

APPENDIX- III

Format for Legal Agreement



APPENDIX-III

FORMAT FOR LEGAL AGREEMENT

AGREEMENT FOR INFORMATION TECHNOLOGY PARK

An agreement made this day of two thousand between M/s a 100% ITU having its registered office at (hereinafter referred to as : The Unit" which expression shall include its successors and assigns) of the one part and HMG/Nepal (hereinafter referred to as the "Government " which expression shall include his successors in office and assigns) of the other part.

WHEREAS the Government have communicated vide letter no..... dated to the unit the terms and conditions for setting up of the 100% export oriented Unit of Technology Park under software export scheme of HLCIT and the unit has duly accepted the said terms and conditions vide their letter no..... dated.....

AND WHEREAS the unit has been granted the status of 100% export oriented unit, as defined by HLCIT on Information Technology Parks.

AND WHEREAS the unit has been allowed to import the capital goods , raw materials , spares and consumables etc. free of import duty for development of computer software for export physically or through satellite data link.

AND WHEREAS as a condition of the approval granted to the unit, the Government has stipulated that the unit must earn foreign exchange by 100% of the production of export , product, namely, computer software for a period of five years beginning from the business commencement day (hereinafter referred to as the prescribed date).

NOW THIS AGREEMENT WITNESSETH AS FOLLOWS:

1. The unit shall earn foreign exchange by exporting 100% of their production of computer software for a period of five years , counting from the prescribed date. This export obligation shall be in addition to and over and above any other export obligation that might have been or may be imposed on the unit on any other ground.
2. The unit shall intimate the date of commencement of production for 100% export within one month of such date to the concerned Director, Information Technology Park.

The unit shall within a period of three months beginning from the first day of the financial year after the commencement of export production, submit to the Director, Information Technology Park, certificates in original and such other documents as may be demanded by the said authority giving details of the following imports/ exports effected and purchase made from the domestic tariff area by the unit during the period.



- (a) Quantity , specifications and CIF value of imported (i) Capital Goods, Plant Machinery and equipment and (ii) Raw-material, Components and Consumable .
- (b) Quantity , specification and value of indigenously procured (i) Plant , Machinery and equipment (ii) Raw-materials, Components , Consumables.
- (c) Quantity, specifications and value of export.

The unit shall submit similar certificates and such other documents to the said authority every year for a period of five years , within three months from the end of each financial year.

In the event the unit is not fulfill the export obligation undertaken by it as aforesaid , the unit, on the instruction of the concerned Director in pay to the Government amount of custom duty that would be leviable at the relevant time on the items of Plant, Machinery, Equipment, Raw materials, Components and consumable allowed for import by the unit in terms of approval granted to them. The unit, shall in addition, pay simultaneously to the Government taking into account the circumstances of the case. The amount of liquidated damages shall be determined by the Director of and the instructions of the said authority shall be final and binding on the unit. While determining the extent of liquidated damages the said authority will, if it is considered necessary, give an opportunity to the unit to present its arguments regarding it.

The unit will under no circumstances be allowed to dispose off the export product in the domestic market unless specifically allowed by the Government.

The unit will comply all the terms and conditions communicated by Information Technology Park vide from time to time to the unit

In the event of the unit fulfilling the export obligation undertaken by it as aforesaid except when the fulfillment of such obligation is prevented or delayed because of any law order , proclamation , regulation or ordinance of the Government. The Government shall be free to issue any directions to the unit regarding the manner of disposal of the export goods , and the unit shall be bound to comply with the same. This will be without prejudice to any other action which may be taken against the unit under the provision of the Import & Export Regulations or any other rules.

Any custom duties / excise duties and interest at 10% from the date of import/supply to the date on which payment is made due to Government under agreement shall also, without prejudice to any other mode of recovery be recoverable as due to the Government.

Any order issued by the Government in this regard shall be final and binding and the unit thereby undertake to comply unconditionally with such an order.

The export obligation on the ITP units on net foreign exchange terms in US Dollar value will be as specified by the Nepal Rastra Bank from time to time.

**Export Obligation = [1.75 x (CIF Value of the hardware imported)]
+ [1.75 x Wage Bill]**

Notes:

- ❖ The obligation on the hardware part will be fulfilled over a period of four years.
- ❖ The obligation on the wage bill is on annual basis.

In witness whereof the common seal of M/shas been hereunto affixed Shri..... has set and subscribed his hands hereunto.

Common seal of the within named unit
has been affixed hereunto in he presence

Signature

Residential Address

.....

Chairman/Director who has been duly authorized for the purpose by a resolution of Board of the company passed at the meeting held on..... and who have signed in the presence of:

1, _____
Name, Designation & Address

2, _____
(Name, Designation & Address)

Signed for and on behalf ofShri.....in the presence of:

1, _____
(Name, Designation & Address)

2, _____
(Name, Designation & Address)

APPENDIX- IV

Format of Application
for Import Export Code (IEC) No.



APPENDIX - IV

INFORMATION TECHNOLOGY PARK, KAVRE

APPLICATION FORM FOR ALLOTMENT OF IMPORTER /EXPORTER CODE (IEC) NUMBER AND MODIFICATION OF PARTICULARS AN EXISTING IEC HOLDER

NOTE:-

1. An IEC number allotted to an applicant shall be valid for all its branches /divisions/units /factories as indicated on the IEC number.
2. Any person without an Importer -Exporter Code [IEC] number shall make no export or import unless specifically exempted.
3. In addition to his application form (in duplicate) please also submit Appendix-II (in duplicate) along with this application.

(For Office Use Only)

File Number.....Date.....IEC No
allotted.....

1. Application for (please tick)

(A) Allotment of IEC

(B) Modification in particular:

of exiting IEC No Holder

2. Name & Address of the applicant

.....

.....

.....

3. Address of all the branches /divisions/ units factories located in Nepal & abroad
4. In case the applicant is for 1(B) above

a) Exiting IEC No

b) Nature of modification required and details thereof

(In case the application is 1(B) information in S.No 2 and 3 above will be as per pre modified status)

5. Particulars of Fees Paid

(i) Bank Receipt /Demand Draft No.

.....

(ii) Amount (in Rs.)

(in Figure).....

(in Words)

(iii) Name of Bank & Branch of issue

.....

6. Permanent Account Number (PAN)

.....
of Income Tax

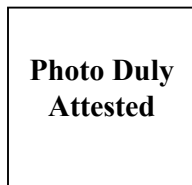
Issuing Authority

.....

DECLARATION / UNDERTAKING

1. I/We hereby declare that the particulars and the statements made in this application are true and correct to the best of my/our knowledge and belief and nothing has been concealed or held there from.
2. I/We fully understand that any information furnished in the application, if proved incorrect or fails will render me/us liable for any penal action or other consequences as may be prescribed in law or otherwise warranted.
3. I/We undertake to abide by the provisions of the rules and regulations and order framed there under, the Export and Import Policy of HMG/Nepal.
4. I/We hereby declare that this application is made by me/us in the name of Registered/Head Officer and I/We have not obtained or applied for Importer-Exporter Code Number previously in this name from any office of the HMG/Nepal (Not applicable for existing IEC No. holder).
5. I hereby certify that none of the Director /Partner /Proprietor of the firm or company is a Director/Partner / Proprietor of the firm/ company which has come to the adverse notice of HMG/Nepal

.....
Signature of Applicant.



Name :
Designation :
Official Add :
.....
Tel :
Res Address :
.....
.....
Email Address:

Place :

Date :

1. The applicant has given the required documents and the application is in order:

We may issue IEC

Number to the applicant firm

OR

The Application is deficient and we may call for the following documents.

a)

b)

Notes:

1. If there is any non-resident interest in the firm and non-resident investment is to be made with repatriation benefits, full particulars thereof with photocopy of Nepal Rastra Bank approval must be submitted. Investment without repatriation benefits, a simple declaration indicating whether it is held with the general/specific permission of approval, a copy may also be furnished.
2. The applicant firm/company should also submit a simple declaration as under:

The(proprietor/ partners/ directors as the case may be) of the firm/company is/are not associated as proprietors/ partners or directors in any other firm/company which is in the caution list of Nepal Rastra Bank (NRB).

Note: Where the applicant declares that they are associated with firms /companies caution listed by NRB they will be allotted IE Code No. but with an additional condition that they can export only with NRB's prior approval and they should

approval RBI for the purpose.

Documents to be enclosed with the application form

1. Cash Receipt evidencing payment of application fee.
2. Certificate from the banker of the applicant firm(as Appendix- II to this form)
3. Two copies of PP size photograph including a copy of citizenship certificate for Nepalese and a copy of passport in the case of foreigner applicants duly signed by applicants
4. In case of foreign investment companies permission from the foreign investment division is to submitted.
5. In case of non-foreign investment registration of firm /company is to be submitted along with the copy of PAN and VAT.

BANK'S CERTIFICATE

(To be issued on the official letterhead of the Bank)

Ref. No.....

To,

.....
.....
.....
.....

(Name and address of the licensing authority)

Sir/Madame,

We certify that M/s..... are maintaining a Saving Bank Account /Current
Account No with us since.....

.....

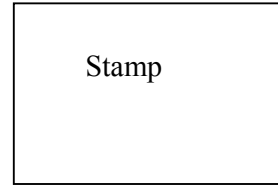
(Signature of the Banker)

Name

Designation.....

Date.....

Place.....



Format of Importer-Exporter Code Number

His Majesty's Government of Nepal

Ministry of Industry and Commerce

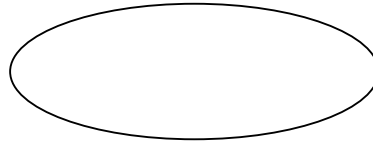
(Full Address)

Certificate of Importer-Exporter Code (IEC) Number

1. Name
2. Address
3. Address of the Branches/Division/
Units/Factories, if any
4. IEC Number
5. Date of Issue

Name

Designation



Place;

Date;

(Issued from File No.....)

Note: In case of any changes in the name /address or constitution of IEC holder, the IEC holder shall cease to be eligible to import or export against the IEC number after expiry of 60 days from the date of such changes unless in the meantime, the consequential changes are effected in the IEC by the concerned licensing authority.

PROFILE OF EXPORTER/ IMPORTER

For Official Use

File No.....Date.....

1. Name of the applicant:

2. Address of the applicant:

(Registered office in case of limited)

Tel No.

Companies, and Head office for others)

Fax NoE-Mail No.....

3. Date of establishment of business
factory in Nepal. d d m m y y y y

4. IEC No..... Date of issue.....Issuing authority.....

5. (1) Merchant Exporter (2) Manufacturer Exporter (3) Services Provider (4)

Other (please specify).....

6. Permanent Account Number (PAN) of Income Tax.....

7.	Category of manufacturing license	Number	Date	Issuing authority
	Registration			
	Industrial license			
	Others(Specify)			

8. Certificate No.....Date.....Valid upto.....

9. Nature of the applicant firm:

[1] Government undertaking

[2] Public Limited Company

[3] Private Limited Company

[4] Proprietorship

[5] Partnership

[6] Others (Please specify)

10. Details of the main Banker and Bank A/c Name of the firm.....

Address.....

Type of account.....

Account No.....

11. RCMC No.....Date of issueValid upto.....

Issuing Authority.....

12. Details of Directors/Partners/Proprietor to be given in the following manner:

(1) (a) Name :.....

(b) Father's Name :.....

(c) Res. Add :.....

(d) Email :.....

(e) Telephone :.....

Note: Attach extra sheet wherever required)

.....

Signature of the Director /Partner/Proprietor

Name.....

Designation.....

Place.....

Date.....

APPENDIX-V

FORMAT OF BANK CERTIFICATE
TO BE GIVEN WITH APPENDIX-IV



APPENDIX-V

FORMAT OF BANK CERTIFICATE

BANKS CERTIFICATE

Ref. No
.....

Date

Place

To

.....

(Name and address of the licensing authority)

We certify that M/s are maintaining an
account (Saving Bank/Current account No.....) with us
since.....

(Signature of the Bankers)

Full address of the Bankers

.....

.....

Branch and City

Official Stamp

APPENDIX-VI

FORMAT OF APPLICATION FOR REGISTRATION-CUM- MEMBERSHIP CERTIFICATE (RCMC)



APPENDIX- VI
FORM OF REGISTRATION -CUM-MEMBERSHIP CERTIFICATE (RCMC)
PART I

(To be filled in by the applicant)

1. Name & Address of the Applicant.....

2. IEC Number.....

3. Address of the
 - (i) Head Office
 -
 - (ii) Registered Office
 -
 - (iii) Branch(s)
 -
 - (iv) Factory(s)
 -

4. Year of establishment

5. Description of export products(s)
- for which registration is sought

6. Whether registration is required
- as merchant exporter
- or manufacturer exporter

7. Name of the Proprietor/ Partners/
- Directors/Managing Directors

I/We hereby declare that the above information is correct to the best of my/our knowledge and belief. I/We also undertake to abide by the conditions subject to which registration/membership id granted.

Signature.....

Name in Block Letters.....

Designation

Residential address

.....

Date :

Place :

APPENDIX-VII

SOME OF THE LEGAL PROVISIONS AND INFORMATION



APPENDIX- VII: SOME OF THE LEGAL PROVISIONS AND INFORMATION

LABOUR POLICY

Labour Force

Nepal has an easily trainable and keen work force. Unskilled labour is cheap and abundant. Semiskilled and skilled labours are available in sufficient numbers. The government has established technical institutions to develop skills at the technical level in civil and electrical engineering, electronics, air conditioning/refrigeration, general mechanics and auto mechanics. Training programmes are also geared to industrial and vocational training in wood working, metal working, leather working, general fitters, tailoring and so on. The programmes on entrepreneurial and management development and the colleges of higher learning provide educated persons to be groomed for managerial positions on both public and private sector industries.

Industrial Relations

Nepal has a history of maintaining good industrial relations during the past few decades when industrial activity gradually expanded in the country. Labour unrest, lockouts and strikes do not occur as frequently as they do in other developing countries. The Labour Act lays down guidelines and procedures for the settlement of disputes between employers and employees. These guidelines and procedures provide a favorable environment for the harmonious development of industrial relations.

Legal Framework

The Labour Act, 1992 lays down the legal framework and the basis for the rules, regulations and guidance on the proper management of any establishment employing 10 persons or more. It deals with matters relating to employment and security of employment, working hours and minimum wages, welfare of employees, employer employee relations and the settlement of labour disputes. Labour Regulation, 1993 complements the Labour Act with further clarification in issues such as security of profession and service, remuneration and welfare provision, health, cleanliness and safety, etc. The Bonus Act of 1974, as amended subsequently, provides a legal basis for the payment of bonus to the workers and employees of factories and commercial establishments.

Wages and Salaries

The wages payable to workers in Nepal are comparatively very low. The low cost of living enables workers to offer their services at relatively low wage rates. The minimum wage rates set by the government are generally lower than the going wage rates for workers. Salaries of middle management



executives, technical grade officers, engineers and other professionals are generally lower than in other developing countries. Permanent employees of a factory should contribute 10 percent of the monthly salary to a provident fund and the management should make a matching contribution. Gratuities are payable to workers who have worked for over 3 years.

Working Hours, Holidays

Normal working hours are fixed at 48 hours per week, 8 hours a day. Continuous working hours should not exceed 5 hours. There should be a break of half an hour. Overtime work is remunerated at one and a half times the normal wage.

In addition to 13 public holidays, permanent workers are entitled to one day's home leave for every 20 days, 15 days medical leave with half pay and one month special leave without pay every year. Female employees are entitled to 52 days maternity leave with full pay. Such maternity leave shall be granted only twice during the entire period of service. The compulsory retiring age for workers is 55. However, in the case of a skilled worker whose service is indispensable, the retirement age could be extended up to 60 years.

EXISTING TAX STRUCTURE

A. INCOME TAX:

1. For individual, couple

Exemption amount from income Tax

For Individual	Rs. 80,000
For Couple	Rs. 1,00,000

On taxable income

On income of upto Rs. 75,000 beyond the exemption amount	15%
On all further incomes beyond taxable income of Rs. 75,000	25%

2. For registered private and public limited company, income tax is levied at a flat rate of

-- For Banking, Financial Institution, General Insurance Business and Petroleum Business	30%
-- For others (including Partnership Firms & corporate)	25%
-- For Non-Resident Person	25%

3. Capital Gain Tax - 10% on net gain (for individual / couple).

4. All industrial establishments accepted as industry by Industrial Enterprise Act (except alcohol & tobacco based units) - 20%.

5. Units which construct and operate road, bridge, tunnel, ropeway, flying bridge, trolley bus, tram 20%.

6. Entities engaged in building and operating public infrastructure to be transferred it to HMG - 20%.

7. Income derived from shipping air transport or telecommunication by non-resident person - 5%.



8. Entities wholly engaged in power generation, transmission or distribution for an income year - 20%.
9. The repatriated income of a foreign permanent establishment of a non-resident person - 10%.
10. For the purpose of Income Tax, 1.5% special fee is levied on all income attracting 20% or more tax rate.
11. Annual Income Tax Rate for Vehicle Owners operating their vehicles on hire

<i>Type of Vehicles</i>	<i>Annual income Tax Rate (in Rs.)</i>
1. Mini bus, mini truck, truck and bus	Rs. 1,500.00
2. Car, jeep, van, micro bus	Rs. 1,200.00
3. Auto rickshaw, three wheeler, tempo	Rs. 850. 00
4. Tractor and power Tiller	Rs. 750.00

12. The applicable rate of advance tax (income tax deduction at source) from income in certain categories of payment is as follows:

1. Remuneration	At a rate proportionate to annual remunerations
2. Rent including house rent	15 % of the amount paid
3. Service Fee	15 % of the amount paid
4. Meeting allowance	15 % of the amount paid
5. General Insurance Premium or Contract (exceeding is Rs. 50,000 at a time)	1.5 % of the amount paid
6. Interest, Commission, Royalty, Management Fee, Technical Service Fee and so on	15 % of the amount paid
7. Interest payment made for natural person by bank and financial institution	6 % of the amount paid
8. Retirement fund (approved)	6 % of the amount paid
9. Lotteries, Gifts and Prizes	25 % of the amount paid
10. Commission amount paid to the insurance agents and stock brokers	15 % of the amount paid
11. Unapproved retirement fund	10 % on gain
12. Investment insurance	5 % on gain
13. Dividend	5 % of total amount paid

B. VEHICLE TAX



1. Vehicle Operating on Hire

<i>Type of Vehicle</i>	<i>Annual Tax Payable (in Rs.)</i>	
	<i>Petrol</i>	<i>Diesel</i>
a. Car, Jeep, Van, Micro Bus		
1. Upto 1300 cc	Rs. 3,600	Rs. 5,500
2. 1301 cc to 2000 cc	Rs. 4,650	Rs. 7,550
3. 2001 cc to 2900 cc	Rs. 5,500	Rs. 9,600
4. 2901 cc to 4000 cc	Rs. 6,750	Rs. 12,650
5. 4001 cc and above	Rs. 8,250	Rs. 15,400
b. Truck	Rs. 12,650.00	Rs. 13,900.00
c. Bus	Rs. 12,650.00	Rs. 13,900.00
d. Mini-Bus	Rs. 8,100.00	Rs. 9,500.00
e. Mini-Truck	Rs. 8,100.00	Rs. 9,500.00
f. Auto Rikshaw, Three Wheeler, Tempo	Rs. 3,700.00	Rs. 3,800.00
g. Tractor	Rs. 1,000.00	Rs. 1,750.00
h. Power Tiller	Rs. 1,000.00	Rs. 1,350.00

2. Private Vehicles

	Petrol	Diesel
a. Car, Jeep, Van and Micro Bus		
1. Up to 1300 cc	Rs. 7,100.00	Rs. 11,000.00
2. 1301 cc to 2000 cc	Rs. 9,300.00	Rs. 15,100.00
3. 2001 cc to 2900 cc	Rs.11,000.00	Rs. 19,200.00
4. 2901 cc to 4000 cc	Rs.13,500.00	Rs. 25,300.00
5. 4001 cc and above	Rs.16,500.00	Rs. 30,800.00
b. Auto-Rikshwa, Three Wheeler, Tempo, Tractor, Power Tiller		
a. Auto -Rikshwa, Three Wheeler, and Tempo	Rs. 2,300.00	Rs. 3,300.00
b. Tractor	Rs. 1,600.00	Rs. 2,300.00
c. Power Tiller	Rs. 1,600.00	Rs. 1,600.00
c. Truck / Bus	Rs. 15,100.00	Rs. 16,500.00
d. Mini-Truck / Mini-Bus	Rs. 9,300.00	Rs. 10,700.00
e. Motorcycle		
1. Up to 90 cc	Rs. 450.00	
2. 91 cc to 150 cc	Rs. 950.00	
3. 151 cc to 300 cc	Rs.1,400.00	
4. 301 cc to above	Rs.1,900.00	

C. CUSTOM AND EXCISE DUTY

1. Prevailing custom duty rates are 80%, 40%, 25%, 15%, 10% and 5%.
2. Some industrial items such as vegetable ghee and plastic goods are liable to pay export duty. Export duty rates range from 0.75 to 10%.



3. Excise duties are levied on certain goods (tobacco, alcohol, plastic, cement, vehicles) produced in and imported to the Kingdom of Nepal. The rates may be ad valorem as well as specific.
4. Goods imported from India into the Kingdom of Nepal are granted a rebate in the chargeable ad valorem (except specific) rate of customs duty by 10% for up to the tariff rate of 40%, and by 7%, on rates above that.
5. Goods produced in China and imported from Tibet are granted a rebate in the chargeable ad valorem (except specific) rate of customs duty by 5%.
6. A Special fee of 1.5 percent is levied on goods of import value at the custom points. But special fee of 0.5 percent will be levied on imported goods of up to 5 percent custom duty.
7. But 5% of special fee is levied on the vehicles above the tariff rate of 25%.
8. There is no special fee levied on the goods below the tariff rate of 2.5%.
9. One and half percent local development fee is levied on import at custom point.

D. INDUSTRIAL SECTOR:

1. If a business installs technology which controls pollution and minimizes the environment effects it is deductible from taxable income.
2. Manufacturing industry providing employment to 600 or more than 600 Nepali citizens in whole year get additional facilities of income tax rebate at the rate of 10%.
3. Industries established in certain underdeveloped remote and semi-developed areas are given rebates on income tax. The rebate may range from 20 - 30% of the applicable tax depending on the level of development of the district.
4. VAT paid on inputs can be adjusted while depositing the VAT on finished products.
5. If any industry sells its products to the Export Promotion House, the customs duties, VAT levied on the raw materials and VAT and excise duty levied on products are reimbursed.
6. The customs duties, value added tax and excise duty on the production of materials to be utilized for the production of goods of exported are reimbursed to the concerned on the basis of the quantity of export.
7. Permission of the Department of Industries is to be obtained for foreign investment or technology



8. A foreign investor making investment in foreign currency is entitled to repatriate the following amount outside the Kingdom of Nepal.
- The amount received by the sale of the share of foreign investment as a whole or any part thereof.
 - The amount received as profit or dividend in lieu of the foreign investment.
 - The amount received as the payment of the principle of, and interest on, any foreign loan.

E. SUBMISSION OF STATEMENT OF ESTIMATED TAX, PAYMENT OF TAX AND FINAL ADJUSTMENT

Fiscal Year: Fiscal year will be a period of 1 year commencing 1st Shrawan to end of Ashadh of the next year (16/17 July to 15/16 July of next year).

Each & every Firm and Company has to Calculate the estimated income and tax Statement and then submitted to the Concerned Inland Revenue Office by end of the Poush (2nd week of January), and if found Variance more than 10% Revised Statement can be prepare and submitted by end of Ashadh (2nd week of July).

Payment of Tax in installment basis during the fiscal year:

40 % of Yearly Tax should pay by end of Poush (2nd week of January)

30 % of Yearly Tax should pay by end of Chaitra (2nd week of April)

30 % of Yearly Tax should pay by end of Poush (2nd week of January)

Final assessment of Income and Income Tax :

After preparing the Audited Balance Sheet, Profit & Loss Account, the final statement of tax assessment should submitted to the concerned Inland Office by end of Ashwin (2nd week of October), incase of delay prior permission it is extendable upto 3 months.

Tax deduction at Source (TDS) and deposit to Inland Revenue Office:



In the payment of any kind of taxable income to any body tax deduction should be done as per prescribed rate as follows:

Rent: House rent & Equipments	15%
Royalties, Technical Services, Consultancy Fees & Professional fees	15%
Interest paid (other than paid to banking institution)	6%
On the payment of dividend	5%

Deposit of TDS:

Deducted tax amount must deposit to the concerned Inland Revenue Office
Within 15 days,

F. TAX SYSTEM

Personal Tax

Taxable income includes profits from a business, income from salaries along with other benefits provided by the employer, income from house rent, interest, dividends and other sources. The first NRs. 75,000 of income of a married couple or family is exempt from income tax. In the case of an individual, the exemption limit is NRs. 55,000. The rates of income tax are as below.

Rates of Income tax

15 percent on the first additional RS. 75,000

25 percent on balance.

Royalties, Technical Services Fees, Professional Fees and Management Fees

Royalties, technical service fees and management fees are taxed only at a concessionary rate of fifteen percent. Income tax will not be levied on the interest on foreign loan.

Dividend Tax

Dividend Tax is taxed at a flat rate of 5 %

Income Tax on Export

Income Tax on Export earnings is levied at 40 percent of the prevailing tax rate. But it can not be more than 0.5% of total export turnover.



Company Tax

The present rate of general corporate tax is 25 % and for banks and financial institutions it is 30 percent. However, industries, other than cigarette, bidi, cigar, khainy, tobacco, alcohol or beer, will not be imposed more than 20 percent income tax on their industrial income.

Deductions

The Income Tax Act of 2002 AD has a provision for deduction of expenses from taxable corporate and personal income. Expenses wholly and exclusively incurred in the generation of income are deductible from taxable income.

Depreciation

Industries are entitled to depreciate the fixed assets either on a straight line method or on diminishing balance basis. All plant, machinery and equipment qualify for depreciation at the rate of five to twenty five percent per annum in computer related equipments 25 %.

While calculating depreciation on the fixed assets, industries shall be entitled to depreciate additional one third of the rate of depreciation that prevails to others.

Indirect Taxes

Customs duty, sales tax and excise duty are levied on manufactured goods or imported goods into Nepal. The rate of tax varies depending on the nature of goods manufactured on imported.

VALUE ADDED TAX (VAT):

1. VAT is levied at a single rate of 10 percent. In certain cases, the rate may be zero and certain goods and services are exempted from VAT.
2. Value Added Tax is collected at every stage of selling goods and services.
3. Exports of taxable goods are zero rated.
4. A firm whose annual turnover of goods and services not exempt from VAT is less than Rs.2 million needs not to be registered with the VAT office and collect VAT on sales.
5. But those firms which import taxable goods valued more than Rs. 10 thousand at a time need to be registered with the VAT Office.



6. A firm registered with the VAT Office may claim credit on tax paid on inputs / purchases.
7. Certain products such as primary food stuffs, primary agricultural products, industrial machineries are exempt from VAT.

Value Added Tax at a flat rate of 10 percent is levied in all goods and services except those specified as exempt from VAT. Export is zero rated in VAT, i.e. VAT paid in course of producing goods for export is returned to the exporter.

Avoiding Double Taxation Agreements

In order to avoid the double taxation on incomes of foreign investors, the government is taking 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 India, Norway, Thailand, Mauritius and Sri Lanka.

Foreign Company to Submit Documents

- (1) Any foreign company desirous of undertaking business or already engaged in business in the Kingdom of Nepal shall have the company registered after submitting the following documents to the appropriate department:
 - (a) An authentic copy or translation in Nepali or English of the Law or license under which the company was incorporated and established.
 - (b) Authentic Nepali version of the memorandum and articles of the company.
 - (c) Full address of the head office of the company.
 - (d) A list of the directors, managing agent manager, secretary, etc. of the company along with the particulars mentioned in Sub-Section (2).
 - (e) Name and address of resident representative or representatives of the company in Nepal, who is or are, empowered to accept on its behalf time-limits, notice, etc. issued to it.
 - (f) The main place where the business of the company will be or is being run in the Kingdom of Nepal and the full address of the company's office located at such place. Provided that a foreign company which is already operating in the Kingdom of Nepal at the time of the commencement of this act may submit the documents to be submitted by it under Sub-Section



- (1) to the appropriate department within three months from the date of the commencement of this act.
- (2) The list to be submitted under Clause (d) of Sub-Section
 - (1) Shall contain the following particulars:
 - (a) If individuals their full name, surname, address, nationality and occupation, and
 - (b) If a corporate body, its incorporated name, head office, address and the name address and nationality of each of its directors.
 - (3) In case any amendment or alteration is subsequently effected in any document submitted by any foreign company under Sub-Section (1), it shall notify the appropriate department accordingly within thirty-five days from the date of such amendment or alteration.
 - (4) The document duly submitted by any foreign company under Sub-Section (1) or the notice submitted by it under Sub-Section (3) shall be registered by the appropriate department on payment of the fee prescribed in Sub-Section (5).
 - (5) While registering the company after documents mentioned in Sub-Section (1) are submitted, the appropriate department shall charge registration fee not exceeding five thousand rupees from the foreign company, as in the case of a newly incorporated company under the Section and in the case of registration of notices, it shall charge a fee of five rupees each. Provided that the appropriate department may, if it so deems appropriate, refuse to register any company under this Section.

Maintenance and Audit of Account of Foreign Companies

- (1) Every foreign company registered under Sub-Section 138 shall, like a company incorporated under Company Act (1997 AD), prepare a balance sheet and a profit and loss account every year and present them at its general meeting. It shall send three copies of the balance sheet and profit and loss account either in Nepali or in English to the appropriate department.
- (2) The provisions contained in Chapter 7 and 8 of Company act shall also be applicable to the foreign companies to the extent to which their transactions or business are conducted in Nepal.



FOREIGN INVESTMENT

Nepal has opened the doors to foreign investment in comparatively recent time. Within a short period, however, 399 foreign investment projects with the total project cost of NRs. 53.3 billion have been registered.

The foreign investment in these projects amounts NRs. 11.6 billion. These foreign investment projects are mainly in hydro power, mineral exploitation, chemicals, tourist hotels and restaurants, specialized services and in food and beverage industries. These investments have come mainly from India, Japan, USA, China, S. Korea, Germany, France, Hong Kong, UK, Switzerland, Thailand, Pakistan, Austria, Singapore, Bermuda, Netherlands and Taiwan.

FOREIGN INVESTMENT

Permission will not be granted for foreign investment in the industries specified in Annexure for rest of the industries a permission is required.

Foreign investments will be permitted up to 100 percent except the negative list.

Permission can be granted to use foreign technology in the industries specified

Repatriation is allowed in the following cases:

The amount received by sale of the whole or any part of the equity,

The amount received as benefits or as dividends against foreign investment,

The amount received as payment of principle and interest on any foreign loan,

The amount received under the agreement for the transfer of technology in such currency asset forth in the concerned agreement,

15 % income tax will be levied on royalty, technical and management service fees.

Income tax will not to be levied on export income.

Priority will be given in supplying electricity to the industries.

No intervention will be made in fixing prices of the products of any industry.

Business visas shall be granted to foreign investors or their dependent family members or authorized representatives and their dependent family members to stay in the kingdom of Nepal so long as they maintain their foreign investment.



Provided that a foreign investor, who makes a lump sum investment of at least US\$ 100,000, or an equivalent amount in any convertible foreign currency, and his dependent family members shall be granted residential visas so long as he maintains his investment.

