

BRIEF GUIDE FOR FOREIGN VISITORS INTENDING TO INVEST IN NEPAL.

Foreign investment and technology transfer Act governs foreign investment regime in Nepal, 1992 (FITTA).

Foreign investment and technology transfer act, 1992 permits:

1. Foreign investor to own up to 100 percent share ownership in **small, medium and large scale industries.**
2. Foreign investment in all industries (**classified from time to time**) except those in the **negative list**.

The following are the brief guide for foreign visitors, who are intending to invest in Nepal.

FIRST STEP

- a. The Department of Industries (DOI) can recommend non-tourist (NT) visa for a period of up to six months (one, two or three months – discretionary power of DOI) for research, market study and application procedure, if visitors need visa.
- b. Foreign visitors should complete their investment study, apply and get permission for foreign investment within this period from DOI.
- c. For obtaining this NT visa, visitor should apply to DOI with –
 - i. Bio data.
 - ii. Photocopy of the passport.
 - iii. Brief description of the business plan

The fee for this category of visa is US \$40 per month.

SECOND STEP

- d. Visitors once satisfied with the research and market study should apply to DOI in the prescribed form along with following documents, for foreign investment permission.

1. **Project Report**
2. Passport photocopy. (For individual investor)
3. Bio data. (For individual investor)

Or

- ii. Copy of certificate of incorporation. (If investor is a company)
- iii. Company profile. (If investor is a company)

D) Joint Venture Agreement, if proposal is a joint venture with a local promoter

E) Photocopy of citizenship certificate of local party, if local party is an individual investor.

Or

Photocopy of certificate of incorporation, if local party is a company.

F) Authority letters from the companies concerned.

G) Financial credibility of the foreign investor provided by a home country/domiciled country's bank.

NOTE

1. If fixed assets of the business proposal is up to N Rs 1000 million, permission is given by DOI within the period of 30 Days, if all documents are in order.
2. If fixed assets is more than NRs 1000 million permission is given by the decision of Industrial promotion Board, a period of above 30 days.
3. DOI issues permission letter on payment of stipulated **deposit** amount.

THIRD STEP

Once foreign investment permission is obtained from DOI, a company, **Private** or **public** has to be incorporated and registered under the provision of the **Company Act, 1997.**

For incorporation of a company, application should be filed at Company Register's office along with the following documents.

- e. Copy of the foreign investment permission letter issued by DOI.

- f. Passport photocopy or copy of company incorporation of the foreign investor.
- g. Joint venture agreement as certified by DOI.
- h. Copy of citizenship certificate or copy of company incorporation of the local party.
- i. Copy of the company's proposed articles and memorandum of association.
- j. **Registration fee.**

NOTE: -

1. Company's articles and memorandum of association has to be certified by a lawyer, therefore at this stage a legal consultant should be hired.
2. The company Registration can be completed within seven days.

FOURTH STEP

Once company is registered with Company Registrar's office, application should be filed with DOI for industry registration in the prescribed form along with the following document.

- Application form (A)
- Copy of the company registration certificate
- Articles of Association & Memorandum of Association
- IEA (**Initial Environment Examination**)/EIA (**Environment Impact Assessment**), if applicable

NOTE: - Industry Registration procedure can be completed within

1. Two days, if IEE/EIA is not required
2. Thirty days, if IEE is required
3. Nine months, if EIA is required

FIFTH STEP

The company should obtain income tax /VAT registration at Inland Revenue office (depending upon business location).

NOTE: -

1. No deposit is required for this registration.
2. Registration within 7 days.

SIXTH STEP

Opening of bank account and construction as described in the business plan.

1. On completion of fifth stage, investors and their dependants or representative and their dependants will be recommended business visa, initially for a period of one year at a time during construction phase and one or five years at a time (depending on performance) on operation of the industry and proof of foreign investment made.
2. The fee for such business visa is US\$ 100 per year per person.
3. For five years visa the fee is US\$ 250 per person.

k. Foreign visitors intending to invest in Nepal are strongly advised to consult DOI first.

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l. FFIN can also help to guide foreigners/ visitors on investment procedures.

POSITIVE LIST

1. Business classified as industries by **Industrial Enterprises Act, 1992**

- a) **Manufacturing Industry**- Industries which produce goods by utilizing or processing raw materials, semi-processed materials, by products or waste products or any goods.
- b) **Energy-Based Industries** :- Industries generating energy from water resources, wind, solar, coal, natural oil, gas, bio-gas or any other sources.
- c) **Agro and Forest based Industry** : - Business mainly on agriculture or forest products such as integrated sericulture and silk production, horticulture and fruit processing, animal husbandry, dairy industry, poultry farming, fishery, tea gardening and processing, coffee farming and processing, herbiculture and herb processing, vegetable seed farming, mushroom vegetable farming or vegetable processing, tissue culture, green house, bee-keeping, honey production, rubber farming, floriculture production and forestry related businesses such as lease-hold forests, agro-forestry, etc.
- d) **Mineral Industries** - Mineral excavation or processing there of.
- e) **Tourism Industries** - Tourist lodging, motel, hotel, restaurant, resort, travel agency, skiing, gliding, water rafting, cable car complex, pony-trekking, trekking, hot air ballooning, para sailing, golf course, polo, horse riding, etc.
- f) **Service Industries** : - Workshop, printing press, consultancy service, ginning and baling business, cinematography, construction business, public transport business, photography, hospital, nursing home, educational and training institution, laboratory, air services, cold storage, etc.
- g) **Construction Industries** -Road, bridge, ropeway, railway, trolley bus, flying bridge and industrial, commercial and residential complex construction and operation

2. Business classified as industries by the decisions of industrial promotion board on various dates

- a. **Manufacturing Industry**-
Manufacturing and packing of photographic film roll from jumbo roll by cutting, slitting, confecting, perforating and capping; Manufacturing of cinematographic film, medical and X-ray film, graphic art film, photographic paper through the process of cutting, slitting from imported jumbo roll
- b. **Agro and Forest based Industry**:-
Cotton farming, production and processing of cotton & cotton seeds; Commercial farming of Bamboo & Nigalo and manufacturing of various products from the same; Commercial farming of horticulture cash crops; Poultry breeding; Establishment, conservation & management of botanical gardens

c. **Tourism industry** :- Village tourism, Other adventure tourism business

d. **Service industry**:-

Photo film slitting; Photo paper slitting; Tissue paper slitting; Ball Bearing assembly; Telephone Service (Cellular telephone, Mobile telephone & paging telephone service) and Television broadcasting (Satellite television & Cable television transmission);Dyeing of textile yarn, yarn sizing and fabric printing (except textile industry doing for their own purpose); Computer software; Electricity and battery operated 3-wheel and 4-wheel public transport service; Battery charging service for above mentioned vehicles; Security Service to Banks & financial institutions, industries, hotels, office complexes, Diplomatic missions and residential buildings; Production of advertising materials and advertising agency business; Publication; L.P. Gas refilling service; Digital Mapping; Production and broadcasting of teledrama, telefilm, advertising materials, health and education related program and documentary film; L.P.Gas refilling service for cars & tempos; Rental, repair & Operation of heavy construction equipment: Commercial veterinary health service; Diagnostic service; Operation of convention hall; Sewerage collection & treatment; Operation of Drinking water supply system; Operation of fuel & gas pipeline; Operation of godown & storage facilities; Operation of airports; Operation of sports complex; Operation of ropeways; Operation of irrigation facilities; Operation of roads; Operation of electricity power stations; Operation of railways and their maintenance; Shipping business; Interior decoration; Courier service; CD ROM recording; Management and operation of Inland Container Depot

e. **Construction Industry**:-

Construction and operation of Road, bridge, ropeway, railway, trolleybus, tunnel, flying bridge & industrial, commercial & residential complex; Construction and operation official & residential complex Construction, management and operation of convention hall infrastructure; Construction, management and operation of sewerage system; Construction, management & operation of water supply pipeline Infrastructure; Construction, management & operation of fuel & gas Pipeline infrastructure; Construction, management & operation of Irrigation infrastructure; Construction, management & operation of Electricity power station and electricity transmission infrastructure.

1. Industrial pro motion board may decide to classify certain business not falling either in the positive list or negative list as industry depending upon on the nature and merit of the business, thus opening the business for foreign investment. Foreigners are therefore welcome to apply for foreign investment permission in the such business too.

NEGATIVE LIST

**Annex relating to sub-section (4) of section 3 of FITTA
Industries not to be granted permission for
making foreign investment**

Part (A)

- 1. Cottage Industries**
- 2. Personal Service Business (Business such as Hair cutting, Beauty Parlour, Tailoring, Driving Training, etc.)**
- 3. Arms and Ammunition Industries**
- 4. Explosives, Gunpowder**
- 5. Industries related to Radio-Active Materials**
- 6. Real Estate Business (Excluding Construction Industries)**
- 7. Motion Pictures Business (Produced in national languages)**
- 8. Security Printing**
- 9. Currencies and Coinage Business**

Part (B)

- 1. Retail Business**
- 2. Travel Agency**
- 3. Trekking Agency**
- 4. Water Rafting**
- 5. Pony Trekking**
- 6. Horse Riding**
- 7. Cigarette, Bidi (Tobacco), Alcohol (excluding those exporting more than 90%)**
- 8. Internal Courier Service**
- 9. Atomic Energy**
- 10. Tourist Lodging**
- 11. Poultry Farming**
- 12. Fisheries**
- 13. Bee-Keeping**
- 14. Consultancy Services such as Management, Accounting, Engineering and Legal Services**