

Act to Amend Some Nepal Acts Relating to Improving Economic and Business Environment and Enhancing Investment 2081 (2025 A.D.)

Introduction

On March 31, 2025, the President authenticated an Act to Amend Some Nepal Acts Relating to Improving Economic and Business Environment and Enhancing Investment 2081 (2025 A.D.) (“IEBEEI Act”), following its ratification from the House of Representatives on March 20, 2025, and the National Assembly on March 31, 2025. The Nepali version of the IEBEEI Act can be accessed [here](#).

This Briefing aims to highlight the major amendments introduced by the IEBEEI Act.

Amendment to Foreign Exchange (Regulation) Act 2019 (1962 A.D.) (“FERA”)

“Investment in a Foreign Country” has been defined as following types of investments made by a company or entity established in Nepal in foreign countries:

- Investment in shares of a limited liability partnership, firm, investment fund, company, or a similar type of entity established or registered abroad, which is not listed on the foreign securities market.
- Investment up to 20 percent of the paid-up capital in shares of a limited liability partnership, firm, investment fund, company, or a similar type of entity established or registered abroad, listed on the foreign securities market.

Provided that this threshold shall not be applicable for investments by a Nepali citizen made from the earnings while residing abroad.

- Investment made by a company or entity established in Nepal to open or register a branch or liaison office abroad.

- Funds deposited in a bank account overseas by a company or entity established in Nepal.
- Reinvestment of earnings generated from investments in shares.

Permission for Overseas Investment

The following persons, companies or entities established in Nepal are allowed to make foreign investments:

- Industries granted exemption to invest overseas as per § 3(2) of Overseas Investment Prohibition Act 2021 (1964 A.D.).
- Industries classified as an IT industry under the prevailing industrial laws.
- A Nepali citizen having a source of income while residing abroad.
- A foreign investor having a source of income in foreign currency pursuant to § 7(2) of the Foreign Investment and Technology Transfer Act 2075 (2019 A.D.).

Nonetheless, above-mentioned investments are subject to sector-specific limitations and conditions prescribed by the central bank of Nepal - Nepal Rastra Bank (NRB) through official public notices.

Employee Stock Purchase Plan for Nepali Employees

Nepali employees residing in Nepal are now allowed to acquire shares and receive dividends under an employee share scheme operated or implemented by foreign parent companies, provided that remittance of foreign currency by Nepalese employees from Nepal is not required for acquiring those shares.

Amendment to Arbitration Act 2055 (1999 A.D.)

Fast-Track Arbitration

Parties to arbitration are allowed to opt for the fast-track arbitration service to resolve disputes.

Exclusion of “Public Interest” as a Ground for Dismissal of an Arbitral Award

The provision to set aside an arbitral award based on the “public interest” ground has been omitted and limiting only to “public policy” as a ground for set aside an arbitral award.

Enforcement of an Arbitral Award

A District Court shall enforce an award issued through fast-track arbitration within 15 days of upon receiving an application seeking enforcement. An application to set aside an arbitral award shall not give a cause to hold the enforcement of the award, unless the High Court grants a stay order against the enforcement of the award. Such a stay order can only be granted in one of the following circumstances, if:

- there is a *prima facie* evidence of corruption or fraud in the process of award or agreement.
- irreparable harm shall be caused to the petitioner in the event suspension of the enforcement is not granted.

Amendment to the Companies Act 2063 (2006 A.D.) (“Companies Act”)

Issuance of Non-Cash Shares

Companies are allowed to issue or sell shares, or grant rights on shares in non-cash forms to promoters or others, taking into account contributions such as intellectual property, services, goodwill, know-how, or technical knowledge. Such shares require independent valuation by a certified engineer or chartered accountant with a clear rationale for the pricing and approval through a special resolution in a general meeting.

Employee Share and Share Issuance Limit

A company may offer shares as an alternative to employees as a substitute for salary, allowances, and benefits. Similarly, companies can grant the right to acquire shares through non-cash methods, but the shares issued to promoters or others cannot exceed 20 percent of the paid-up capital, except for startups, where the limit is 40 percent.

Employee Share Purchase Plan

Under an Employee Share Purchase Plan, a company is allowed to offer shares to its directors and employees, including those from subsidiaries or parent companies, subject to certain conditions and passing a special resolution. Key conditions include:

- Shares purchased through the Plan cannot be transferred during the period specified by the company.
- Only those employees employed during the purchase period are eligible to participate in the Plan.
- Director’s Reports to be submitted under § 109(4) of the Companies Act must include details of shares issued and purchased under the Plan.

The Plan must include the details of the number of shares available for purchase, eligible employees, purchase period, share price, allocation per employee, and other relevant details.

Amnesty on Fines for Late Submission of Required Documents

Companies which fail to submit statutory filings are provided until the end of *Asar* 2082 (July 16, 2025) with a 90 percent reduction in fines for late submissions.

Exception for the Appointment of Directors

A person from a parent company may be appointed as a director in its subsidiary company, and vice versa. Additionally, individuals from one public company, except those in the banking, financial, or insurance sectors, may serve as directors in another public company with similar objectives.

Amendment to Special Economic Zone Act 2073 (2016 A.D.) (“SEZA”)

Agreement with Special Economic Zone Authority (“Authority”)

License-holders under SEZA are now required to enter into an agreement with the Authority within 120 days, with a one-time extension opportunity for 30.

Loan Facility

A license holder is allowed to secure a loan from the bank and financial institution by using the immovable property or an agreement other than land as collateral.

Amendment to Foreign Investment and Technology Transfer Act 2075 (2019 A.D.) (“FITTA”)

Expansion of the Scope of Technology Transfer

The scope of “technology transfer” has been broadened by including agreements between industries and foreign investors covering areas,

such as, management and technical services, IT, marketing and market research, finance, engineering, outsourcing, digital data processing and migration, and other technical expertise.

Investment of Earnings from Technology Transfer

Nepalese companies, upon permission from NRB, are permitted to invest the foreign currency received as consideration for technology transfer in limited liability partnerships, firms, investment funds, companies, or other similar entities established or registered abroad.

Foreign Investment in Specialized Investment Funds (SIF)

Foreign investors may make equity investments in an industry by purchasing units of SIF, such as, capital investment funds (venture capital funds) or other funds registered with the Securities Board of Nepal (SEBON) with its approval. However, the funds receiving foreign investments must obtain prior approval from the Department of Industry (DOI) in order to make investments in portfolio companies.

Similarly, repatriation of income from the sale of units in SIF, including profits derived from such units, shall require approval from SEBON, which must grant approval within 7 days of application submission. Once SEBON grants its approval, additional approval from NRB for repatriation is no longer required.

Provision for Loan from Foreign Financial Institutions

Nepalese industries may obtain loans from foreign financial institutions by mortgaging immovable property through project loans or project financing agreements with an approval from NRB.

Transfer of Foreign Investment

The amount of foreign investment may be transferred to any person or entity, in whole or in part, with the approval from DOI.

Provision Relating to Visa Facility to Family Members

Non-tourist visa is also extended to family members of foreign experts, technical or managerial employees to be employed in the Nepali industry.

Restriction of Foreign Investment in Airlines

For industries related to airline operations, training, maintenance, and passenger service facilities, a cap on foreign investment is prescribed as follows:

- International Airlines Services: up to 80 percent

- Domestic Airlines Services: up to 49 percent
- Training Institutions: up to 95 percent
- Maintenance Institutions: up to 95 percent.

Amendment to Industrial Enterprises Act 2076 (2020 A.D.) (“IEA”)

Registration of Industries

Industries that are already established and operating without registration must be registered within one year of the enactment of this provision.

Upon submission of the registration application, DOI must issue a certificate within 15 days. If the DOI fails to make a decision within this timeframe, the industry may commence its operations.

Industries listed under Schedule 1 of IEA that failed to register within the timeframe specified in the permit issued by the Industrial and Investment Promotion Board (“IIPB”) are now allowed to apply for an extension of the permit period by submitting an application to IIPB.

Amendment in Requirement of Environment Impact Assessment (“EIA”)

The requirement to submit an EIA or Initial Environmental Examination (IEE) has been eliminated for industries seeking to increase capital. Moreover, industries exempted from conducting EIA or IEE during registration are now required to submit an Environmental Management Plan.

Transfer of Ownership of Industry

An application must be submitted to DOI to obtain approval for the transfer of industry ownership.

List of Industries Extended for Additional Facilities

Industries eligible for additional facilities and concessions now include those that have received project loan or financing from foreign financial institutions and those involved in IT-based activities (such as software development, data processing, Business Process Outsourcing, or Knowledge Process Outsourcing) with an annual turnover exceeding fifty million rupees.

Exemption on Land Ceiling

The use of land as collateral for obtaining a loan from a bank beyond the 50 percent limit is permitted under the following conditions:

- For securing project financing
- For projects implemented under an agreement with the relevant government or its

agency, which will be transferred to the government or agency upon completion of the specified period.

However, the use of land as collateral does not impose any loan liability on the government or its agency.

List of Industries Added Under the list of Service Industry and Industry of National Priority

Following industries have been added to the list of “service industry” and industry of “national

priority” and incorporated in Schedule-8 and 9 of IEA:

- Natural gas (LNG, CNG) refilling or distribution
- Fund Management
- Asset Management
- Star hotels, tourism resorts, cruises and water entertainment

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