FOR MORE INFORMATION:

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

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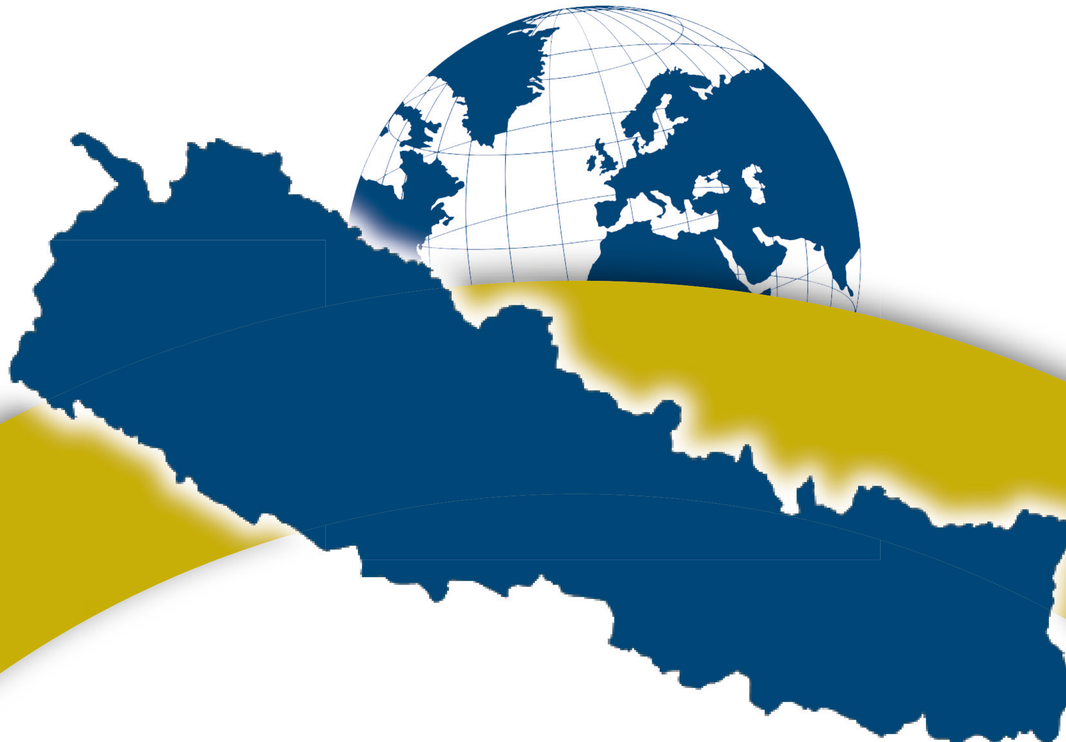


Why invest in NEPAL?

Nepal, strategically located between two of the world's fastest-growing economies—India and China—offers significant opportunities for investment, production, and trade in both goods and services. The country's diverse geography, abundant natural resources, and rich cultural heritage, combined with ongoing improvements in basic infrastructure, have enhanced its attractiveness as an investment destination. Opportunities exist across a wide range of sectors, including manufacturing, agro-processing, energy, tourism, and other service industries. Nepal's key comparative advantages include access to substantial natural resources, a growing domestic market, preferential access to neighboring markets, and a young and increasingly capable workforce.

Nepal actively promotes Foreign Direct Investment (FDI), recognizing its critical role in supporting national economic development. FDI contributes not only to capital formation and increased productive capacity but also facilitates the transfer of technology, skills, innovation, and managerial expertise. The Government of Nepal has adopted a liberal and investor-friendly policy framework and continues to review and refine its legal and regulatory environment to further encourage FDI inflows. In addition, Nepal provides national treatment to foreign investors and allows for the repatriation of profits, thereby reinforcing investor confidence and fostering a conducive business environment.

In this context, this book is intended to serve as a comprehensive guide for investors, policymakers, and stakeholders seeking to explore and engage with Nepal's investment landscape. It aims to provide clear insights into policy frameworks, regulatory procedures, and practical considerations for doing business in Nepal. By bridging information gaps and highlighting both the opportunities and the enabling environment, the book seeks to facilitate and promote increased investment inflows, ultimately contributing to Nepal's sustainable economic growth and development.

FDI in Nepal (As per Foreign Investment and Technology Transfer Act,2019)

Nepal allows the following categories of FDI:

- Foreign currency investment in shares
- Investment through shares or assets purchased in a company in Nepal
- Investment through establishing and expanding industry
- Investment through leasing of machinery
- Investment through technology transfer
- Investment through venture capital funds
- Investment through specialized investment fund
- Investment through the secondary securities market
- Reinvestment of dividend amount received from foreign investment
- Investment Through Banking Channel Issuing Securities in Foreign Capital Market by Industry or Company in Nepal

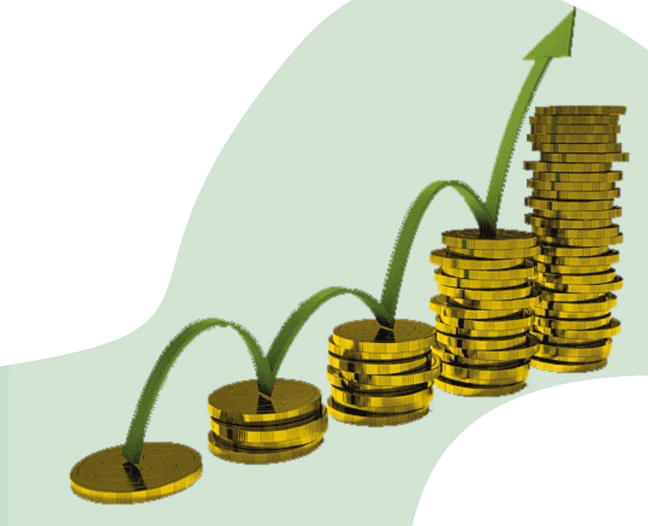
Minimum Investment Threshold

Nepal has a minimum threshold for industries with Foreign Direct Investment (FDI). In October 2022, the government lowered the foreign investment threshold to NPR 20 million. No minimum threshold for investment only in (9) nine subsector of ICT Sector through automatic route.

Policy and Legal Environment

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

- Foreign Investment and Technology Transfer Act, 2019
- Industrial Enterprise Act, 2020
- Company Act, 2006
- Public Private Partnership and Investment Act, 2019
- Income Tax Act, 2002
- Foreign Investment And Technology Transfer Regulation, 2021
- Industrial Enterprise Regulation, 2022
- Environment Protection Act, 2019
- Environment Protection Regulation, 2020

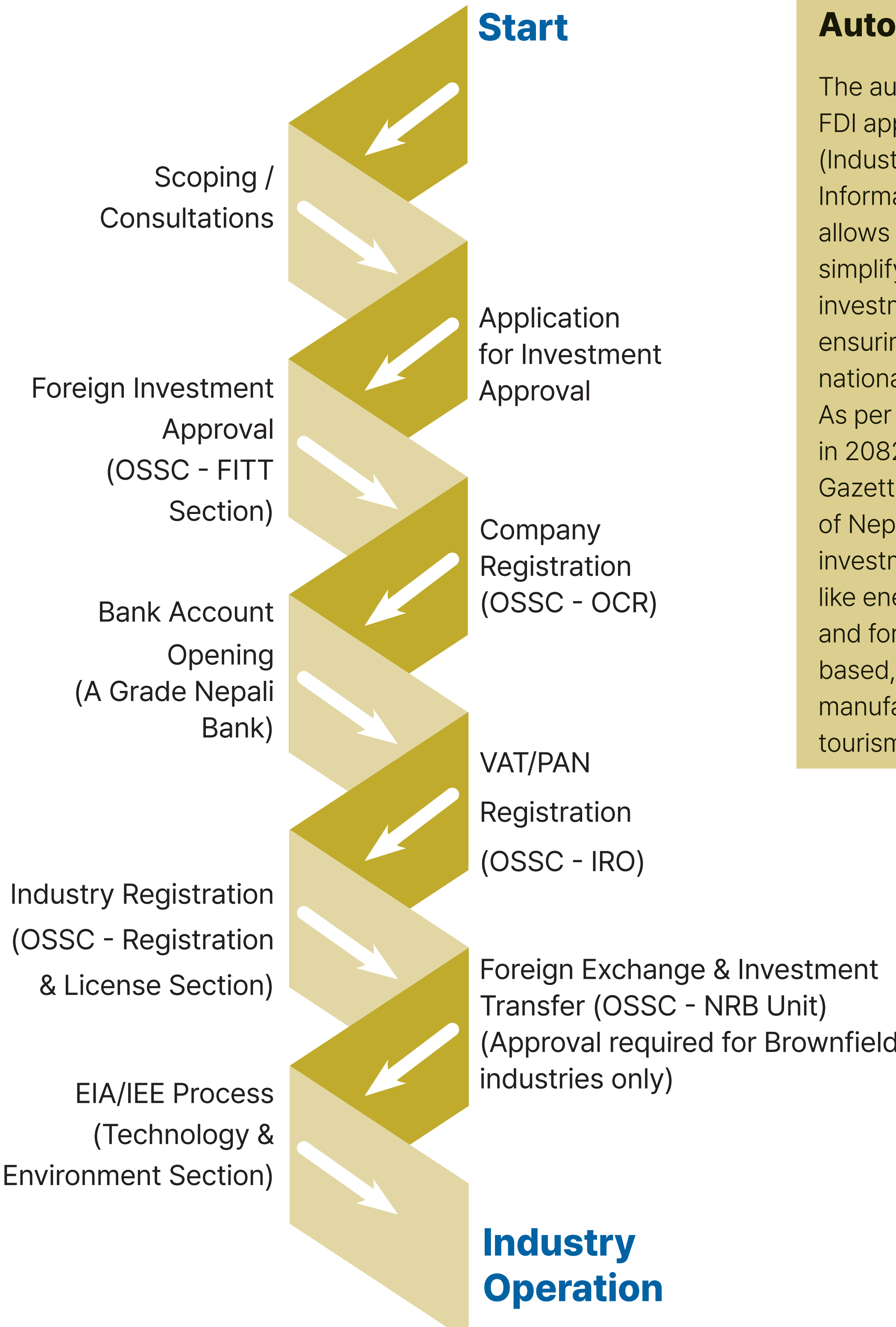


Steps related to FDI approval

Tasks	Concerned authority	Related laws and regulations
Foreign investment approval	Department of industry, Foreign investment and technology transfer section	Foreign Investment and Technology Transfer Act, 2019 (FITTA, 2019), and amendments
Company registration	Office of the Company Registrar	Company Act, 2006, and amendments
Bank account opening	A-grade Nepali commercial banks	Bank and Financial Institution Act, 2017
VAT/PAN registration	One Stop Service Center (OSSC)/Inland Revenue Office	VAT Act, 1996, Income Tax Act, 2002, and amendments
Industry registration	Department of Industry, Licensing and registration section	Industrial Enterprises Act, 2020, and regulations
Pre-Notification for foreign investment	Nepal Rastra Bank (NRB)	Nepal Rastra Bank Act, 2002, and amendments
Foreign exchange and transfer of investment	Nepal Rastra Bank (NRB)	Nepal Rastra Bank Act, 2002, and amendments

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

FDI services offered at OSSC



Automatic Route

The automatic route for FDI approval through IMIS (Industry Management Information System) allows foreign investors to simplify and speed up the investment process while ensuring compliance with national regulations.
As per notice published in 2082/11/04 of Nepal Gazette, Government of Nepal has allowed investment in 7 sectors like energy based, agro and forestry based, ict based, infrastructure, manufacturing, service and tourism.

Steps for Automatic Route

Step-1	Step-2	Step-3	Step-4	Step-5
Open browser and login to: imis.doind.gov.np	Click Register for a new user or Login with your user credentials.	Now you can create the required application from the left pane of the dashboard	Complete the predesigned form with the attachments and submit the application	The application will be approved automatically by the system.

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

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

- Guarantees national and non-discriminatory treatment to all foreign investors.
- 100 percent foreign investment allowed in all types of industries except industries mentioned in the negative list of FITTA.
- Open to technology transfer in all industrial sectors.
- Guarantees repatriation of profits in convertible currency.
- Provides business/residential visas for investors.
- Provides for a One-Stop-Service Centre to facilitate and fast-track investment.
- Allows opening bank accounts in convertible foreign currency.
- Provides for dispute settlement as agreed between the parties in agreement.
- Automatic Route for investment in number of sectors.
- Online Foreign Investment Approval.

Public - Private Partnership and Investment Act 2019 (PPPIA)

- Provides for the formation of the Investment Board Nepal (IBN), a high-level body, to facilitate large infrastructure projects.
- Provides for a separate PPP Unit and Investment Unit.
- Provides for viability gap funding for construction, operation, and expansion.
- Provides for One-Stop Service Centre with authority to issue survey licenses, sign MoUs and agreements, and grant investment approvals, among others

Company Act 2006 (Amended in 2019)

- Statutory recognition for online company registration.
- Robust legal mechanism to protect trademarks.
- Allows a public company to hold 100% shares of a private company and vice versa without conversion.
- Simplifies the conversion of a liaison office of a foreign company into a branch office.
- Provides for buying back own shares to protect against hostile takeovers.
- Flexible provision for issuing shares at premium price.

Industrial Enterprises Act (IEA) 2020

- Classification of industry based on fixed asset investment and nature of business.
- "No work, no pay" provisions to restrict illegal strikes.
- Provides for a One-Stop Service Centre.
- Provides for importing goods from the foreign parent company for market development of new goods.
- Provides for hiring foreign nationals in high-level managerial positions.
- Provides for industrial environmental standards.
- Provides for contract manufacturing for supply of goods and services.
- Provides for allowing various fiscal incentives.

ONE STOP SERVICE CENTRE

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

The OSSC at DOI provides services related to FDI approval, recommends visas for foreign investors, their authorized representatives, and experts; approves Brief Environmental Study (BES) and Initial Environmental Examination (IEE)), and recommends foreign currency exchange facilities.

Foreign Investment Procedure

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

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

Documents Required for FDI Approval in Industry

The investment process in Nepal begins with investment approval. Different documents are required for specific types of approvals and permits, which are provided below:

- Online application for investment approval through the DOI portal: imis.doind.gov.np
- Project proposal signed and stamped by investor(s)
- Joint Venture Agreement (in case of more than one investor), signed by investors.
- Notarized copy of the passport of the foreign partner or Certificate of Incorporation, including Memorandum of Association and Articles of Association, if the party is a company.
- Notarized copies of the citizenship certificate of the local partner or Certificate of Incorporation, including Memorandum of Association and Articles of Association, if the party is a company.
- Biodata of the foreign investor or company profile signed by the investor
- Financial Credibility Certificate of the foreign investor issued by a home country bank.
- Letter of Authorization from the company or the investor (if necessary).
- Notarized copy of the foreign company's Board decision for investing.
- Notarized copy of the passport of the Shareholders/Director of the foreign company.

Approval of FDI in existing industry through share purchase

- Online application through the DOI portal: imis.doind.gov.np from the share transferor
- Share transfer agreements signed by investors.
- Notarized copy of Board meeting minutes, Certificate of Incorporation and company profile if the foreign party is a company.
- Notarized copy of passport and bio-data of foreign party, if the party is an individual.
- Notarized Financial Credibility Certificate of the Foreign Investor issued by a home bank,
- Current shareholders' list as recorded in the Office of Company Registrar, and Audit Report
- Tax Clearance Certificate/extension of certificate
- Letter of Authorization to sign on behalf of the company.
- Certificate of industry/company registration.
- Notarized copy of passport of Director/ shareholders of foreign company.

FDI through Technology Transfer

FDI through Technology transfer is permitted in the following areas:

- Patent, design, trademark, goodwill, technical know-how, use of technical knowledge (franchise), (formula), process,
- User license or provision of technical information (know-how sharing),
- 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

Documents required for FDI approval through technology transfer agreement

a. Online application through DOI portal: imis.doind.gov.np
b. Technology Transfer Agreement signed by investor.
c. Notarized photocopies of Certificate of Incorporation, including Memorandum of Association and Articles of Association of the domestic company
d. Notarized copy of passport of foreign investor or Certificate of Incorporation, including Memorandum of Association and Articles of Association if the party is a company.
e. Bio data of foreign investor or company profile signed by investor.
f. Minutes of the Board of Directors meeting from concerned companies for Technology Transfer.
g. Letter of Authorization from the company.
h. Notarized copy of current Audit Report and Tax Clearance Certificate.

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

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

a. Online application through the DOI portal: imis.doind.gov.np and a copy of the Industry and Company Registration Certificate.
b. Copy of FDI approval.
i. Minutes of the Board of Directors meeting.
ii. Approved Share Purchase Agreement.
iii. AGM decision on dividends.
c. Copy of the Approved Loan Agreement or an attested copy of the decision regarding compensation.
d. Copy of the approved Technology Transfer or Lease Investment Agreement.
e. Copy of the current Audit Report, Tax Clearance Certificate, and a notarized copy of a letter certifying no blacklisting.
f. Copy of the list of promoters and shareholders documented in the Company Registrar’s Office

g. Letter of FDI Recording in Nepal Rastra Bank.
h. Document showing the amount received from the sale of shares.
i. Royalty calculation by a Certified Chartered Accountant.
j. Copy of the document showing the amount paid as the principal or interest on FDI

Visas

Foreign investors or their authorized representatives and family members are eligible for business visas after they obtain FDI approval effective for the period of the investment. Applications for visa extensions must be submitted to the DOI 30 days before the expiration of the existing visa. Applications must be made in person when applying for a visa for the first time. The following documents are required with the application for different types of visas.

Business visa for investors

a. Online visa application through the DOI portal: imis.doind.gov.np
b. Notarized copy of passport with the most recent visa.
c. Letter of FDI approval from the Department of Industry
d. Copy of Industry/Company Registration Certificate
e. In the case of an industry in operation, an industry inspection report.
f. Notarized copies of the Letter of Authorization as a Representative of the foreign investor and passport.
g. Notarized documents of the relationship with the dependents.
h. Contact address and telephone number of the investor/representative.

Residential visa

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

a. Online visa application through the DOI portal: imis.doind.gov.np
b. Notarized copy of passport with most recent visa.
c. Evidence of investment equivalent to USD 1 million or more at a time.
d. Copy of the Industry Registration Certificate
e. Physical and financial progress reports from the industry.
f. Document certifying the relationship with the dependents.

Non-tourist visa for foreign workers

a. Online visa application through the DOI portal: imis.doind.gov.np
b. Copy of the job vacancy published in the national daily newspaper.
c. Notarized copy of the agreement between the worker and the industry.
d. Progress report from the industry.
e. Worker's biodata (showing their experience in the industry) and certificates of academic qualifications
f. Notarized copy of passport with most recent visa.
g. List of Nepali workers to be trained by the foreign workers.
h. Work approval and work permit.
i. Copy of Industry Registration.
j. Copies of the company's current Audit Report and Tax Clearance Certificate.

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

Compliance with environmental laws

Nepali laws require the approval of the Brief Environmental Study (BES) and Initial Environmental Examination (IEE) by the DOI, and an Environmental Impact Assessment (EIA) for establishing an industry, extension, and diversification of an existing industry. These approvals are provided under the Environment Protection Act, 2019.

Dispute resolution

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

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

Applicable Charges and Fees

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

S.N.	Particular	Details
a.	FDI approval	Free of charge
b.	Company registration	In accordance with the Company Act
c.	PAN/VAT registration	Free of charge
d.	Bank account opening	As per Bank and Financial Institution Act
e.	Industry registration	Free of charge
f.	Capital currency against foreign investment	Free of charge
g.	Visa	Fees as per Immigration Act

Note: Some services may require a refundable deposit.

Industries/businesses where FDI is not permitted (As per Foreign Investment and Technology Transfer Act, 2019 (FITTA))

- Other industries or businesses in the sector, excluding large industries related to primary agricultural products, agricultural technology and mechanization, such as animal husbandry, fisheries, beekeeping, fruits, vegetables, oilseeds, pulses, dairy business, and agricultural technology, which export at least seventy-five percent of their production,
- Cottage and small industries,
- Personal service business (hair cutting, tailoring, driving, etc.),
- Industries producing arms, ammunition, ammunition, gunpowder or explosives and nuclear, biological and chemical (NBC) weapons, industries producing atomic energy, radioactive materials,
- Real estate business (excluding construction industries), retail business, internal courier service, local catering

service, moneychanger, remittance service,

- Travel agency, guide involved in tourism, trekking and mountaineering guide, rural tourism including homestay
- Business of mass communication media (newspaper, radio, television, and online news) and motion picture in national languages,
- Management, accounting, engineering, legal consultancy service and language training, music training, computer training, and
- Consultancy services having foreign investment of more than fifty-one percent.
- Ride sharing with more than seventy percent foreign investment
- In the case of aircraft operation, training, maintenance and passenger service facility providing industries, foreign investment exceeding the following limits:-
  (a) International Airlines: Eighty percent
  (b) Domestic Air Services: Fifty-nine percent
  (c) Training Institute: Ninety five percent
  (d) Maintenance Institutions: Ninety five percent

Top 10 Countries of FDI

S.N.	Country Name	Total No Of Projects	Overall Foreign Investment
1	China	3271	289,906,564,000
2	India	912	115,776,269,800
3	Republic of Korea	416	26,411,580,000
4	United States of America	565	22,620,415,900
5	United Kingdom	208	14,469,680,000
6	Australia	96	4,767,262,100
7	Singapore	72	9,591,840,000
8	Bangladesh	192	3,301,392,000
9	Hong Kong	55	31,385,660,000
10	Japan	308	4,466,815,352