

Notice Prescribing Limitations for Foreign Investment through Automatic Route

On October 2, 2023, the Government of Nepal published a notice (“Notice”) in the Nepal Gazette pursuant to Section 42(1) of Foreign Investment and Technology Transfer Act 2075 (2019 A.D.) (“FITTA”) prescribing an upper limit and the sectors of industries for the approval of foreign direct investment (“FDI”) through automatic route.

Background

Section 42 of FITTA has provisioned for registration of a company or an industry and for the approval of FDI through automatic route.

Accordingly, the Foreign Investment and Technology Transfer Regulations 2077 (2021 A.D.) (“FITTR”) was amended on April 20, 2023 to allow automatic route for approval of FDI within prescribed limits.

The automatic route enables the applicant to obtain FDI approval through electronic system of the Department of Industry upon uploading the required documents into the said electronic system.

FITTR has provisioned for two forms of foreign investment through this automatic route:

- Incorporation of a new company either as a fully owned subsidiary or as a joint investment; and
- Capital increment by an existing foreign investor in an operational company incorporated with foreign investment.

Upper Limit of FDI Amount for Approval through Automatic Route

Pursuant to FITTR, the Ministry of Industry, Commerce and Supplies (“MOICS”) in its Notice dated October 2, 2023 has set a limit of NPR 500 million as foreign investment for which an applicant can apply for approval of FDI through automatic route.

List of Permitted Industries

The Notice has also listed the following industries for FDI through automatic route:

A. Energy oriented industries

- Industries producing wind, solar, biomass or energy from other sources as well as producing equipment and other tools for such energy production;
- Energy based on biogas;
- Energy produced as a by-product of sugar industry;
- Industries studying energy possibilities.

B. Industries based on agriculture and forest produce

- Processing of fruits and vegetables;
- Establishment and operation of green house;
- Processing of silk or tea and coffee or herbs (medicinal) or rubber or natural fibers or cotton;
- Cold storage facility (for storage of local fruits and vegetables);
- Industries based on non-timber forest products such as paper, resin, etc.
- Creation of plants through new technology including tissue culture.

C. Infrastructure industries

- Parking for vehicles;
- Processing of export products;
- Waste water treatment plant;
- Construction of film city or film studio;
- Construction and operation of warehouse.

D. Tourism industries

- Motel, hotel, resort, bar or restaurant;
- Amusement park or water park;
- Conference or sports tourism.

E. Information Technology (“IT”) industries

- Technology parks;
- IT Park;

- Biotech park;
- Software development;
- Processing of data/statistics.
- Digital mapping;
- Business Process Outsourcing (B.P.O.) Knowledge Process Outsourcing (K.P.O.);
- Data center, data mining, cloud computing;
- Web portal, web design services.

F. *Service oriented industries*

- Workshop;
- Construction business;
- Hospital;
- Nursing home, polyclinic, operation of re-habilitation home, physiotherapy clinic, ayurvedic and other alternative hospitals.
- Sports services, swimming pool;
- Waste collection and cleaning, re-treatment of waste;
- Veterinary services;
- Health examination (services such as X-Ray, CT Scan, MRI, ultrasound and health examination laboratories);
- International courier services.

G. *Manufacturing industries*

- Producing grains for animals, birds and fish;

- Processing and packaging of meat and sea food;
- Fat and oil production from basic raw materials;
- Production of starch and glucose or bakery items, or confectionary and biscuits or sugar or nonalcoholic drinks;
- Textiles, garments and fabric production and repurposing;
- Producing electronic home appliances;
- Manufacturing goods from plastic and rubber;
- Manufacturing bags, suitcases, trolleys or bags to carry such products;
- Manufacturing timber based materials except those based on traditional and cultural art;
- Production of toothpaste, soaps, shampoos and other toiletries;
- Manufacturing products with glass;
- Manufacturing cycle, scooter, motorcycle or cars and materials used in such vehicles;
- Manufacturing electric lights, switch, meter, meter fuses, cables for wiring, compressor and other similar products;
- Manufacturing materials used for medical, surgical, orthopedic purposes;
- Production of electronic wires.

The Notice in Nepali language is available [here](#).

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