

## **Foreign Investment Policy, 1992**

### **Objective:**

- To build a strong and dynamic economy by generating additional opportunities for income and employment through expanding productive activities.
- To increase the participation of the private sector in the process of industrialization.
- To increase productivity by mobilizing internal resources and materials in productive sectors and by importing foreign capital, modern technology, management and technical skills.
- To increase the competitiveness of Nepalese industries in international markets.

### **Forms of Foreign Investment:**

- Equity investment made by foreign investors in the form of foreign currencies or capital assets and reinvestment of the income there from,
- Loans obtained in the form of foreign currencies or capital assets,
- Use of rights, specialization, formulae, processes and patents relating to any technology of foreign origin,
- Use of foreign owned trade-marks, goodwill,
- Use of foreign technical, consultancy, management and marketing services.

### **Permission for Industries to be Established Under Foreign Investment:**

- Foreign investment in the industries classified in Annex shall not be permitted. In case of other industries, permission for foreign investment should be obtained.
- Foreign investment will be permitted up to 100% in large and medium scale industries.
- If an application is made for an investment, the Department shall, for the industries with a fixed assets up to five hundred million rupees, grant permission itself. However, in the case of industries exceeding above mentioned limit, in accordance with the decision of the Board, grant permission within thirty days from the date of application. The Department will communicate the decisions so made to the applicant.
- No permission will be granted for foreign investment to the industries as set forth in the Annex. However, permission for technology transfer may be granted for such industries.

### **Provisions for Repatriation:**

Foreign investors who have received permission to invest in convertible currency can repatriate the following amounts outside Nepal at the prevailing rate of exchange.

- The amount received by the sale of the whole or any part of the equity investment.
- The amount received as benefits or dividends from foreign investment.
- The amount received as payment of principal and interest on foreign loans.
- The amount received under an agreement for the transfer of technology.
- The amount received as compensation for the acquisition of any property.
- Foreign experts, working in Nepalese industries with prior approval from countries where convertible currencies are in circulation, shall be permitted to repatriate in convertible currency up to 75 percent of the amount received by them as salaries, allowances, etc.

## Facilities and Concessions:

The following facilities will be granted to industries established with foreign investment, without prejudice to avail the additional facilities, if any, available under the Industrial Enterprises Act.

- Interest income on foreign loans will be exempted from income tax.
- Royalties, technical and management fees will be taxed at the rate of 15 percent only.
- No income tax will be levied on the income earned from exports.
- Industries established with foreign investment are entitled to enjoy all the facilities and incentives including income tax facilities provided to local investment under the Industrial Enterprises Act.

## Other Facilities:

- **Facilities on Electricity:** Industries will be given priority in the supply of electricity. No fee will be charged if an industry generates electricity for its own use.
- **Relief from Double Taxation:** For the purpose of avoiding double taxation on incomes of foreign investors, Nepal Government will take necessary action to conclude agreements for the avoidance of double taxation with the countries of the concerned foreign investors.
- Customs duty, excise duty and sales tax levied on raw materials and auxiliary raw materials of export-oriented industry shall be reimbursed to the exporters on the basis of the quantum of exports within 60 days from the receipt of the application for such reimbursement.
- Industries exporting 90 percent or more of their production are entitled to enjoy the same facilities provided to the industries established in the Export Processing Zone. The bonded warehouse shall also be continued.
- In case an industry sells its product within the country in convertible foreign currency, the excise duty levied on the quantity so sold and the customs duty, excise duty and sales tax levied on raw materials used in such products shall be reimbursed to such industry within 60 days upon the receipt of the application for such reimbursement.
- Customs duty, excise duty and sales tax levied on the production of intermediate goods used in the production of ...goods and the sales tax levied on the production shall be reimbursed to the exporter on the basis of the quantity of goods exported within 60 days from the receipt of the application for such reimbursement.
- Priority will be given to arrange infrastructure facilities required for the establishment of industries.
- Government land and land within the Industrial District will be made available to industries for the establishment of industries on a priority basis.
- No intervention will be made in fixing prices of the products of any industry.
- No taxes will be levied on machinery and equipment, raw-materials and finished exportable products of industries established within the Export Processing Zone.

## Visa Arrangements:

- A business visa will be granted to a foreign investor or his/her authorized representative as well as their dependents to stay in Nepal for the period during which a foreign investor maintains his/her investment. However, a residential visa will be granted to a foreign investor and his/her dependents for the period his/her investment is maintained in the industry, if foreign investor makes lump-sum investment of at least US\$ 100,000.00 or the equivalent in convertible foreign currency.

- A non-tourist visa for a period of up to six months will be granted to any foreign investor who has come to Nepal to undertake research and study with the purpose of investing in Nepal.

## **Annex - 1**

### **INDUSTRIES PROHIBITED FOR GRANT OF APPROVAL UNDER FOREIGN INVESTMENT**

- Defense related industries which produce items like military armaments, ammunition and explosives
- Cigarettes and Bidi.
- Alcohol (excluding 100% export oriented).

### **Industries not to be granted permission for Foreign Investment**

#### **Part (A)**

- Cottage Industries
- Personal Services Business (Business such as hair cutting, beauty parlor, tailoring, driving training, etc.)
- Arms and Ammunition Industries
- Gunpowder and Explosives
- Industries related to Radio-Active Materials
- Real Estate Business (excluding construction industries)
- Film Industries (National Languages and other recognized National languages)
- Security Printing
- Bank notes and Coins

#### **Part (B)**

- Retail Business
- Travel Agency
- Trekking Agency
- Water Rafting
- Pony Trekking
- Horse Riding
- Cigarette, Bidi, Alcohol (excluding more than 90% exportable)
- Internal Courier Service
- Atomic Energy
- Tourist Lodging
- Poultry
- Fisheries
- Bee Keeping
- Consultancy Services such as Management Accounting, Engineering and Legal Services.