per income year.
- A non-resident person providing digital services in Nepal shall submit details of their transaction along with the applicable tax for each income year within 3 months of expiry of the income year to the IRD via. electronic medium.
- The income taxed as DST shall not be further taxable under the Income Tax Act, 2058 (2002 CE).
- DST shall be administered by the Large Taxpayer Office.

### Fines and Penalties:

In case of failure to submit the details of the transaction and applicable tax, a fine of 0.1% p.a. of transaction value and interest of 15% p.a. of the applicable taxes shall be charged. Further, a 50% of penalty shall be applicable in case of tax evasion and deposition of taxes less than that as determined by the department. The Inland Revenue Department has issued the "Procedures relating to Digital Service Tax, 2079 (2022 CE)".

## Provisions of Luxury Fee

The Finance Act, 2082 (2025 CE) has provisioned for Luxury Fee of 2% on certain goods and services:

- Service provided by five star or above star hotel, and luxury resorts
- Imported liquor (Custom duty and Excise duty shall be included)
- Sale value of gold and gold ornaments.

The return of transactions shall be submitted and the amount shall be deposited within 25th of following month.

### Fines and penalties:

15% p.a. interest for non-deposit and 2.5% p.a. fee for non-submission of return shall be levied. The non-collection of luxury fee shall attract additional fee of 25%.

## Foreign Employment Service Fee

The Finance Act, 2082 (2025 CE) had provisioned for the Foreign Employment Service Fee at the rate of 1% on the amount collected by the foreign employment service providers. Such amount shall be used for the benefit of the persons going abroad for foreign employment. The return of transactions has to be submitted and the amount has to be deposited within 25th of the following month.

### Fines and penalties:

15% p.a. interest for non-deposit.

## Health Risk Tax

The Finance Act, 2082 (2025 CE) has provisioned the Health Risk Tax, to be imposed on both import or domestic production as below:

- NPR 0.3 on per Stick of Bidi
- NPR 0.6 on per Stick of Cigarette or Cigar
- NPR 30 per piece of Vape

## B. Indirect Taxes

### Value Added Tax (VAT)

#### Applicability

VAT is applicable on supply of goods or services:

- Supplied within Nepal,
- Imported into Nepal, and
- Exported from Nepal

Some goods or services which are of necessities and agro-products are exempted and some are zero rated (export of services).

**Tax Rate** - Single rate 13%

#### Registration

Person supplying the goods crossing the threshold of NPR 5 million and supplying services or goods & services both crossing the limit of NPR 3 million are required to be registered under VAT. The compulsory registration threshold for registration in VAT for the provider of transport service or rental of transport vehicle shall be NPR 5 million.

Small vendors to the extent of threshold may voluntarily register.

#### VAT Records

Purchase book, Sales Book and VAT records, either manual or computerized (complying permission procedures), are the basic records to be maintained by a registered person. The retention period is six (6) years.

#### VAT Credit and Refund

VAT paid on purchases relating to the business, excluding VAT paid on food, beverage, entertainment, and petrol used for vehicles (no-credit items), are allowed of input tax credit within one year from the date of transaction. In the case of VAT paid on purchase of automobiles, only 40% of VAT payment is allowed for credit.

Input tax credit of a tax period which could not be adjusted against next four consecutive months, the taxpayer can claim the refund. Similarly, in the case of more than 40% of export out of total sales in a tax period is eligible for a refund.

Such a refund shall be requested within 3 years from the end of tax-period.

## VAT Return

Every registered taxpayer is required to submit VAT return within 25 days from the end of Nepalese Calendar month. However, in case of printing press, printing and electronic publications or broadcasting house desire, the department may fix tax period of 4 months (trimester). The tax period of four (4) months shall also be applicable to the person having an annual transaction upto NPR 10 million.

## Facilities

Bank guarantee facility is available for VAT payable on import of raw materials solely usable for production of exportable goods. For this benefit, industry shall have an export record of more than 40% of its sales during previous 12 months and domestic value addition of at least 10%.

## Tax Assessment

Assessment system is based on Self-Assessment. However, an assessment under the Self-Assessment scheme may be subject to review and amendment by Tax Authority which can be performed within four (4) years from the date of submission of VAT Return. However, tax officer shall not conduct reassessment of tax where, the revenue tribunal or other authorized court has already amended the determined tax. But such bodies may order for reassessment of tax, and tax officer may determine the tax.

## Digital Services and Offline Airline Transport Services by Non-Resident Service Providers

1. Non-resident person having a business of digital services and offline airline transport services whose taxable transaction for the past 12 months exceeds NPR 3 million shall be registered under VAT Act.
2. The registration procedure for the Non-Residents providing such services shall be as determined by IRD.
3. If the business of a Non-Resident person providing such services registered as above is closed, the registration shall be canceled as per the procedures determined by the department.

#### Note:

*Digital Services refers to the following services that are provided to the users via the internet in an automated manner with minimal human intervention, where the use of information technology is essential:*

- a) Paid personal consultation services,
- b) Targeted online advertising services

**Explanation:** For the purpose of this section, "Targeted online advertising" refers to any form of digital communication that promotes a product, service, or brand through a digital interface (such as an electronic platform, website, application, or other similar medium), where the interface collects and/or generates user-interaction data (directly or indirectly) to deliver personalized advertisements.

- c) Movies, television, music, over-the top (OTT) services, and other similar subscription-based services
- d) Data collection related services
- e) Cloud services
- f) Gaming services
- g) Services related to mobile applications
- h) Internet marketplace (online marketplace) and services provided through them,
- i) Software supply and updates (upgrades),
- j) Download services including data, images, etc.,
- k) Consulting, skill development, and training services,
- l) Other services of similar nature not specifically mentioned in clause (a) to (k)

## Penalty for Digital Service Providers

A fine of NPR 20,000 for each time for the violation of an order given by the tax officer to register.

## Advance Ruling

If there is ambiguity in application of any issue as per VAT Act, there is provision for making application for advance ruling to IRD and the instruction issued by IRD is binding to the applicant.

## Appeal

If the taxpayer is not satisfied with the decision of amended assessment by Tax Authority, the taxpayer has a right to apply for administrative review by depositing one fourth of disputed amount and further to Revenue Tribunal by depositing entire of the undisputed amount of tax and 50% of the disputed amount of tax and fine as cash deposit or bank guarantee (amount deposited for administrative review in Inland Revenue Department shall also be considered).

## Value Added Tax amnesties as per Finance Act, 2082 (2025 CE)

1. Every taxpayer not having submitted the VAT return and VAT amount up to Chaitra end 2081 (14 April 2025 CE), if submits the VAT return, deposits the VAT amount as per return and deposits 25% of applicable interest within 2082 Poush end (15 January 2026 CE), such taxpayer may enjoy the amnesties of 75% interest, and 100% fines, additional fees and penalties.
2. Every taxpayer having submitted the VAT return but not deposited the VAT amount up to Chaitra end 2081 (14 April 2025 CE), if deposits the VAT amount as per return and deposits 25% of applicable interest within 2082 Poush end (15 January 2026 CE), such taxpayer may enjoy the amnesties of 75% interest, and 100% fines, additional fees, and penalties.
3. International air transport service providers who are not yet registered under VAT, if gets registered under VAT, and submits the VAT returns that were to be filed or have been filed from 01 Kartik 2080 (18 October 2023 CE) within 2082 Ashoj end (14 October 2025 CE), such taxpayer may enjoy the amnesties of interest, fines, additional fees, and penalties.
4. Individuals involved in the business of buying and selling international air tickets whether registered or not under VAT, if gets registered under VAT, and submits the VAT returns that were to be filed or have been filed from 01 Kartik 2080 (18 October 2023 CE) within 2082 Ashoj end (14 October 2025 CE), such taxpayer may enjoy the amnesties of interest, fines, additional fees, and penalties.

## Some major items added in Schedule 1 "VAT Exempted List"

Group	Items
	Chilled Meat and edible offal of poultry
Group 3: Animals and Animal Products	Chhurpi, and other milk and cream products, including yogurt, buttermilk, curdled milk, and other fermented or acidified varieties, whether frozen, sweetened, flavored, or mixed with fruit or dried fruit

<b>Group 5: Medication and Similar Health Services</b>	Medicaments for therapeutic or prophylactic uses put up in measured doses
	Vitamins
	Orthopedic Appliances, surgical belts and trusses, crutches, splints and other fracture appliances, artificial parts of the body, and other which are worn, carried or implanted in the body of disabled.
	Hearing aids - excluding parts and accessories
<b>Group 11: Other Goods and Services</b>	Rudraksha beads
	Machines for producing natural and organic fertilizers
	Clearing House Services

### Some major items removed from Schedule 1 "VAT Exempted List"

Group	Items
<b>Group 4: Agricultural Materials</b>	Diesel Exhaust Fluid
	Urea, whether or not in aqueous solution
	Nitrogenous Mineral or Chemical Fertilizers
<b>Group 5: Medication and Similar Health Services</b>	Products including JiwanDhamurist, Ashokarishta, Kalpashudhika, etc.
<b>Group 11: Other Goods and Services</b>	Diamonds, whether polished, but not mounted or set
	Unsorted
	Not worked, simply sown, cleaved, or bruted
	Other precious stones and semi-precious stones (like Ruby, Sapphire, Emerald)
	Dust and powder of natural or synthetic precious or semi-precious stones of diamonds or others

## Excise Duty

### Applicable Act

Excise Duty Act, 2058 (2002 CE) and Excise Duty Regulations, 2059 (2002 CE) and amendment made by Finance Act from time to time.

### Applicability

Excise Duty is applicable to goods/services produced/imported into Nepal. Relaxation and exemption are mentioned to certain goods produced in Nepal.

### Tax Rate

Specific to individual item based on specific rate or ad-valorem basis.

### Valuation

On production : Factory Price

On import : Value for customs purpose plus customs duty

### Licensing

For the items where excise duty is levied, no one can manufacture, import, sale or store a product without taking license. License taken is valid for one year and has to be renewed by paying renewal fee.

### Excise Duty Credit

Excise duty paid on purchase of raw materials and auxiliary materials allowed. No excise duty credit is allowed to packaging materials.

### Management System

Physical Control System : in case of alcohol, spirit, molasses, beer and khudo

Self-Removal System : in case of goods other than tobacco related products

### Facilities

A bank Guarantee Facility is provided to goods imported through bonded warehouse.

Full exemption of excise duty is provided in case of export. Similarly, full exemption is provided to industries producing goods using scrap more than 90%.

## Records

Records of excisable goods purchased, produced, sold, released and balance of stock as certified by the excise duty officer.

## Time of Payment

<b>Physical Removal System</b>	At the time of issuance of invoice
<b>Self-Removal System</b>	Within 25 <sup>th</sup> of the month following the issue of invoice
<b>Goods imported</b>	At the time when such goods enter Nepal through custom point

## Excise Return

Within 25 days from the end of Nepalese Calendar month.

## Advance Ruling

If there is ambiguity in application of any issue as per Excise Act, there is provision of making application for advance ruling to IRD and the instruction issued by IRD is binding to the applicant.

## Appeal

If the taxpayer is not satisfied with the decision of amended assessment by Tax Authority, the taxpayer has a right to apply for administrative review by depositing one fourth of disputed amount and can further appeal to Revenue Tribunal by depositing 100 % of undisputed tax and 50% of disputed tax, charges and interest as a cash deposit or a bank guarantee (amount deposited for administrative review in Inland Revenue Department shall also be considered).

## Excise Amnesties

1. Every licensed person not having submitted the excise return and excise duty up to Chaitra end 2081 (14 April 2025 CE), if submits the excise return, deposits the excise duty as per return and deposits 50% of applicable late fees within 2082 Poush end (15 January 2026 CE), such licensed person may enjoy the amnesties of 50% late fees and leviable fines.

2. Every licensed person having submitted the excise return but not deposited the excise duty up to Chaitra end 2081 (14 April 2025 CE), if deposits the excise duty as per return and deposits the 50% applicable late fees within 2082 Poush end (15 January 2026 CE), such licensed person may enjoy the amnesties of 50% late fees and leviable fines.

### Excise duty in Electric Vehicles:

Capacity	Excise Duty
Upto 50 KW	5%
51 – 100 KW	15%
101 – 200 KW	20%
201 – 300 KW	35%
Above 300 KW	50%

## Customs Duty

### Applicable Act

Customs Duty Act, 2064 (2007 CE) and Customs Duty Regulations, 2064 (2007 CE) and amendment made by Finance Act from time to time.

### Applicability

Customs Duty applies to import and export of goods and services.

### Tax Rate

Specific to individual item (as prescribed in tariff on the basis of HS code)

### Taxable Value

Based on transaction value determined as per General Agreement on Tariff and Trade 1994 and valuation principles mentioned in Customs Duty Act.

### Facilities

Bank Guarantee Facility is provided to export industries and Duty-Free Shops. Further, certain customs exemption is provided to those industries established in the Special Economic Zone (SEZ).

Special exemption/concession is provided to those goods if imported from neighboring countries like China, India. Also, concessional tariff rate applicable for the import of those goods which are imported under bilateral/multilateral agreement.

### Post Clearance Audit (PCA)

Customs Authority can make PCA after clearance of goods as required.

### Appeal and Review

If an importer is not satisfied with the valuation made by the Custom Authority, then such a person can apply to Valuation Review Committee.

### Amendment in Custom duty in gold jewelry

Finance Act, 2082 (2025 CE) has revised the Customs duty in Gold jewelry accompanied by persons returning to Nepal from abroad as follows:

## Custom duty waiver:

For male : Upto 25 grams

For female : Up to 50 grams

However, items which are shaped as ordinary jewelry without the use of chemicals shall not be treated as Jewelry for this purpose.

## Customs duty in Electric Vehicles:

Capacity	Custom Duty
Upto 50 KW	15%
51 – 100 KW	20%
101 – 200 KW	30%
201 – 300 KW	60%
Above 300 KW	80%

## Other Taxes

### Infrastructure Tax

NPR10 per liter for import of Petrol and Diesel.

### Road Repair and Improvement Fee

NPR 4 per liter in Petrol and NPR 2 per liter in Diesel

### Pollution Control Fee

NPR1.50 per liter in Petrol and Diesel

### Telephone Ownership Fee

NPR 500 per connection in case of postpaid and landline and 2% of value of SIM and Recharge Card

### Telecommunication Service Charge

To be charged from customer 10% of the collected amount.

### Film Development Fee

Every movie theatre screening foreign film is required to collect a 15% Film Development Tax on the ticket price for all classes.

If the theatre includes cabins or special screening sections, a 20% Film Development Tax shall be collected on such tickets.

### Casino Royalty

Annual Royalty for Casino : NPR 50 million

Annual Royalty for Casino using only modern

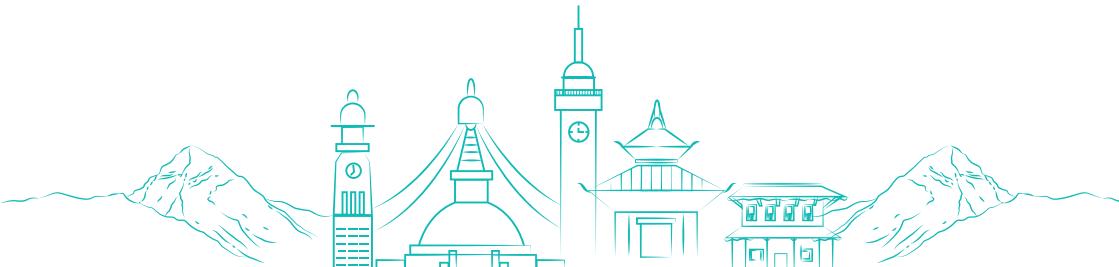
equipment and machines : NPR 15 million

*Note: 40% of such royalty amount shall be deposited within Poush end, next 30% within Chaitra end and remaining 30% within Ashadh end.*

# DOING BUSINESS IN NEPAL

# 2026

What about Legal Aspects  
In Nepal?



# Foreign Investment and Technology Transfer Act, 2075 (2019 CE)

## Foreign Investment

Foreign Investment includes the investments by a foreign investor in Nepal:

- through shares in foreign currency,
- reinvestment of earnings,
- share investment made through machinery, tools, or equipment,
- lease investment (lease financing),
- investment in Venture Capital Funds (VCFs),
- investment in listed securities through secondary market,
- acquisition of shares/assets of existing companies,
- investment received through the banking system by issuance of securities in foreign capital market,
- investment made through technology transfer,
- Investment maintained by establishing and expanding an industry in Nepal,
- Investment made in the units of the Specialized Investment Fund.

## Technology Transfer

"Technology Transfer" means any transfer of technology to be made under an agreement between an industry and a foreign investor on the following matters:

- Patent, design, trademark, goodwill, technological specificity, formula, process,
- User's license, technological know-how sharing or use of technological knowledge (franchise),
- Management and technical services, information technology, marketing and market research, finance, accounting and auditing, engineering, outsourcing, human resource outsourcing, digital data processing and digital data migration, design services or other technical skills or knowledge,
- Reverse Engineering.

## Foreign Investor

"Foreign Investor" means any foreign individual, firm, company or corporate body, Non-resident Nepali, Foreign Government, International Agency and Final-Interest Holder or ultimate beneficiaries involved in foreign investment.

## Permission to be obtained

All FDI's approvals can be obtained from Department of Industry. Moreover, in some sectors i.e. Banking and Insurance, approval from other agencies like Nepal Rastra Bank, Insurance Board is also required.

## Minimum Threshold of Foreign Investment

The minimum threshold for the foreign investment has been revised to NPR 20 Million, earlier it was NPR 50 million. A foreign investor is required to invest such amount as a minimum as per the "Foreign Investor" which can be invested in tranches within prescribed time frame.

In case of investment made by a Non-resident individual through an investment company established jointly by Nepal Government and Non-Resident Nepalese, the minimum threshold shall not be applicable.

Moreover, in case of investment in industry based on information technology, the minimum threshold of investment will not be applicable if the approval is sought via automatic route.

## Investment through a Venture Capital Fund or Specialized Investment Funds

A foreign investor can establish a fund manager's functions and venture capital fund by incorporating a company with the approval of Securities Board of Nepal (SEBON) for investment in the equity shares of a company in Nepal.

Furthermore, a foreign Investor can make foreign investment in any industry of Nepal by purchasing units of a Venture Capital Fund or Specialized Investment Fund with the approval of Securities Board of Nepal.

## Dealing in Securities Transactions

Entities establishing a venture capital fund may transact in securities through the stock exchange's secondary market after registering with the SEBON.

However, the minimum securities to be purchased, the ceiling of investment, minimum securities holding period, and foreign currency reserve fund to be maintained by the foreign investor etc. shall be as prescribed.

## Issue of Bonds, Debentures or Securities

Any public company established in Nepal or a corporate body that has obtained approval for issuing debentures in accordance with the prevailing law can, with the approval of Nepal Rastra Bank and the Securities Board, issue bonds, debentures, or securities in foreign security market to raise foreign loan or foreign currency.

Any company established in Nepal with foreign investment can raise loan from local market by issuing securities after obtaining required approvals in accordance with the prevailing law.

Such loan amounts, or foreign currency, must be invested in Nepal.

## Raising Foreign Currency Loans

Any Industry with foreign investment can raise loans from foreign BFIs in the form of project loan or project financing agreement (in accordance with the prevailing law, on recommendation of the Ministry and with the approval of NRB).

## Escrow Agreement

A foreign investor for the purpose of their foreign investment can enter into a tripartite escrow agreement between their partner investor or another foreign investor and any commercial bank certified by NRB or Infrastructure Development Bank. As per the separate circular issued by NRB, the bank as a party to the escrow agreement acts as an agent for the parties and will also have right of enforcement.

## Repatriation

Foreign investor is entitled to repatriate the following amount outside Nepal in the currency as set out in the agreement:

- The amount received by the sale of the share of foreign investment as a whole or any part thereof.
- The amount earned from profit or dividend.
- The amount received from the outstanding amount after liquidation of a company or an Industry and after the payment of liabilities.

- The amount received as a Royalty under the Technology Transfer Agreement.
- The amount received from the Lease Rent.
- Compensation granted by tribunal after end of litigation, arbitration or other legal procedure.
- The amount of loan received under the prevailing law.
- The amount of sale proceeds from units of a specified investment fund.
- The profit received from units of a specified investment fund.

## Provisions Related to Visa

- The Act provides a non-tourist visa of up to six months for foreign nationals coming to Nepal to conduct feasibility studies, research, or observations with the intent of making foreign investments.
- For foreign investors requiring skilled manpower that is not available locally, the Act allows issuance of a non-tourist visa for expatriates, including specialists, technicians, or managerial employees, along with their family members. Family members include the spouse, parents, and minor children.
- For large-scale investments, a resident visa is provided to foreign investors who invest more than ten million US dollars or its equivalent in convertible foreign currency at a time.

## Settlement of Disputes

- The dispute may be resolved from the mutual consultation, and if required, the Department of Industry may facilitate to resolve the dispute.
- If the dispute cannot be resolved with the mutual consultation, then the dispute shall be resolved as per the parties' written agreement.
- If the parties' agreement is silent regarding the dispute settlement, then dispute shall be resolved by arbitration. Unless otherwise agreed to by the parties, the arbitration proceedings shall be in accordance with UNCITRAL Rules, the arbitration will be governed by substantive laws of Nepal and venue will be in Nepal.
- The new FITTA provides the freedom to parties to enter into an agreement for settlement of dispute. This means that investment agreement can be governed by foreign law and any dispute under such agreement can be submitted to the foreign courts or arbitration with some limitation for enforcement of arbitral award.

- Even though the new FITTA provides freedom to parties to enter into an agreement for dispute settlement, there are two important concerns:
  - a. According to the **Arbitration Act, 1999** of Nepal, a foreign arbitral award can be enforced in Nepal only if (A) Nepal is party to a treaty related to enforcement of foreign arbitral award, and (B) the award is rendered in the territory of the party to that treaty subject to the conditions set out at the time of being party to that treaty itself. Also, it is essential that the dispute between the parties amounts to commercial dispute under laws of Nepal and there needs to be reciprocity between Nepal and the foreign country for enforcement of foreign arbitral award.
  - b. Besides that, the **Mutual Legal Assistance Act, 2014** is also vital and should consider a principal legislation governing enforcement of Foreign Judgment in Nepal. As per the provisions of this Act, it is mandatory to have a bilateral treaty as a condition for enforcement of foreign judgement in Nepal and till now Nepal has not signed any such treaty with any foreign country.

## One Stop Service Centre

The FITTA 2019 has introduced One-Stop Service Mechanism, which is to be established as per the prevailing law. Government of Nepal can provide exemptions, facilities, concession or services to foreign investors through One-Stop Service Mechanism. Such services are registration of Industries, various approvals, labor permit, visa service, quality check and control of products produced by industries and others. Based on this provision, the One Stop Service Center has been established and has been functioning now within the premises of the Department of Industry (Dol).

## Hiring Expatriates

Hiring of expatriates as management experts, technical experts, managerial, and technical staff can be undertaken by entities only when qualified Nepali nationals are not available for such positions. The entities must provide the training and development to Nepali staff to eventually replace such expatriates. Furthermore, the labour law has restricted the number of expatriates that can be hired by an entity to a maximum of 5% of the total workforce.

## Industries or Businesses Restricted for Foreign Investment

1. Industry except large scale industry related to poultry farming, fisheries, bee-keeping, fruits, vegetable, oil seeds, pulse seeds, dairy industry and other sector of primary agro-production that exports less than 75 per cent of its production Cottage and small industries,
2. Small and Cottage Industries,
3. Personal service business (hair cutting, Beauty Parlor, Tailoring, Driving etc.),
4. Industries manufacturing arms, ammunition, bullets and shell, gunpowder or explosives, and nuclear, biological and chemical (N.B.C.) weapons; industries producing atomic energy and radio-active materials,
5. Real estate business (excluding construction industries), retail business, internal courier service, local catering service, money changer, remittance service,
6. Travel agency, guide involved in tourism, trekking and mountaineering guide, rural tourism including home-stay,
7. Business of mass communication media (newspaper, radio, television and online news) and motion picture of national language,
8. Management, account, engineering, legal consultancy service and language training, music training, computer training,
9. Other consultancy services having foreign investment of more than fifty-one percent,
10. Ride sharing with foreign investment of more than 70%,
11. Foreign investment with more than the following limits in the case of aircraft operation, training, maintenance and passenger service facilities:
  - a) International Airlines: 80 percent
  - b) Domestic Air Services: 49 percent
  - c) Training Institutions: 95 percent
  - d) Repair and Maintenance Institutions: 95 percent.

# Foreign Investment and Technology Transfer Rules, 2077 (2021 CE)

## 100% ownership allowed

Foreign investment can be made by purchasing upto 100 % of shares or property of an industry other than those listed in the negative list of FITTA 2075 (2019 CE).

## Limit of royalty repatriation

1. Annual Royalty against all types of technology transfer can be repatriated subject to following limits:

Royalty base	On local sales	On export sales
Fixed amount or as a % of gross sales	Upto 5% of gross sales (net of taxes)	Upto 10% of gross sales (net of taxes)
As a % of net profit	Upto 15 % of net profit	Upto 20% of net profit

2. Annual Royalty or any fee against use of trademarks only can be repatriated subject to following limits:

Royalty base	On local sales	On export sales
Tobacco or Alcohol related industry	Upto 2% of gross sales (net of taxes)	Upto 5% of gross sales (net of taxes)
Other industry	Up to 3% of gross sales (net of taxes)	Upto 6% of gross sales (net of taxes)

However, royalty or any fee against technology transfer agreement relating to starting the operation of an industry shall be as per the agreement between two parties.

## Time limit for bringing FDI into Nepal

FDI approval amount	Minimum amount to be brought within 1 year of approval
Upto minimum threshold (i.e. NPR 20 million)	25% of approved amount
More than the threshold limit upto NPR 250 million	15% of approved amount
More than NPR 250 million upto 1000 million	10% of approved amount
More than NPR 1000 million	5% of approved amount

However, in any case, at least 70 percent of the approved amount must be brought prior to the commercial production or transaction and balance 30 percent amount to be brought within two years from the date of the commencement of commercial production or transaction from such industry or business.

In case any foreign investor has taken approval for foreign investment by purchasing shares of an existing operating industry, then the investor has to make the investment as per the commitment while having approval, within 1 year of such approval.

In case any industry with FDI has not brought foreign investment at the start of this FITTA Rules, 2077 (2021 CE), then such industry has to submit and get approved its foreign investment plan and bring the foreign investment according to that approved plan.

## **Reinvestment of Earnings from foreign investment**

Foreign investor can invest, out of its earnings, in same industry or other industry where foreign investment is allowed. For such re-investment, the minimum threshold shall be adjusted as below:

Particulars	Minimum amount to be invested will be
Re-investment made in same industry	10% of existing threshold
Re-investment made in other industry	Equal to the existing threshold

## **VISA provisions**

There are two categories of visas for foreign investors, namely business visa and residential visa.

### **Business VISA**

Foreign Investor or his authorized representative and the family members of the foreign investor or his authorized representative shall be granted business visa if the investment has been maintained at the minimum threshold (i.e. NPR 20 Million). For those investors whose FDI was approved before the enactment of FITTA 2075 (2019 CE), the minimum threshold shall be as per the Act prevailing at the time of FDI approval.

In case the approved FDI amount is NPR 100 million or more and at least 25% of the same has already been brought, then business visa is provided to foreign investor or two authorized representatives and their family members.

## Residential VISA

A Residential Visa is provided to foreign investor or their authorized representative and their family members where the invested amount exceeds 1 million USD (or equivalent foreign currency) and at-least 50% of that amount remains in Nepal.

## Industrial Enterprises Act, 2076 (2020 CE)

### Registration of an Industry

Industrial Enterprises Act, 2076 (2020 CE), which has replaced the Industrial Enterprises Act, 2073 (2016 CE), is now the preeminent legislation guiding the registration, establishment, operation and regulation of industries in Nepal. The Act explicitly restricts establishment or operation of industry without registering it by fulfilling the procedure as provided in the Act.

The IEA 2076 (2020 CE) has decentralized the registration process by granting authority to provincial levels for registration, renewal and regulation of industries. However, the following industries are still to be regulated by the federal authority:

- Industries listed in Schedule-1 of the IEA 2076 (2020 CE)
- Industries established with Foreign Investment
- Industries based on subject matter stated in Schedule-5 of the Constitution of Nepal
- Industries having their working area in two or more provinces
- Industry providing educational consultancy services in relation to diplomatic affairs
- Large Industry

However, the DOI, federal authority, shall continue to be responsible for registration, renewal and regulation until the provincial governments make necessary arrangements in the provincial laws.

Every industry has to apply for registration before establishment or operation. The registration document has to be issued by the authority within 5 days if all documents are submitted along with application. Investor, if required, needs to conduct Environmental Impact Assessment (EIA) or Initial Environmental Examination (IEE), in some instance may be required to provide a Brief Environmental Report without going to IEE or EIA process.

Eliminating the concept branch industry, IEA 2076 (2020 CE) has introduced a new concept of unit industry. Any industry desirous of operating an industry at a different location from that of main industry can do so by registering a unit of the industry. IEA 2076 (2020 CE) requires all existing branch industries to either register itself as a separate industry within a year from the date of enactment of this act or establish it as a unit of the main industry.

## **Registration of Startup Enterprises.**

A company or firm involved in developing, producing, operating, and distributing innovative ideas and technologies for commercial purposes can be registered as a startup enterprise if it meets certain criteria. Nepal's federal, provincial, and local governments can operate support centers to promote startup enterprises.

### **Eligibility Criteria for Registration:**

- Must be a newly registered company, private firm, or partnership.
- Must apply innovative ideas and technologies in product or service development.
- Should have high growth potential.
- Registration should be within ten years of establishment.
- Annual business turnover should not exceed NPR 15 crore after registration.

### **Regulatory Authority:**

The authority responsible for registering enterprises will also oversee startup enterprise regulations.

## CLASSIFICATION OF INDUSTRY ON THE BASIS OF FIXED ASSETS

Types of Industry	Criteria
Micro	<ul style="list-style-type: none"> <li>i) Fixed assets (capital) worth not more than <b>NPR 20 lakh</b> (except for land &amp; building);</li> <li>ii) <b>Owner</b> is involved in operation and management of industry;</li> <li>iii) Workforce of <b>up to 9 people</b> including the owner;</li> <li>iv) Annual turnover less than <b>NPR 1 crore</b>; and</li> <li>v) If such industry has used engines, equipment's or machines then energy consumed by such devices in the form of electricity or diesel or petrol or other crude oils is <b>upto 20 Kilo watt</b>.</li> </ul> <p><b>Note:</b> <i>Industries specified in schedule-I (Industries Requiring Permission) of Industrial Enterprises Act shall not be micro industries.</i></p>
Cottage	<ul style="list-style-type: none"> <li>i) Based on traditional skills and technology;</li> <li>ii) Labor intensive &amp; specific skill or based on local raw materials &amp; local technology, art &amp; culture;</li> <li>iii) If engines, equipment or machines are used, then power usage is upto 50 Kilo watt;</li> <li>iv) As stated in Schedule-2 of Industrial Enterprises Act.</li> </ul>
Small Scale	Except those industry classified as Micro and Cottage industries and having fixed assets (capital) Up to NPR 150,000,000 (One Hundred and Fifty Million).
Medium scale	Industry with fixed assets (capital) ranging from NPR 150,000,000 (One Hundred and Fifty Million) to NPR 500,000,000 (Five Hundred Million).
Large scale	Industry with fixed assets (capital) more than NPR 500,000,000 (Five Hundred Million).

## CLASSIFICATION OF INDUSTRY BASED ON NATURE OF SERVICES OR OUTPUT

Classification based on Nature of Service or Output	<ul style="list-style-type: none"> <li>a) Energy-based industries (including generation and distribution of power)</li> <li>b) Manufacturing industries</li> <li>c) Agro-forestry industries</li> <li>d) Mining industries</li> <li>e) Construction industries</li> <li>f) Tourism industries</li> <li>g) Information technology, Communication technology and information dissemination-based Industry</li> <li>h) Service industries</li> </ul>
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<b>Energy based Industries</b>	<ul style="list-style-type: none"> <li>Industry generating energy from water resources, wind, solar, coal, natural oil and fuel or gas, biomass and similar types of energy producing industry; energy transmission; energy distribution etc. as referred in Schedule 3.</li> </ul>
<b>Manufacturing Industries</b>	<ul style="list-style-type: none"> <li>Industries which produce goods by utilizing raw materials, semi-processed raw materials or un-used products.</li> </ul>
<b>Agro-forestry Industries</b>	<ul style="list-style-type: none"> <li>The businesses of production or processing from raw materials based on agriculture and forests product as referred in Schedule 4.</li> </ul>
<b>Mining Industries</b>	<ul style="list-style-type: none"> <li>The industry extracting and processing the metallic and non-metallic material.</li> </ul>
<b>Infrastructure Industries</b>	<ul style="list-style-type: none"> <li>The enterprise that constructs and operated physical infrastructure as mentioned in Schedule 5 as Road, bridge, tunnel; ropeway, railway, tram, trolley-bus, cable car, monorail and sliding-car; airway and airport; conference center; waste management; water supply and distribution; irrigation; sport complex and stadium; parking place and parking house; export processing zone; cargo complex; sewage treatment plant; special economic zone; telephone tower, optical fiber network, satellite and satellite transmission center; house and housing complex; film city, film studio; business complex etc.</li> </ul>
<b>Tourism Industries</b>	<ul style="list-style-type: none"> <li>The industries related to Tourism industries as mentioned in Schedule 6 as Tourist house, motel, hotel, resort and restaurant; travel agency, tour operator, healing center, casino, massage and spa; adventure tourism; golf course, polo, pony trekking, hiking; village tourism, home-stay and ecological tourism; cultural, religious, conference and sports tourism; entertainment part; conservation; cruise service, water entertainment, boating service etc.</li> </ul>

<b>Information technology, Communication technology and information dissemination-based Industry</b>	<ul style="list-style-type: none"> <li>Industrial enterprise relating to information, knowledge and communication having used technology for information collection, processing and transmission as referred to in Schedule 7 as Information technology-based industry like technology park, IT park, biotech park, software development, computer and related services, data processing, cyber-café, digital mapping, BPO, data mining, cloud computing. Communication based industry like internet, telecommunication, teleport services, satellite establishment and operation, satellite transmission center, VSAT, broad band, optical network, satellite network Transmission based industry like FM radio, digital radio service, digital television, satellite television, cable television, IPTV and online services, Digital cable TV, network, Direct-to-home satellite services, MMDS Network, recording studio, printing media, entertainment services, etc</li> </ul>
<b>Service Industries</b>	<ul style="list-style-type: none"> <li>Industrial enterprises as mentioned in Schedule 8 as Workshop, printing press, professional research and development, management, engineering and design, legal, accounting, auditing teaching/training, educational and technical consultancy services, ginning and bailing business, cinematography, construction business, public transportation business, photography, hospital, nursing home, educational and training institution, library and museum services, laboratory, air services, sports services, non-agro cold storage, house wiring and electrical fitting and maintenance, waste management services, cargo and courier services, advertising services, packaging and refilling services, foreign employment services, Wholesale and retail trading, operating Cinema hall and multiplex, e-commerce, Leasing, Repackaging, Service apartment, Food court, Catering, and Investment company etc.</li> </ul>

## Compliance Requirement

Industries are required to submit/notify certain details/information to the authorities upon bringing industry into operation and within 6 months from the date of expiry of the fiscal year. A notification is also required to be given to the authorities when the industries stop their operation.

## Approval Requirement

Approval of Industry Registration Body is required for certain changes in the industry. For instance, approval required for :-

- a) Extension of the time period for bringing the industry into operation,
- b) Change or Transfer of Ownership,
- c) Increase Capital, Capacity and Add or Change Objectives, and
- d) Change in Location

Further, approval from the Industry and Investment Promotion Board is also required for the registration of industry which are listed in Schedule -1 of the IEA, 2076 (2020 CE).

## Fixed Capital of Industry

Fixed capital of an industry shall consist of the following assets:

- Construction or physical renovations made on land and underground, space, water or below water,
- Surface physical infrastructure (such as sewerage, internal road, drinking water, water supply system),
- Office of industry, factory building or warehouses,
- Residential building constructed for employees or workers,
- Electric supply and equipment or system related to it,
- Machines, instruments tools and reserve spare parts,
- Transport vehicles,
- Office tools and equipment of capital nature,
- Furniture, fixture and furnishing,
- Communication provisions and equipment,

*Note: The following expenses incurred before the establishment of industries or at various stages of construction phases shall be included in the valuation of fixed capital of industry:*

- *Technical or supervision expenses to be capitalized,*
- *Pre-investment and pre-incorporation expenses,*
- *Interest expenses to be capitalized,*
- *Environment impact assessment and research cost to be included in the operation of the industry.*

## Exemption or Concession on Taxation to Industry

Certain exemption or relaxation is granted on Income Tax, Value Added Tax and Custom Duty to industries registered under IEA 2076 (2020 CE).

**Please refer the 'Taxation' part of "Doing Business in Nepal 2024" for details.**

In addition to relaxation mentioned in 'Taxation' part above, following additional benefits and exemptions are provided to following industries.

- No fees or royalty pursuant to the existing laws shall be applicable in electricity produced by industry for its own consumption.
- Such industry willing to sell surplus electricity to any other industry, may sell so pursuant to existing laws in the rate agreed upon by both parties.
- Government of Nepal may provide additional exemptions and facilities to export based industries and prescribed industries established inside Special Economic Zone or inside Government or Private Industrial Estate by publishing notice in Nepal Gazette.
- Government of Nepal may provide additional exemptions and facilities by publishing a notice in Nepal Gazette to National Priority Industries or industry making optimum use of domestic raw materials, labor or skill or industries established by inventing new technology or goods inside Nepal upon recommendation of Industries and Investment Promotion Board.
- Industries operating under Foreign Investment may be given approval to import goods produced by the Parent Company located in foreign country for production, market development and promotion of new goods for a prescribed period under prescribed terms and conditions.

## Other Highlights

- Industry may be granted permission to acquire land more than the limit prescribed in the existing laws related to land, if required.
- No industry shall be nationalized.
- Government shall provide, if necessary, industrial security to the industry.

- Industries related to software development, data processing, business process outsourcing, or knowledge process outsourcing having an annual turnover exceeding five crore shall be provided with incentives and facilities as per the prescribed procedure.
- Industry can hire a foreign national for a maximum period of five years in a high level managerial position, where no Nepalese national can be hired because of the lack of skill and expertise, and recommended by the Department of Industry with the permission from the Department of Labor.
- A foreign national, working in any industry with prior approval of the Department of Labor, may repatriate 70% of his/her salaries, allowances, emoluments, etc. in convertible foreign currency.
- Applicant obtaining permission from the Industry and Investment Promotion Board for registration of the industry as mentioned under Schedule-1, cannot sale or change ownership or otherwise transfer the title before operation of industry, commercial production or starting business. However, if the applicant dies before operation of industry, commercial production or starting business, then legal heir of the applicant will carry remaining work.

### **Production by making Contract or Sub-Contract**

Any Industry, firm, company or enterprises which is in operation upon registration under prevailing law with similar objectives may produce any of its goods or sevices by making contract or sub contract with another industry.

### **Project loans for land Exceeding Ceiling**

Industries permitted to hold land above ceiling may obtain loans from banks and financial institutions, based on the Detailed Project Report (DPR), for capacity expansion of the industry by mortgaging a portion of the land not exceeding fifty percent of the total land area.

However, if the land acquired exceeding ceiling is used for the project implemented with the approval of Government or its relevant bodies in a condition that after the prescribed time limit whole project shall be transferred to the government or its relevant bodies , such excess land can be mortgage to Banks and Financial Institutions for project financing.

## Project loans from Foreign Financial Institutions

Any industry may obtain a project loan (project loan or project financing) from a foreign financial Institution with the approval of Nepal Rastra Bank as per prevailing Nepalese laws.

## No Illegal Strikes Allowed

The Act restricts employees to carry out any strike which may affect the operation of an industry and its production. However, this provision does not restrict the employees to put their legitimate demands to the management peacefully and resolve them in a mutual consensus way based on the prevailing Labor laws.

## One Stop Service Centre

The Ministry of Industry, Commerce & Supplies (Ministry) has established One Stop Service Center (Centre). All services required by an industry including concessions, exemptions, facilities and incentives shall be provided through this Centre in an easy and spontaneous manner. In addition, other administrative services such as approval, registration, expansion and approvals for industries will be provided from the Centre on a timely manner.

## Corporate Social Responsibility (CSR)

Medium or large-scale industry or cottage/small scale industry with annual turnover of more than NPR 150 million has to allocate at least 1% of its annual profit for CSR activities every year. The amount spent under CSR requirement can be deducted for the purpose of income tax. The plans and programs related to CSR shall be submitted within six months after the end of every financial year to the DOI. The formulated plans and programs for CSR shall be implemented in co-ordination with local authorities.

For non-compliance of the CSR provisions, fine shall be imposed equivalent to 1.5% of Net Profit every year. (Additional fine equivalent to 0.5% of Net Profit for entities failing to comply for more than 1 year.)

## Industrial Enterprises Rules, 2078 (2022 CE)

### Reports to be submitted

Industries are required to submit following reports (physically or through electronic medium) within 6 months from the end of each financial year to the Industry Registering Authority:

- Audit Report
- Tax Clearance Certificate of previous year
- Updated report of the industry as per Annexure 13 of the IE Rules, 2078 (2022 CE)

### Cooperatives are allowed to register Industry (Rule 14)

Following types of Cooperatives registered and operating as per prevailing law are allowed to register industry subject to the IEA 2076 (2020 CE), IE Rules 2078 (2022 CE) and the By-rules of the Cooperative:

- Producer Cooperatives,
- Consumer Cooperatives,
- Labor Cooperatives, or
- Multipurpose Cooperatives

However, Financial Cooperatives carrying on saving and Credit transactions are not allowed to register industry.

## Public Private Partnership and Investment Act, 2075 (2019 CE)

### Infrastructures Covered Under the Act

Infrastructures covered include: roads, tunnels, bridges, canals, reservoir, sewerage, cable cars, railways, tramways, metro rail, mono rail, sky rail, trolley bus, rapid bus transit, dry port, water stoppage, airports, hospitals, cold stores, warehouse, public city hall, stadiums, hydro power, renewal energy generations, transmission and distribution, exhibition hall, entertainment parks, waste treatment plants, telecommunication, Financial Market Infrastructure, agriculture, education, etc. and other infrastructures of similar nature.

## Investment Approval

The approval for foreign investment shall be provided by DOI.

## Forms of Public Private Investment

The public private investments can take any of the following forms:

- a) Build and Transfer (BT);
- b) Build, Operate and Transfer (BOT);
- c) Build, Own, Operation and Transfer (BOOT);
- d) Build, Transfer and Operation (BTO);
- e) Lease, Operation and Transfer (LOT);
- f) Lease, Build, Operation and Transfer (LBOT);
- g) Development, Operation and Transfer (DOT);
- h) Management, Operation and Transfer (MOT);
- i) Rehabilitation, Operation and Transfer (ROT).
- j) Similar other method.

## Process of granting License

The process for undertaking an infrastructure project under this law is as follows:

1. The appropriate authority (Investment Board, Nepal Government, State Government or Local Government) will short list the projects in which a PPP is sought.
2. The list of projects will be published inviting an EOI for the research and study of the project.
3. Alternatively, any entity desirous of implementing a project which it has identified, may submit their EOI directly to the appropriate authority without any public notice. In such case the appropriate authority may either directly award the license to carry out detailed study to the applicant or call for competitive bidding if the bidding option seems more rational.
4. EOI should be furnished with all the required details within the stipulated time stated in the Notice.
5. The appropriate authority will short list the potential candidates, and will invite proposals from them.

6. The appropriate authority, after evaluating the technical proposal, the proposed royalty, and the financial proposal (including details of tariffs to customers), will select the best candidate.
7. The appropriate authority will grant a license to carry out the detailed study of the project and will obtain a performance bond from the selected entity.
8. The entity enters into a PPP agreement with the respective authority. Such an agreement includes the details of project, the commencement and completion date, the facilities and the exemptions, the license period, milestones, a timetable, technical standards and quality, the conditions to transfer the project to the appropriate authority, royalties, etc.

### **Restriction for Certain Project Implementation**

Following Projects shall not be carried out through public-private partnership:

- a) To be operated with the objective of obtaining any work or service from the private sector without transferring its financial, technical or operational risks,
- b) Projects relating to security of the country,
- c) Projects, which the Board has specified as the projects not to be implemented on public private partnership

### **Project Implementation through direct negotiation**

Where a suitable proponent could not be selected even after notice for at least two times then the concerned authority may cause the project implemented through direct negotiation. Further, any project, which deemed appropriate, to be implemented through direct negotiations for any of the following reasons, may also be implemented through direct negotiation:

- Having no possibility of competition owing to nature or cost of the project,
- Having new concept or technology involved,
- Project selected as the one to be implemented on national priority basis,
- Any project which is not appropriate for the project to adopt the complete process.

## Companies Act, 2063 (2007 CE)

### Service restriction

To carryout following business a company must be registered as public company. Public company shall mean a company having paid up capital of not less than NPR 10 million and at least seven promoters.

- Banking
- Insurance
- Financial services
- Business relating to securities (stock) market
- Retirement Fund
- Mutual Fund
- Telecommunication service (if paid up capital exceeds NPR 50 million)
- Other business or transactions as may be prescribed.

### Issue of shares in premium

Listed companies can issue shares at premium as per the prevailing Security laws. Private companies can issue shares at a premium if decided by its General meeting provided the company has positive net-worth.

**Share premium shall be used for only following purpose:**

- Issue of bonus shares
- Payment of Premium on redemption of redeemable preference shares
- Writing off the preliminary expenses
- Reimbursement of the commission paid or discount allowed on issue of shares.

### Issue of different class of shares

Registered companies can issue different classes of shares with different rights by making suitable provision in Articles and Memorandum of Association including Preference and Ordinary shares as general practiced.

### Restriction on transfer of shares

If a private company is enjoying Loan facility from any company, then its promoters cannot sale/transfer/mortgage their shares unless:

- a. all their shares have been fully paid and
- b. first annual general meeting of the company has been held.

## Buyback of shares

A company shall not buy back its own shares or lend money against security of its own shares.

However, company can buy back its own shares out of its free reserves available for distribution as dividend by giving information to the OCR, if following conditions are satisfied:

- Shares issued are fully paid up.
- Buy-back is authorized by the Articles of Association.
- Special resolution has been adopted at the general meeting authorizing the buyback.
- After buyback, Debt (both secured and unsecured) of the company will not be more than double of its capital and general reserves.
- Value of shares to be bought back is not more than 20% of its paid up capital and general reserves.
- Buyback is not in contravention of any directives issued by OCR.

After adoption of special resolution to buy back of shares, a company can buy back its shares in any of the following manner within 12 months.

- Purchase shares from stock exchange.
- Purchase from employees who are allotted shares.
- From existing shareholders on proportionate basis.

Details of bought back shares shall be submitted to OCR within 30 days. A sum equal to the marked price of bought back shares shall be transferred to Capital Redemption reserve fund and the amount of such fund shall be maintained as paid up Capital. The Company shall cancel the shares bought back within 120 days from the date of such buy-back.

Once a company buys back any class of shares, it shall not reissue the shares of that class, except for the issue of bonus shares or payment of its liability prior to the expiration of two years after such buyback.

## Prohibition on certain acts

The BOD of a company enjoying loan facilities from banking and financial institutions shall not do following acts unless authorized by special resolution in general meeting:

- Sale/donate/gift/lease/or otherwise dispose of more than 70% of one or more undertakings being operated by it,
- Take loan (except credit facilities for a term not exceeding 6 months) where the loan amount exceeds the company's paid up capital and free reserves.
- Make a contribution, donation or a gift (except for employees' welfare or business promotion) of a sum exceeding NPR 100,000 in one financial year or 1% of the average net profits of the company during the last three financial years whichever is lesser.

## Special provision for single shareholder company

Unless otherwise provided in the articles, all acts and decisions required to be done/made by the BOD or general meeting shall be as decided in writing by the single shareholder and no meeting of BOD or general meeting shall be required to be called. In practice, the single man companies are operating based on the shareholder's decision without BOD and AGMs.

## Provisions Relating to Foreign Companies

A foreign company shall not carry any business transaction in Nepal without registering a branch office in OCR.

A foreign company shall not establish a liaison office in Nepal without registering such office in OCR. A foreign company registered as liaison office cannot do any income earning activities in Nepal.

If a foreign company has made investment in shares of a Nepalese company or provided loan to a Nepalese company or participated in the operation and management of a Nepalese company, then it shall not be treated as carrying business transaction in Nepal for above mentioned purpose.

A foreign company registered as branch office in Nepal can carry only the same type of business or transaction as is being carried on by it in the country where its registered office is situated or where it has been incorporated.

Foreign company shall keep books of accounts and prepare financial statements as prescribed.

## Restriction on certain transactions between companies

No company shall:

- Lend money to another company or
- Give guarantee for loan taken by another company or
- Make investment in the securities of another company in excess of an amount that is 60% of paid up capital and free reserves or 100% of free reserves whichever is higher.

However, this restriction does not apply to:

- Bank and FIs,
- Insurance,
- Company with main objective to buy and sale securities or only make investment,
- Private company with no loan from Bank and FIs,
- Company providing Infrastructure facility,
- Holding company making investment in its wholly owned subsidiary,
- Loan/Guarantee given by Holding company to its wholly owned subsidiary,
- Investment made in right shares.

## Company Secretary

A company with paid up capital NPR 10 million or more shall appoint a company secretary.

Member of board of directors of a company could not be appointed as Company secretary of same company.

No person shall be appointed as Company secretary in more than one company. However, Company secretary of a holding company can be appointed in subsidiary company also.

## Requirement of Accounting, Book keeping and Reporting

Nepalese Companies Act requires every company to maintain books of accounts according to the double entry system of accounting in consonance with the prevailing accounting/reporting standards. Companies are required to prepare financial statements and get it audited within six months of the end of financial year. Nepalese financial year starts on Shrawan 1st (mid July) and ends in Ashadh end (mid July) of next year.

Nepalese companies are required to prepare their financial statements as per Nepalese Financial Reporting Standard (NFRS), which is very close to IFRS.

Minutes of AGM along with audited financial statements and a number of other periodic reports are required to be submitted to the Company Registrar's Office, non-compliance of which will attract penal charges.

## **Labor Act, 2074 (2017 CE)**

### **Applicability**

The Act applies to a company, private firm, partnership firm, cooperatives, association or other organization ("entity") operating, established, incorporated, registered, or formed under the prevailing laws to undertake industry, or business, or provide a service (or services) with or without a profit motive. It also applies to entities registered in foreign countries and engaged in the promotion of trade, the sale of products, or the promotion of other works in Nepal.

The Act is not applicable to: Civil service; Nepal army; Nepal Police; Armed Police Force; National Investigation; Entities incorporated under other prevailing laws or situated in Special Economic Zones (SEZ) to the extent separate provisions are provided, working journalists, unless specially provided in the Contract.

### **Employment**

Employer can appoint worker/employee for a regular/work based/time bound/Casual/Part-time employment by entering into a contract. Also, employer can hire interns accepting agreement with Educational institution and Trainees as required.

- Regular Persons hired for work or services other than work based, time bound, casual, or piece rate employment.
- Work Based Persons hired for rendering a specific service.
- Time Bound Persons hired for rendering services for a definite time period.
- Casual Persons hired for seven days or less in a month.
- Part-time Persons hired for 35 hours or less in a week.

Labor Act also provides provisions for Outsourcing of certain manual works such as security personnel, drivers, cleaning staffs, messengers etc.

A maximum of 6 months' probation period is allowed.

## Foreign employee

Foreign National cannot be appointed as an employee without obtaining permission from the Labor Department. Prior to engaging a foreign national in work, the entity must publish an advertisement in national level Daily Newspaper to fulfill the vacant posts by Nepali citizens. If no application is submitted by Nepali citizen, or no local skilled person is available for any work even after the vacancy announcement, foreign national can be hired for the work, by obtaining the approval of Labor Department.

However, in following cases, labor department can give permission to foreign nationals by keeping a record:

- Where the entity is formed /operated under a foreign investment or foreign aid, then CEO of such entity and employees in specified numbers as prescribed.
- Any technical person coming to Nepal for Machinery repair/installation or similar casual work may be provided work permit simply by recording in the Labor Department for a period not exceeding 3 months.

## Working Hours for employee/workers

The working hours for any employee/worker shall not exceed 8 hours per day and 48 hours per week. However, overtime is allowed not exceeding 4 hours per day and 24 hours per week. For the overtime, employee shall be paid at the rate of 1.5 times the normal basic remuneration. Employer shall arrange the transportation facility if employee is required to come or leave office before sunrise or after sunset.

A 30 minutes break is provided after 5 hours of work, where the work can be interrupted. Where the work cannot be interrupted, a break is provided after shifts. The facility of replacement (in-lieu-of) leave is available for workers working on public or weekly holidays.

## Remuneration to employees

Employer shall provide remuneration to employee from the first day of employment.

Employee shall get annual salary increment (grade) after completion of each year of service period at a minimum rate of half day's basic remuneration.

Minimum remuneration prescribed by the Government pursuant to the notice published in Nepal Gazette dated 17th July 2024 is as below: (Separate rate for Tea States)

Period	Basic Pay	Dearness Allowance	Total
Monthly	12,170/-	7,380/-	19,550/-
Daily	470/-	284/-	754/-
Hourly	63/-	38/-	101/-
Per hour minimum remuneration of the part time employees	-	-	107/-

## Retirement Benefits

### PROVIDENT FUND

- Rate: 10% of basic remuneration.
- Eligibility: Since the first day of employment.
- Time of Allocation: Every month (time of payment of remuneration).
- Deposited in: Social Security Fund. (Previously deposited in EPF or any other approved Retirement Fund; or paid in cash along with remuneration).

### GRATUITY

- Rate: 8.33% of basic remuneration.
- Time of Allocation: Every month (time of payment of remuneration).
- Eligibility: Since the first day of employment.
- Deposited in: Social Security Fund (Previously deposited in approved fund, or paid in cash along with remuneration).

### LEAVE ENCASHMENT

- Rate: At the rate of last drawn salary.
- Accumulation: Home Leave up to 90 days, Sick Leave up to 45 days.
- Encashment: At the time of discontinuation of service.

### Leave of employee

Employee shall get paid leave as below:

- Weekly leave of 1 day per week.
- 13 days of public holiday including May 1st for (male workers) and 14 days of public holiday including international Women day for female employees.
- Home leave at a rate of 1 day for every 20 days of service.
- Fully paid sick leave of 12 days per year.

- Pregnant woman can get leave up to 14 weeks, fully paid for 60 days. Male employee can get up to 15 days, fully paid paternity leave if his wife is pregnant.
- Mourning leave of 13 days if father/mother died in case of male worker. Also, allowed to female worker if she is required to stay in mourning on the death of her father/mother or her father-in-law/mother-in-law.
- Leave in lieu for the employees put in work on public holiday or weekly off.
- Employee can accumulate leave up to 90 days of home leave and 45 days of sick leave and excess accumulation should be encashed every year.

## Other Benefits

- **Festival Expenses:** An amount equivalent to the monthly remuneration, once a year. The employee not completing 1 (one) year service is entitled to the expenses on a proportional basis.
- **Death Compensation:** The nearest successor is entitled to the applicable amount of accident.
- **Medical Insurance Coverage:** At least one hundred thousand rupees (NPR 100,000) per year for every worker. (Premium: Half by the employer, and half by the employee).
- **Accident Insurance Coverage:** At least seven hundred thousand rupees (NPR700,000) for every worker (Premium: Fully paid by employer).

# Contribution Based Social Security Act, 2074 (2017 CE)

## Contribution to the Fund

Employers are required to be listed in the Social Security Fund within the time prescribed by the government. A listed employer shall regularly deposit contributions to the Fund as specified on a monthly basis (unless otherwise specified or where a full month's contribution is not required) beginning from the day of listing of an employee until their last day of employment. Contributions shall be deposited to the Fund within 25 days from the end of the month.

## Delay in Deposit of Contribution by the Employers

Interest at the rate of 10%, in addition to the amount of the contribution, shall be charged by the Fund for failure to deposit the contribution within 25 days from the month end. A listed employer can, within 30 days following the due date for depositing the contribution, file an application in writing specifying the reasons and the basis of the occurrence of the uncontrollable event, resulting in the delay. If the explanation so provided is considered reasonable, the Fund shall provide a full, or partial, waiver of the interest amount and permit the deposit with or without interest.

## Failure to Deposit the Contribution

Where contributions are not deposited, the Fund will notify the related institution of the following actions to be complied within 15 days of the notification:

- Freeze bank accounts of such employers;
- Freeze movable and immovable properties of such employers;
- Abrogate all the facilities received by law;
- Cancel the license of such employers; and,
- Freeze the passport of the concerned personnel.

## Contribution by Employer on behalf of Employees

Where, for any reason, the related employee is not entitled to a salary and fails to deposit his/her contribution into the fund on a regular basis, in such case, the listed employer should contribute to the fund on behalf of the employee, for a maximum period of 3 months.,

## Entitlement in Social Security Program

A contributor to the fund is entitled to receive all benefits as prescribed under the Contribution Based Social Security Act 2074 (2017 CE) (and in the social security program rules) on a proportionate basis of contribution and for period as specified in the fund.

## Contribution to Social Security Fund (SSF)

A total of 31% of the basic pay of an employee should be contributed to the SSF. The contribution of the employer and employee shall be 20% and 11% respectively. Out of the total contribution amount, the distribution for various social security schemes shall be as follows:

Schemes	Total Contribution
Old-age protection scheme	28.33%
Medicinal Treatment, Health and Maternity Protection Scheme	1.20%
Accident and Disability Protection Scheme	0.80%
Dependent Family Protection Scheme	0.67%
<b>Total</b>	<b>31%</b>

## Bonus Act, 2030 (1974 CE)

### Bonus Provision

Every profit-making enterprise shall make provision of bonus equal to 10 % of its net annual income for the financial year.

In case of government owned enterprises, the rate of bonus and other conditions shall be as decided by the Nepal Government.

### Conditions for Bonus

Employees should have worked at least half of the total period during the financial year to be eligible for bonus. Overtime is not counted for this purpose.

For Employees working less than the prescribed period, bonus amount shall be deducted proportionately.

Bonus shall be deducted for the period of illegal strikes proportionately.

### Limit of Bonus amount

Employee shall not get bonus in excess of:

- Amount equivalent to 8 months' remuneration/wages if the monthly remuneration/wages is up to 2 times of the minimum remuneration fixed by the Government of Nepal.
- Amount equivalent to 6 months' remuneration/wages if the monthly remuneration/wages is more than 2 times of the minimum remuneration fixed by the Government of Nepal.

### Distribution of Bonus

Bonus under this Act shall be distributed:

- Only in cash,
- Within 8 months from the end of the financial year, the period may be extended for 3 months by the Labor Department. Alternatively, with permission, an enterprise may distribute bonuses of two fiscal years together in the next fiscal year.

### Reporting to Labor Department

After completion of Bonus distribution, a report in the prescribed form shall be submitted to the Labor Department within 7 days.

# E-Commerce Act, 2081 (2025 CE)

## Definition

Electronic commerce (e-commerce) refers to the process of buying or selling goods or services through an electronic platform. However, merely using an electronic platform to provide information about or promote goods or services will not be considered as engaging in electronic commerce (e-commerce).

## Registration and Licensing

- All e-commerce businesses must be registered with the Department of Commerce, Supplies, and Consumer Protection. This applies to individuals, firms, companies, or organizations engaged in e-commerce within Nepal or targeting Nepalese consumers from abroad.
- Businesses must provide details such as their corporate name, physical address, registration number, VAT or PAN number, and contact information for customer service and grievance resolution.

## Consumer Protection

- E-commerce platforms are required to ensure transparency in pricing, delivery charges, and product details. They must display accurate information about goods and services offered.
- Consumers have the right to return goods if they are not as advertised, damaged, or delivered late. Refunds or cancellations must also be facilitated in such cases.
- Customer information must be kept confidential and cannot be misused or shared without consent.

## Prohibited Activities

- Certain goods and services may not be traded online if restricted by law or explicitly prohibited by government notifications published in the Nepal Gazette.
- Conducting e-commerce without proper registration or failing to disclose required business details is considered an offense and can attract penalties.

## Import and Export Provisions

- Any individual, firm, company, or organization may import goods or services by purchasing them from a foreign firm, company, or organization engaged in electronic commerce, subject to the prevailing federal laws.
- A business operating through an electronic platform in Nepal may export goods or services to a foreign individual, firm, company, or organization. This can be done based on mutual agreements and in compliance with prevailing federal laws, ensuring payment security through the banking system before exporting such goods or services.

## Abbreviations

ADB	Asian Development Bank
AGM	Annual General Meeting
AIIB	Asian Infrastructure Investment Bank
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BIPPA	Bilateral Investment Promotion and Protection Agreement
BOD	Board of Directors
BOOT	Built Own Operate and Transfer
BPO	Business Process Outsourcing
BRI	Belt and Road Initiative
BRT	Bus-Rapid Transport
CEO	Chief Executive Officer
CIB	Credit Information Bureau
CSR	Corporate Social Responsibility
DG	Director General
DOI	Department of Industries
DST	Digital Service Tax
EOI	Expression of Interest
EIA	Environmental Impact Assessment
EPF	Employee Provident Fund
EPR	Environment Protection Rules
FCC	Financial Credibility Certificate
FDI	Foreign Direct Investment
FITTA	Foreign Investment and Technology Transfer Act
FY	Financial Year
GDP	Gross Domestic Product
GNI	Gross National Income
IBN	Investment Board of Nepal
ICT	Information and Communication Technology
IEA	Industrial Enterprises Act
IEE	Initial Environmental Examination
IFRS	International Financial Reporting Standard
IMF	International Monetary Fund
IRD	Inland Revenue Department
JVA	Joint Venture Agreement
KW	Kilowatt
LDC	Least Developed Country
MIGA	Multiple Investment Guarantee Agreement
MW	Megawatt
NFRS	Nepal Financial Reporting Standards
NPR	Nepalese Rupees
NRB	Nepal Rastra Bank (Central Bank of Nepal)
OCR	Office of Company Registrar
PAN	Permanent Account Number
PCA	Post Clearance Audit
PPP	Public-Private Partnership
PTA	Power Trade Agreement
ROI	Return on Income
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Area
SDG	Sustainable Development Goals
SEZ	Special Economic Zone
SPA	Share Purchase Agreement
SSF	Social Security Fund
TDS	Tax Deducted at Source
UNCTAD	United Nations Conference on Trade and Development
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNCITRAL	United Nations Commission on International Trade Law
USD	United States Dollar
VAT	Value Added Tax
VCF	Venture Capital Fund
WDV	Written Down Value
WTO	World Trade Organization

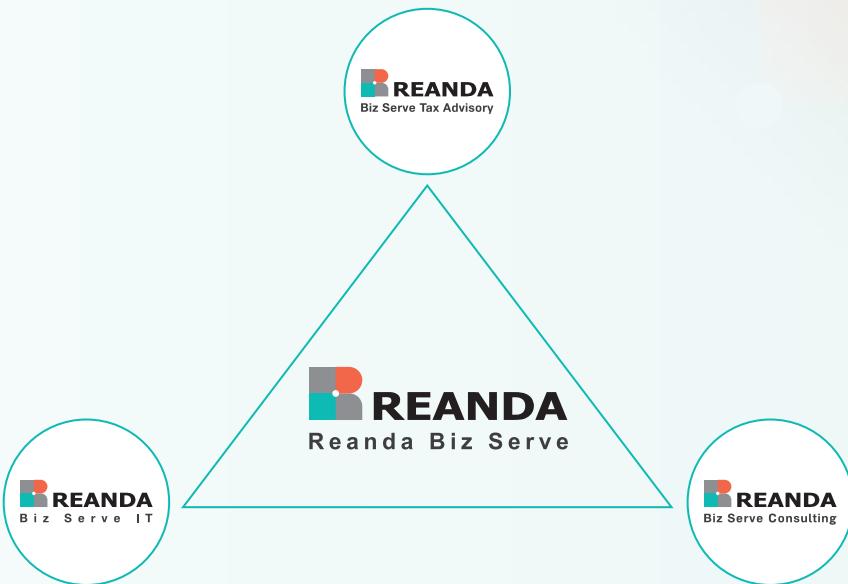
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### — Contact Us —



Level 6, Sunrise Bizz Park  
Dillibazar, Kathmandu



+977-1-4513535



bizserve@bizserve.com.np



[www.bizserve.com.np](http://www.bizserve.com.np)  
[www.reanda-international.com](http://www.reanda-international.com)

