

**Part Four
INVESTING IN NEPAL**

I. FOREIGN INVESTMENT POLICY AND REGULATIONS

The [Foreign Investment and Technology Transfer Act, 1992](#) lays down the law governing foreign investment and the applicable rules and regulations. It was amended in 1996 to make the environment of industrial investment more transparent and to simplify the administrative procedures.

The [Foreign Investment and Technology Transfer Act, 1992](#) defines "technology transfer" as any transfer of technology to be made under an agreement between an industry and a foreign investor on the following matters:

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

The [Nepal Industrial Policy, 1992](#) identifies foreign investment promotion as an important strategy in achieving the objectives of increasing industrial production to meet the basic needs of the people, create maximum employment opportunities and pave the way for the improvement in the balance of payments.

Foreign investment in Nepal is welcome in three forms:

1. Investment in share (equity).
2. Reinvestment of earnings derived from foreign investment.
3. Investment made in the form of loan or loan facilities.

Nepal encourages foreign investment as joint venture operations with Nepalese investors or as 100 per cent foreign owned enterprises. It also encourages foreign investment in every sector of the economy except for the sectors listed in box 5. The latter are not open to foreign investments as they are either reserved for national entrepreneurs in order to promote local SMEs and protect indigenous skills and expertise, or restricted for national security reasons.

Approval from the government is required for foreign investment in any other sectors than those listed in box 5 but no restriction is placed on the transfer of technology to the industries listed.

Cottage industries are traditional industries utilizing specific skills and local raw materials and resources which are labour intensive and related with national tradition, art and culture. Cottage industries include handloom; dedalloom, semiautomatic loom; warping; dyeing and printing; tailoring (other than ready-made garments); knitting; hand knitted woollen mat and blanket (radi, pakhi); woollen carpet; pashmina; woollen garments; carpentry; wooden artistic products; cane and bamboo works; natural fibre products; hand made paper and goods made up thereof; gold; philigiree products including silver, brass, copper, precious and semi-precious stones; ornaments; sculptures and pottery; leather cutting and tanning; rural tanning and leather goods producing works, jute, sabai grass, babio, choya, cotton thread products; artistic products made up of bones and horns; stone carving; ceramic fine arts; pauwa; boutique; incense stick (dhup); dolls and toys industries and cottage

industries with the fixed asset of up to NRs 200,000. Cottage industries do not include cigarette, bidi, cigar, chewing tobacco, khaini industries and industries producing other goods of a similar nature utilizing tobacco as the basic raw material and alcohol and beer producing industries.

Unless otherwise mentioned specifically, machines of the cottage industries should not employ through electric motors of diesel or petrol or crude oil engine more than a total of five kilowatt. Power looms shall not be included under cottage industries. Permission shall be required for the establishment of mechanised woollen spinning and mechanized woollen carpet manufacturing.

Box 5. Sectors restricted to foreign investment*

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 radioactive materials.
6. Real estate business (excluding construction industries).
7. Motion pictures business (produced in national languages and the language of the nation).
8. Security printing.
9. Currencies and coinage business.
10. Retail business.
11. Travel agency.
12. Trekking agency.
13. Water rafting.
14. Pony trekking.
15. Horse riding.
16. Cigarette, bidi (Tobacco), alcohol (excluding those exporting more than 90 per cent).
17. Internal courier service.
18. Atomic energy.
19. Tourist lodging.
20. Poultry farming.
21. Fisheries.
22. Bee-keeping.
23. Consultancy services such as management, accounting, engineering and legal services.

* The Industrial and Enterprises Act, 1992.

In terms of the amount approved, India is the major source of foreign direct investment (FDI) in Nepal, followed by the United States of America, China, the British Virgin Islands, Norway, Japan, the Republic of Korea, Canada and Hong Kong (China). The major area for FDI has been manufacturing, especially products for export to India, followed by services, in particular tourism, hotels and hydropower.

II. INVESTMENT PROCEDURES

Any foreign investment proposal involving new investment, modernization, diversification or expansion has to be presented to the Nepalese authorities for approval. The assessment of the projects proposals will be done according to the following criteria:

- Priority will be granted to investments in industry selected by the Government;
- Financial and technical viability;
- Contribution to employment generation;
- Foreign exchange earnings or savings;
- Competitiveness of products in international markets;
- Appropriateness of technology;
- Terms and conditions of investment and technology transfer; and
- Participation of Nepalese nationals in investment and management.

A. FDI project approval

Foreign investors willing to invest in Nepal as 100 per cent foreign owned enterprises or as joint venture investments are required to make an application to the [Department of Industries](#) (DOI) or the Department of Small and Cottage Industry on a prescribed form along with a detailed feasibility report. The application form should be accompanied by the following documents:

1. Project report, which should include information on project highlights, total capital investment, sources of finance, plant capacity, location of project, machinery, equipment and raw material requirements.
2. Joint-venture agreement, if relevant.
3. Citizenship certificate of local partner, if an individual, or certificate of incorporation and company profile, if a company.
4. Copy of passport of foreign partner, if an individual, or certificate of incorporation, if a company.
5. Bio-data or company profile of the foreign partner.
6. Proof of financial credibility of the foreign investor as provided by a bank.
7. Authorization letter from the companies concerned.

The Department of Industries evaluates the project proposal and grants permission directly for the industries with fixed assets of up to NRs 1 billion. In case of industries with fixed assets in excess of this limit, the Department submits its recommendations to the Industrial Promotion Board for approval, then notifies the applicant about the decision of the Board within 30 days from the receipt of the application. In granting permission for investment, DOI specifies the facilities and concessions the investor is entitled to.

After the final approval of the Letter of Permission which is subject to a deposit, the applicant is required to apply for the registration of his/her company with the Office of the Company Registrar at the Department of Industries within 35 days from the date of permission. Thereafter, the company will be registered within 15 days.

The applicant should also apply for the income tax/VAT registration with the Inland Revenue Department which takes a maximum of seven days and open a bank account which is normally done within one day.

B. Registration of a company

The registration of a project in the Company Registrar's Office involves the incorporation of a company under the [Company Act, 1997](#). This would entail the filing of a Memorandum and the Articles of Association of the company specifying the name and address of the company, objectives of the company, amount of authorized capital, appointment of directors, convening of annual general meeting of shareholders and the procedures of the company.

A company may be incorporated as a private limited company or a public limited company. A private company is limited to 50 shareholders and its incorporation needs subscription of capital by at least three investors. In the case of public company, at least seven investors should subscribe to its capital. After a public company is incorporated, it must publish its prospectus, with the approval of the Company Registrar's Office, before issuing shares to the public.

Under the [Foreign Investment and One-Window Policy, 1992](#), the Government has constituted a One-Window Committee with a view to provide all facilities and concessions entitled by [Industrial Enterprises Act of 1992](#) under one roof. This committee attends to the needs of investors on supply of water, electricity and telecommunication facilities, imports of machinery, raw materials and spare parts, issue of import licences, release of foreign currency and all other facilities required by investors. The Committee has the authority to make binding decisions on these matters.

C. Land and real estate property rights

The Land Acquisition Act, 1977, gives the Government the right to acquire any land for public welfare. However, the Industrial Enterprises Act, 1992, protects companies against nationalization and the [Nepal's Constitution, 1991](#), recognizes the right to property (Article 17) and guarantees that in the case of any acquisition of private property, compensation based upon market value at the time of acquisition will be made.

The acquisition of real estate property by foreigners in Nepal is restricted. Foreigners who wish to purchase immovable property must obtain permission from the Government. So far, only foreign embassies have been allowed to buy immovable property.

The Land Related Act, 1964, limits the maximum amount of land that an individual or a company may own. Exemptions have been granted when a company has demonstrated the need for additional land. Tea estates, agricultural farms, horticulture farms, animal farms, sugar factories, agro forestry industries, hotels and resorts have been the subjects to these exemptions from time to time.

D. Visa arrangements for foreign investors

The following visa arrangements available for foreign investors are laid down in the [Immigrations Rules, 1994](#).

- A foreign investor will be granted a non-tourist visa for a period of six months to undertake study with the objective of making investment in Nepal.

- A foreign investor and or his/her dependents or authorized representative and his/her dependents will be granted a business visa until his/her investment is retained.
- A foreign investor who makes a lump sum investment of US\$ 100,000 (one hundred thousand) or its equivalent in convertible currency in the industrial enterprise in Nepal at once will be granted a residential visa for himself/herself and his/her dependents so long as he/she maintains his/her investment in the industry.

The [Department of Immigration](#) of the Ministry of Home offers information on procedures on how to apply for different types of visas.

III. INVESTMENT INCENTIVES

According to the [Industrial Enterprises Act, 1992](#), and the Income Tax Act, 2002, industries are presently entitled to the following incentives and facilities:

1. years Cottage industries are exempted from excise duty, income tax and sales tax.
2. National priority industries such as agro and forest based industries, industry producing fuel saving or pollution control devices, solid waste processing industry, etc., are entitled to 50 per cent rebate on their income tax for a period of seven from the date of operation.
3. Industries other than cigarette, bidi, cigar, khainy, tobacco, alcohol or beer, established in remote, undeveloped and underdeveloped areas (see table 13) will be granted a rebate of 30, 25, and 20 per cent of income tax respectively, as well as rebate of 35, 25, and 15 per cent of excise duty for a period of 10 years from the date of operation.
4. Fruit-based fruit processing, cider and wine industries with fixed assets up to NRs 2.5 million, established in particular areas, are entitled to an excise duty and sales tax exemption for a period of 10 years. Fruit-based alcohol producers are entitled to excise duty and sales tax exemption for a period of five years. Such exemption could be extended for additional period of three years.
5. Industries are entitled to a reduction of up to 50 per cent from the taxable income for the investment on process or equipment which has the objective of controlling pollution or which may have a minimum effect on the environment.
6. No income tax is imposed on dividends earned out of the investment made in any industry.
7. Any industry is allowed to deduct 10 per cent of the gross profit against net income on account of expenses connected with technology or product development and efficiency improvement.
8. An industry donating an amount of up to 5 per cent of its gross income to any school, college, university, hospital, religious place and to social activities is entitled to a deduction of such donated amount in course of assessing the taxable income.
9. If an industry provides direct employment to 600 or more Nepalese citizens in a year, besides other facilities, it will be conferred additional 10 per cent rebate on income tax for that year.
10. No income tax is levied on the profits earned through export.

11. An industry is entitled, for the purpose of the income tax, to deduct the amount of expenses incurred for the long-term benefits provided to its workers and employees including housing, life insurance, health facilities, education and training.
12. Subsidies in seeds, plants, irrigation pipes and pumping are provided by the respective line agencies. These subsidies, though small in quantity, are provided directly to the producers/farmers who use these products as inputs. Only farmers are eligible for these subsidies.
13. If any other industries utilize locally available raw materials, chemicals and packing materials, etc., on which excise duty or sales tax or both are already imposed, the excise duty, sales tax or both shall be reimbursed to the industry utilizing such raw materials, chemicals and packing materials.

Table 13. Classification of districts on the basis of industrialization

Remote Area	Undeveloped Area	Under developed Area
1. Darchula	1. Taplejung	1. Kailali
2. Bajhang	2. Rolpa	2. Surkhet
3. Bajura	3. Baitadi	3. Arghakhanchi
4. Humla	4. Rasuwa	4. Palpa
5. Mugu	5. Gulmi	5. Syangja
6. Jumla	6. Parwat	6. Dhading
7. Kalikot	7. Dadeldhura	7. Lamjung
8. Dolpa	8. Pyuthan	8. Tanahu
9. Mustang	9. Doti	9. Gorkha
10. Manang	10. Sailyan	10. Sindhuli
11. Solukhumbu	11. Panchthar	11. Udayapur
12. Sankhuwa Sabha	12. Baglung	12. Dhankuta
13. Khotang	13. Sindhupalchowk	13. Illam
14. Bhojpur		14. Kanchanpur
15. Achham		15. Bardia
16. Dailekh		16. Dang
17. Jajarkot		17. Nuwakot
18. Rukum		18. Kavrepalanchowk
19. Okhaldhunga		19. Dolkha
20. Myagdi		
21. Terhathum		
22. Ramechhap		

Source: Industrial Enterprises Act of 1992, Annex 3.

[The Foreign Investment Promotion Section](#) of the Nepal's Ministry of Commerce and Industry has designated the industries listed in box 6 to be given national priority while the projects listed in box 7 are considered as the feasible areas for development.

Box 6. Industries with national priority

- Agro and forest-based industries.
- Engineering industry (producing agricultural and industrial machinery).
- Industry producing fuel saving or pollution control devices.
- Solid waste processing industry.
- Industry that builds and operates road, bridge, tunnel, ropeway, flying bridge, trolley bus and tram.
- Hospital and nursing home (only outside Kathmandu valley).
- Industries that produce ayurvedic, homeopathic and other traditional medicines as well as walking aids, waist belt, wheel chair, stretcher, stick, etc. for the disabled and orthopaedic support.
- Cold storage established to store fruit and vegetables.

Box 7. Feasible projects areas

- Agro and forest based industries
- Air services
- Computer software development and data entry operations
- Electrical and electronic industries
- Hydroelectric power
- Leather goods industries
- Mineral exploration and exploitation
- Pharmaceutical industries
- Textile industry
- Tourism

Investment opportunities are also available through the privatization of State-owned enterprises (see Part Three, Chapter V).

IV. TAXATION

The [Ministry of Finance](#) is responsible for the overall administration of the Government's fiscal and monetary policy. The Revenue Division of the Ministry of Finance is responsible for the research, planning and analysis of the tax system and the drafting of the tax laws while the Inland Revenue Department (IRD) is responsible for the enforcement of tax laws and the tax administration in general.

Since 2001, IRD has been in charge of administering value added tax (VAT), excise duties and direct taxes including individual income tax and the corporate tax. The department is also responsible for monitoring the non-tax revenues such as dividends, royalties, etc. of the Government.

A. Excise duties

Under the [Excise Act, 2001](#), excise duties are levied on both domestic products. Imported goods are subject to the equalizing duty levied at the rate of the excise tax applicable to the products listed in the Financial Act (see Annex II). It is necessary to have a licence in order to produce, import, sell or store the excisable goods or produce excisable services. Excise duty will be levied on excisable goods or services in the case of:

- domestically produced goods, at the time when goods are produced and on the basis of the ex-factory price;
- imported goods, at the time when goods enter to Nepal on the c.i.f. value; and
- services, at the time when an invoice is being issued to the consumer.

B. Income tax

The single or married status of an individual determines the relief to which he/she is entitled. Taxable income includes profits from business, income from salaries along with other benefits provided by the employer, income from house rent, interest, dividends and other sources. The first NRs 80,000 of income of a married couple or family are exempt from income tax. In the case of an individual, the exemption limit is also NRs 80,000. Rates of income tax are as follows:

- Fifteen per cent on the first additional NRs 75,000; and
- Twenty-five per cent on balance

Royalties, technical service fees and management fees are taxed only at a concessionary rate of 15 per cent. Income tax is not levied on the interest on foreign loan.

The new [Income Tax Act, 2002](#), entered into effect on 1 April 2002. The act introduces new concepts including transfer pricing, thin capitalization and merger. The act attempts to bring all sources of income, including capital gains into the tax net. Sources of income are divided into three categories: (1) business, (2) employment, and (3) investment.

The new income tax act is based on the principle of self-assessment and adopts the current year basis and pooled depreciation system. All business related expenses are deductible. Foreigners, who live in Nepal for 183 days or more in any period of 356-consecutive days of any income year, are considered residents and their income from Nepal must be taxed in Nepal.

C. Value added tax (VAT)

The [VAT Act, 1996](#), specifies the basic framework of the Nepalese VAT system. It has stipulated a consumption type VAT using the credit method which is based on a destination principle and extended through the retail level. Small vendors are kept outside VAT net through a threshold. The existing level of threshold is NRs 2 million. Similarly, importers having commercial imports less than NRs 10,000 at one time are not required to register.

VAT is levied with a single positive rate of 10 per cent while exports and some other items are zero-rated (see Annex III). Goods and services of basic necessities, agricultural products and a few other items are exempt from VAT (see Annex IV).

In accordance with Section 5 of the Value Added Tax Act, 1996, the exemptions to the VAT were equally available to imports and domestic products.

Vendors having taxable turnover above the registration threshold are required to register under VAT while below the threshold registration is optional. VAT registrants are required to issue tax invoices and collect VAT on their sales. There is a provision for the abbreviated invoices in the case of small sales of less than NRs 5,000. Taxpayers are required to keep a record of their purchases and sales.

Taxpayers are required to submit tax returns within 25 days of the end of the tax period. The tax period is one month for compulsory registrants and four months for voluntary registrants. Taxpayers are required to pay the tax within 25 days of the close of the tax period.

VAT is based on the principle of self-assessment. Official assessment is made only in the following circumstances:

- A return is not submitted on time;
- An incomplete or incorrect return is identified;
- A VAT return is found to be fraudulent; and
- A tax officer has reasons to believe that the amount of VAT has been understated or incorrect.

D. Double taxation agreements

In order to avoid the double taxation on incomes of foreign investors, the Government will take necessary action to conclude agreements for the avoidance of double taxation with the countries of the concerned foreign investors.

At present, agreements for the avoidance of double taxation have been concluded with the following countries:

Table 14. Double taxation agreements

Country	Text
Austria (2000)	http://dot.gov.np/downloads/DT_AUSTRIA.pdf
China(2001)	http://dot.gov.np/downloads/dt_china.pdf
India (1987)	http://dot.gov.np/downloads/DT_India.pdf
Mauritius (1999)	http://dot.gov.np/downloads/DT_Mauritius.pdf
Norway (1996)	http://dot.gov.np/downloads/DT_Norway.pdf
Pakistan (2001)	http://dot.gov.np/downloads/DT_Pakistan.pdf
Republic of Korea (2001)	http://www.nts.go.kr/menu/users/ntsengl/nat_nepal_e.htm
Sri Lanka (1999)	http://dot.gov.np/downloads/DT_Sri_Lanka.pdf
Thailand (1998)	http://dot.gov.np/downloads/DT_Thailand.pdf

Sources: [Nepal Inland Revenue Department](#) and [Korean National Tax Service](#).

V. FOREIGN EXCHANGE

The Foreign Exchange Regulation Act, 1962, governs the flow of foreign exchange into Nepal. The entry of foreign currency is not restricted but Nepal's Central Bank or [Nepal Rastra Bank](#) regulates the remittance of funds overseas.

Foreign investors who have received permission to invest in convertible foreign currency are permitted to repatriate the following amounts outside Nepal at the prevailing rate of exchange:

- Amount received by sale of the whole or any part of the equity investment;
- Amount received as profits or dividends in lieu of foreign investment;
- Amount received as payment of principal and interest on foreign loans; and
- Amount received under an agreement for the transfer of technology.

Foreign exchange rates are available from the [Nepal Rastra Bank](#).

VI. DISPUTE SETTLEMENT

If the foreign investor, national investor or the concerned industry fail to settle among themselves any dispute concerning foreign investment in the presence of the Department of Industries, it will be settled through arbitration. Arbitration will be held according to the prevailing arbitration rules of the [United Nations Commission for International Trade Law \(UNCITRAL\)](#). The place of arbitration will be Kathmandu.

Investment disputes, in case of industries with fixed assets of more than NRs 500 million, may be settled as mentioned in the foreign investment agreement.

Nepal has been a member of [Multilateral Investment Guarantee Agency \(MIGA\)](#) since 1994. MIGA provides guarantees to foreign investors against non-commercial risks like currency transfer, expropriation, breach of contract, and war and civil disturbance in the host country.

Nepal signed Reciprocal Encouragement and Protection of Investment Agreements with France in 1983, Germany in 1986, the United Kingdom in 1993 and Mauritius in 1999. Nepal is underway to conclude such agreements with other countries. Under these Agreements, investments enjoy full protection and security. These agreements also provide for guarantees equitable and non-discriminatory treatment, free transfer of payments such as capital, profits and loans, and free access to the court. In case of investment disputes, provision exists for its settlement through arbitration under the [International Center for the Settlement of Investment Disputes \(ICSID\)](#).

VII. CAPITAL MARKET

Some significant developments relating to the capital market in Nepal were the introduction of the Company Act in 1964, the first issuance of Government bond in 1964 and the establishment of Securities Exchange Centre Ltd. in 1976.

In 1993 the Government, under a programme initiated to reform capital markets, converted the Securities Exchange Centre into the [Nepal Stock Exchange \(NEPSE\)](#) and established the [Securities Board \(SEBO\)](#).

The Ninth Five-Year Plan (1997-2002) initiated the process of developing the role and responsibilities of the Securities Board as central regulatory body and the Nepal Stock Exchange Limited as the front line regulatory body. During the plan period, the policy of establishing direct relationship between Securities Board and securities operators was implemented and operations conducted on individual basis were institutionalized.

A. Securities Board (SEBO)

Since its establishment, SEBO has been concentrating its efforts to improve the legal and statutory frameworks of the capital market. The Securities Exchange Act of 1983 was amended in 1997 to establish SEBO as an apex regulatory body by bringing market intermediaries directly under its jurisdiction. This amendment also made it mandatory for the corporate bodies to report to SEBO annually as well as semi-annually regarding their performance.

SEBO objectives are as follows:

- To promote and protect the interest of the investors by regulating the issuance, sale and distribution of securities and purchase, sale or exchange of securities;
- To supervise, look after and monitor the activities of the stock exchange and of corporate bodies carrying on securities business; and
- To render contribution to the development of capital market by making securities transactions fair, healthy, efficient and responsible.

SEBO functions are as follows:

- To advise the Government on the issues related to the development of capital market and the protection of the investors' interest;
- To approve stock exchanges for operations and oversee them;
- To register and regulate market intermediaries involved in the primary issues as well as in the secondary trading of securities;
- To regulate public issues of securities including the mutual and trust funds;
- To monitor and supervise the securities transactions;
- To conduct researches and studies along the area of capital market; and
- To conduct conferences, workshops, seminars and participate in such programs at regional or international level to exchange views and experiences with outside regulators.

SEBO has drafted a new Securities and Exchange Act in 2003 which is expected to be approved by the Parliament by February 2004.

B. Nepal Stock Exchange (NEPSE)

The Nepal Stock Exchange (NEPSE) is a non-profit organization, operating under [Securities Exchange Act, 1983](#). At present, NEPSE is the only corporate body having permission from SEBO to operate the stock exchange business in Nepal.

The basic objective of NEPSE is to impart free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading floor through members or registered securities businesspersons. NEPSE opened its trading floor on 13 January 1994. Nepal's Government, Nepal Rastra Bank, Nepal Industrial Development Corporation and members are the shareholders of the NEPSE.

In order to make the securities issue system more simple and transparent through flow of financial statements and information from the concerned institutions, new guidelines have been developed and implemented over the past years. Reforms have been made in the Nepal Chartered Accountant Association Act, 2003, regarding the process of creating legal and institutional infrastructure in order to make the accounting and auditing standards of the institutional sector compatible with the international standards. Guidelines related to the professional ethics of securities brokers and issuing and sales managers have also been implemented.

1. Membership: registration, tenure, listing and fees

In its [annual report \(2001-2002\) SEBO](#) identifies four types of businesspersons working in the stock exchange.

1. Issue managers, who operate in the primary market and carry out all the functions related to public issuance of securities on behalf of the issuing company. During 2001-2002, there were 10 registered issue managers in the market.
2. Stock brokers, who buy and sell the shares of listed companies on behalf of the investors. They can neither buy nor sell the securities directly in their own name. During the 2001-2002 fiscal year, there were 27 registered stockbrokers.
3. Securities dealers, who purchases the securities issued in the primary market, sell them in the stock exchange and carry out the transaction of securities through a

broker on the customer's name or its own name. At present, Nepal-Sri Lanka Merchant Bank Ltd. and United Finance Ltd. are licensed as securities dealers.

4. Market makers who intend to provide stability in the market price of the listed securities. Nepal Share Markets Company Ltd. was the only registered market maker during the 2001-2002 fiscal year but it did not renew its licence for the following year.

Corporate bodies which wish to operate, register and issue securities, and become members of NEPSE should follow the provisions and requirements made under the [Securities Exchange Regulation of 1993](#) (table 15).

Table 15. Provisions, documentation and fees to register with NEPSE
As per the Securities Exchange Regulation of 1993

Registration	Provisions and requirements	Application forms and notifications	Fees
1. Licence to operate in NEPSE	<u>Ch. III</u>	<u>Schedule 1- application form</u>	<u>Schedule 2</u>
2. Registration and issuance of securities	<u>Ch. IV</u>	(a) Registration: <u>Schedule 4 - application form</u> <u>Schedule 6 - registration form</u>	(a) Registration <u>Schedule 5- fees</u>
		(b) Issuance of securities: <u>Schedule 7 – permission letter</u> <u>Schedule 8 – application for the listing</u> <u>Schedule 10 – notification of the listing</u>	(b) Issuance <u>Schedule 9 – fees</u>
3. Application for membership	<u>Ch. V</u>	<u>Schedule 11- application form</u> <u>Schedule 13 – certificate of membership</u> <u>Schedule 14 – rate of commissions</u>	<u>Schedule 12 – fees</u>

The tenure of the membership is one year. The licence should be renewed within three months after the closure of the fiscal year. If not, it could still be renewed within an extension period of three months but subject to a 25 per cent penalty fee.

Trading on the floor of NEPSE is restricted to listed corporate securities and government bonds. The listing fee and the annual fee to be paid by the listed company are based on the capital of the company.

2. Capital structure

The authorised and issued capital of the Nepal Stock Exchange is NRs 50 million. Of this amount, the Government, the Nepal Rastra Bank, the Nepal Industrial Development Corporation and licensed members, subscribe NRs 30.41 millions.

3. Trading system

NEPSE has adopted an “Open Out-Cry” system which means transactions of securities are conducted on the open auction principle on the trading floor. The buying broker with the highest bid will post the price and his code number on the buying column while the selling broker with the lowest offer will post the price and code number on the selling column on the quotation board. The market makers quote their bid and offer price on

their own board before the floor starts. Once the bid and offer price match, contracts between the buying and selling brokers or between the brokers and market makers are concluded on the floor.

4. Trading days and hours

NEPSE has fixed the trading days and hours during which the members are allowed to enter the floor to make the transactions.

Types of Trading	Days	Trading Time
Regular Trading	Monday to Friday	11 am to 1 pm
Odd lot Trading	Monday and Friday	2 pm to 3 pm

5. Board lot

NEPSE has fixed the board lot of 10 shares if the face value is NRs 100 or 100 shares if the face value is NRs 10. The transactions on regular trading should be done on at least one board lot. The transactions of less than 10 shares are permitted only on odd lot trading hours.

6. Settlement

NEPSE has adopted a T+5 system, which means that settlement of transactions should be done within five working days following the transaction day. Settlements will be carried out on the basis of paper verses payment.

7. Brokerage

The rate of brokerage on equity transactions ranges from 1 to 1.5 per cent depending on the traded amount.

VIII. PROTECTION OF PROPERTY RIGHTS

The [Department of Industry](#) acts as semi-judiciary unit in case of protection of industrial property, as well as in the settlement of disputes and other administrative procedure. The Department also acts as the focal point for all the international organization/institution, including [World Intellectual Property Organization \(WIPO\)](#).

Nepal became member of WIPO in February 1997 and signed the Paris Convention on Industrial Property in June 2001.

The [Patent, Design, and Trade Act, 1965](#) provides protection and lays down the required legal arrangements in respect of patents, designs and trademarks in Nepal.

A. Patents

A patent provides protection for any useful invention (1) related to a new method or process of manufacture, operation or publicity of any material or combination of materials, or (2) made on the basis of a new theory or formula. Terms of protection for a patent is seven years from the date of registration and shall be renewed, subject to the payment of an annual fee (see table 16) but not more than twice for each period of seven years.

In order to apply for a registration of any patent, an application shall be submitted to the Department of Industry, as indicated in Schedule 1(a) of the [Patent, Design, and Trade Act, 1965](#) containing the following information:

- Name, address and occupation of the person inventing the patent;
- If the applicant himself/herself is not the inventor, how and in what manner he/she acquired title thereto from the inventor;
- Process of manufacturing, operating or using the patent; and
- The theory or formula, if any, on which the patent is based.

Along with the application, the applicant shall also submit maps and drawings of the patent, as well as the fee specified in Schedule 3(1)(b) of the [Patent, Design, and Trade Act, 1965](#) (see table 16).

Once the application has been received by the Department of Industry, a registration certificate would be issued and registration fees must be paid (see table 16).

B. Designs

A design provides protection for any form or shape of any material manufactured in any manner. The terms of protection for a design are five years from the date of registration and shall be renewed subject to the payment of an annual fee (see table 16), not more than twice for each period of five years.

In order to apply for a registration of any patent, an application shall be submitted to the Department of Industry, as indicated in Schedule 1(b) of the [Patent, Design, and Trade Act, 1965](#), with four copies of the trademark. Together with the application, the applicant shall also submit maps and drawings of the design, as well as the fee specified in Schedule 3(2)(b), (see table 16).

C. Trademarks

A trademark provides protection for means, words, symbols or pictures or a combination thereof to be used by any firm, company or individual in its products and services to distinguish them from the produces or services of others. The terms of protection of trademarks are seven years from the the date of registration and shall be renewed subject to the payment of an annual fee (see table 16) any number of times for each period of seven years.

In order to apply for the registration of any patent, an application shall be submitted to the Department of Industry, as indicated in Schedule 1(c) of the [Patent, Design, and Trade Act, 1965](#). The applicant shall pay a registration fee as specified in Schedule 3(3)(b), (see table 16).

For the purpose of registering a trademark related to any goods and services, the Government of Nepal classifies such goods and services by notification in the Nepal Gazette. Separate applications must be submitted to register trademarks of goods and services placed in different categories.

In case when a trademark registered is not brought into use within one year from the date of registration, the Department of Industry may conduct necessary enquiries and cancel it.

Once a patent, design or trademark has been registered, the Department of Industry publishes the particulars for public information. Complaints may be filed to the Department within a period of 35 days from the date of publication.

Table 16. Registration and renewal fees

Particulars of Fees	Patent (NRs)	Design (NRs)	Trademark (NRs)
Application	1,000	500	500
Application amendment	200	200	200
Registration	5,000	2,000	1,500
Transfer of ownership	2,500	1,000	750
Endorsement and recording other than transfer of ownership	1,000	500	500
Details of registration	500	500	200
Opposition and case filing	500	200	200
Copy of Registration Certificate	1,000	500	500
Renewal (annual rate)			
(a) For the first term	2,000	400	-
(b) For the second term	4,000	800	-
(c) Perpetual annual rate	-	-	200

Source: (WT/ACC/NPL/16).

1. Registration of foreign patents, designs and trademarks

The title of any patent, design and trademark registered in a foreign country will not be valid in Nepal unless it registered in Nepal by the concerned person. The Department of Industry may register patents, designs and trademarks registered in foreign countries without conducting any enquiries if an application is filed together with the certificates of their registration in foreign countries.

For the registration of any patent, design and trademarks already registered in foreign countries, a fee double the amount of the fee prescribed for application and registration in Schedule 3 of the [Patent, Design, and Trade Act, 1965](#) shall be charged in equivalent convertible foreign currency determined on the basis of the current rate of exchange.

For the renewal a registered foreign patent, design and trademark, a fee double the amount of the fee prescribed for renewal in Schedule 3 shall be charged in convertible foreign currency determined on the basis of the current rate of exchange.

2. Copyright and related rights

Copyright provides protection to created works including artistic, audiovisual, cinematographic, dramatic, literary, musical, sound recording, sound and video broadcasting works, and any other works in the literary, scientific or artistic domains.

In August 2002, the new Copyright Act, 2002, amending the old Copyright Act of 1965, came into force. Under the new Copyright Act economic and moral rights enjoy legal protection and foreign works receive national treatment. The new Act also allows the establishment of effective collective management in the country. The new law is expected to provide for stronger intellectual property regime in the future.

The Copyright Protection Society of Nepal (CPSN) was established in 1997. It is now part of the committee in charge of drafting regulations to administer the new copyright law. At present, CSPN is the only copyright society of the country and represents authors of literature and music, film and graphic and plastic arts as well as performers, book publishers and music publishers.

References for part four: Investing in Nepal

Acts and regulations:

Company Act of 1997: <http://www.saarclawnet.com/saarclawnet/obl.html>

Excise Act, 1992: http://www.taxtasy.net/downloads/acts/excise-act_english.pdf

Foreign Investment Act, 1992:

<http://www.epb.gov.np/policy/fitt.html>

<http://www.fncci.org/fitta92.pdf>

Foreign Investment and One-Window Policy, 1992:

<http://www.tpcnepal.org.np/t-ap/foreigninvestmentandone.htm>

Immigration Rules, 1994: <http://www.immi.gov.np/rule.php>

Income Tax Act 2002 (Nepalese): http://www.taxtasy.net/downloads/acts/it-act_nepali.pdf

Industrial Enterprises Act, 1992:

<http://www.tpcnepal.org.np/t-ap/industrypolicy.htm>

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Labour Act, 1991: <http://www.labournepal.org/labourlaws/labouract.html>

Ministry of Industry, Commerce and Supply. *Important steps in setting up an industry in Nepal*: <http://www.yomari.com/fips/policy/impsteps.pdf>

Patent, Design and Trademark Act, 1965:

<http://www.saarclawnet.com/saarclawnet/osca27.html>

Securities Exchange Act, 1983: <http://www.sebonp.com/act.htm>

Securities Exchange Regulation, 1993: <http://www.sebonp.com/act1.htm>

VAT Act 1996: http://www.taxtasy.net/downloads/acts/vat-act_english.pdf

Information sources

Department of Immigration: <http://www.immi.gov.np>

Department of Industries: <http://www.moics.gov.np/departmanet/industries/index.html>

Federation of Nepalese Chambers of Commerce and Industry (FNCCI): <http://www.fncci.org>

Inland Revenue Department: <http://www.ird.gov.np/>

International Centre for Settlement of International Disputes (World Bank)

<http://www.worldbank.org/icsid/index.html>

- List of Nepal Treaties: <http://www.worldbank.org/icsid/treaties/nepal.htm>

Labournepal.org: <http://www.labournepal.org/main.html>

- Social Protection in Nepal at Glance by U.P.

<http://www.labournepal.org/labourissues/socialprotection.html>

- Other resources available form LabourNepal.org:
http://www.labournepal.org/resources/research_report.html
- Ministry of Finance: <http://www.facd.gov.np/index.html>
- Ministry of Industry, Foreign Investment Promotion Section:
<http://www.yomari.com/fips/policy/policy.html>
- Revenue Administration Support Project: <http://www.taxtasy.net/legislation.htm>
- SAARC Lawnet: <http://www.saarclawnet.com/saarclawnet/>
- Securities Board: <http://www.sebonp.com>
- Stock Exchange: <http://www.nepalstock.com/>
- Trade Promotion Center Nepal: <http://www.tpcnepal.org.np>
- UNCTAD. *FDI in LDCS at Glance (2002)*:
<http://r0.unctad.org/en/subsites/dite/LDCs/pdfs/Countries/nepal.pdf>
- UNCTAD. *Guide to Investment in Nepal 2003*:
http://www.unctad.org/en/docs/iteiia20032_en.pdf
- UNCTAD. *Nepal Investment Policy Review 2003*: <http://r0.unctad.org/ipr/nepal.pdf>
- WTO. Report of the Working Party (WT/ACC/NPL/16), 28 August 2003:
<http://docsonline.wto.org/DDFDocuments/t/WT/ACC/NPL16.doc>