

# **Foreign Investment and One-window Policy 1992**

## ***BACKGROUND:***

The wave of change in the world economic order has affected all nations, big and small. In the process of adjusting the economy in line with these changes, neighbouring countries have also adopted an open and liberal policy for strengthening their economic system. Accordingly, it is necessary for Nepal to introduce timely changes and reforms in various sectors of its economy to introduce dynamism in the process of economic development. In this context, it is opportune for us to make foreign investment attractive by formulating a timely, liberal and open policy. The elected government has expressed strong commitment to this goal from the very beginning. Accordingly, this policy document clearly explains the objectives of foreign investment, the forms of such investment, their procedural aspects, the facilities and concessions to be provided to them, the quick and efficient administrative and institutional services to be made available through an one window system and such other aspects with the belief that implementation of this policy will lead to the import of capital, modern technology, management, technical skills, access to international markets, development of competitive attitudes and awareness about increasing productivity, and their help in the development of an industrial culture in the private sector.

## ***OBJECTIVE:***

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

## ***FORMS OF FOREIGN INVESTMENT:***

1. Equity investment made by foreign investors in the form of foreign currencies of capital assets and reinvestment of the income there from.
2. Loans obtained in the form of foreign currencies of capital assets.
3. Use of rights, specialization, formulate processes and patents relating to any technology of foreign origin.
4. Use to foreign owned trademarks, goodwill.
5. Use to foreign technical, consultancy, management and marketing services.

## ***PERMISSION FOR INDUSTRIES TO BE ESTABLISHED UNDER FOREIGN INVESTMENT:***

1. Foreign investment in the industries classified as prohibitive shall not be permitted. In case of other industries, permission for foreign investment should be obtained.
2. Foreign investment will be permitted up to 100% in large and medium scale industries.
3. If an application is made for an investment, the Department shall, for the industries with a fixed asset 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.

## ***PROVISION 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.

1. The amount received by sale of the whole or any part of the equity investment.
2. The amount received as benefits or dividends from foreign investment.
3. The amount received as payment of principle and interest on foreign loans.

4. The amount received under an agreement for the transfer of technology.
5. The amount received as compensation for the acquisition of any property.
6. 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% 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.

1. Interest income on foreign loans will be taxed at a rate of 15% only.
2. Royalties, technical and management fees will be taxed at a rate of 15% only.
3. Income tax will be levied at 15% on the income earned from exports.
4. 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:***

1. 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.
2. Relief from Double Taxation- For the purpose of avoiding double taxation on incomes of foreign investors Govt. of Nepal will take necessary action to conclude agreements for the avoidance of double taxation with the countries of the concerned foreign investors.
3. Custom duty, excise duty and sales taxes levied on raw materials and auxiliary raw materials of export oriented industries will be reimbursed to the exporters on the basis of the quantum of exports with 60 days from the receipt of the application for such reimbursement.
4. Industries exporting 90% or more of its total production are entitled to enjoy the same facilities provided to industries established in the Export Processing Zone. The bonded warehouse facilities will also continue.
5. In case an industry sells its product within the country in foreign currency, the excise duty levied on the quantity of sold and the custom duty, excise and sales taxes levied on the raw materials used in such products shall be reimbursed to such industry within 60 days upon the receipt of application of such reimbursement.
6. Custom duty, excise duty and sales taxes levied on the production of intermediate goods used in the production of exportable goods and 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.
7. Priority will be given to arrange infrastructure facilities required for the establishment of industries.
8. Government land and land within the industrial districts will be made available to industries for the establishment of industries on priority basis.
9. No intervention will be made in fixing price of the products of any industry.
10. No taxes will be levied on machinery and equipment, raw materials and finished exportable products of industries established within the Export Processing Zone.

***VISA ARRANGEMENT:***

1. A non-tourist visa will be granted to a foreign investor or his authorized representative as well as their dependents to stay in Nepal for the period during which a foreign investor maintains his/her investment.
2. A non-tourist visa 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.
3. If any foreign investor makes a lump sum investment equivalent to more than US\$ 200,000 in convertible foreign currency, the investor and his/her dependents will be

granted permanent resident visa for the period he/she maintains his/her investment in the industry.

**Industries not to be nationalized:**

**No industries will be nationalized.**

***ARBITRATION:***

1. If the foreign investor, the concerned industry and the Department of industry fail to settle among them any dispute concerning foreign investment, it will be settled by arbitration.
2. Arbitration will be held according to the prevalent arbitration rules of the United Nations Commission for International Trade Law (UNCITRAL).
3. The arbitration will be held in Kathmandu.
4. Notwithstanding anything mentioned in sub-section 10.1, 10.2 and 10.3, disputes arising on a foreign investment with a specified investment may be settled as mentioned in foreign investment agreement.

***ARRANGEMENTS RELATING TO THE ONE-WINDOW SYSTEM***

Arrangements will be made to provide services through a "One window" system to industries operating under foreign investment.