



NEPAL

Nepal - Hybrid (Common law and Hindu law)

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Incorporating a company in Nepal

Nepal taxes

If you want to start a business in Nepal, this article explains the tax laws for a LLC, which is the most common company type in Nepal.

Nepal's resident companies are liable to tax on their worldwide income. The usual tax rate for offshore income, from our research, and these things do change, is 25%. The country may not have exemptions to bring in foreign earned profits. Corporate Income Tax standard rate is 25%. Income from certain activities may be taxed at different rates, as manufacturing (20%) or financial, petroleum and tobacco (30%). Nepal ranks 103rd when compared to corporate tax rate worldwide.

The valued added tax rate is 13.00%, that ranks Nepal as 73rd overall in terms of value added tax rate worldwide. The overall complexity of the tax system is medium. This is measured by average time to comply with a country's labor tax requirements is as it is 84hours. Contributing to this is the number of yearly labor tax payments, which is 11 in NP.

Thin capitalization mandates are enacted. Thin capitalisation refers to any sort of requirements on given company with respect to debt-to-asset ratios. Distribution of dividends by a resident company is taxed on source at a withholding tax of 5%, which is a final tax. Dividends received from a foreign entity may be subject to corporate income tax. Dividends are distributions of earnings of the business, decided by the board, to shareholders. Dividends can be issued as shares of stock, cash payments, or other property. Capital Gains are included in corporate income tax base. A capital gains tax is levied on the profits that a corporation or natural person realizes when he or she sells a capital asset for a price that is higher than the purchase price.

Dividends paid to non-resident companies are subject to a withholding tax of 5%. Payments on royalties and interests to non residents are subject to a withholding tax rate of 15%.

There is no known tax on wealth in Nepal. There are real property and inheritance taxes in Nepal. There are popular and well known research and development tax relief in this country.

The above is not tax or legal advice for your specific situation. We can refer you to a lawyer in Nepal who can answer all your questions. Ready to get started? Click incorporate now if you are in a hurry, or press the free consultation button above.

The vat rate in Nepal is 13% which ranks 72 in the world.

- ✘ Patent box
- ✘ RND credit
- ✘ Wealth tax
- ✔ Estate tax
- ✘ Transfer taxes
- ✘ Asset taxes
- ✘ Capital duties

- 8 Tax treaties
- 25% Offshore Tax
- 25% Corp rate
- N/A Loss carryback years
- 120 Corporate time
- 13% VAT rate
- 25% Capital gains
- No AEOI planned

Nepal Legalese

When incorporating, you must look at the law in the country, in Nepal is hybrid (common law and hindu law) law. You will want to get some local advice as to how to best structure a company in Nepal. Electronic signatures are permitted.

The letters NP is for Nepal and the most common company type structure in Nepal is a LLC.

The average time to incorporate is 15 Days to put together the paperwork and file a LLC in NP. The minimal capitalization is 0, This means you don't have any minimum share capital. The types of cash you can use to setup your business is frequently legal currency.

Yes, one is allowed to re-domicile a LLC from NP. You are usually allowed to change the jurisdiction of the company, pending certain procedures.

There must be at least 1 shareholder. This makes it possible for you to own a LLC in NP by yourself. Corporate Shareholders are allowed, meaning you could have a company as a shareholder. Foreign ownership is allowed, up to 100% of the ownership of the LLC.

A legal entity is only required to have one director. Furthermore, corporate directors are not permitted. Directors are disclosed publicly. There is a requirement to have annual meetings of shareholders.

A registered agent is normally required, which means the company will have to pay a fee on a yearly basis, for a legal services company which can receive a service of process on behalf of the business. Furthermore, a company secretary is not always necessary, at least not by law.

There is a legal obligation to file accounts on a yearly basis. Furthermore, there is oftentimes a requirement to have these accounts audited.

Overall we think Nepal is a ok option and have given it a score of 51 as an IO score, using the Incorporations.IO proprietary formula.

- ✗ **Directors not disclosed in a public registry**
- ✓ **Shareholders not disclosed in a public registry**
- ✓ **Redomiciliation permitted**
- ✓ **Registered office required**
- ✗ **Corporate director permitted**
- ✗ **Local Secretary not required**
- ✓ **Local Director not required**
- ✓ **Electronic signature**

- 1 Shareholders required**
- 1 Directors required**
- 15 Days to form**

