

**LEGAL GUIDE**

## **Land Ceiling Law in Nepal: Limits, Exemptions and Compliances for Businesses**

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A comprehensive legal guide on land ceiling laws in Nepal, including limits, exemptions, approval procedures, and compliance requirements for businesses.

Land ceiling laws in Nepal significantly affect businesses, industries, real estate developers and infrastructure projects that require large areas of land. Understanding the legal limits and exemption mechanisms and associated conditions under the Land Act is essential for investors and businesses planning land acquisition in Nepal.

## Context

This Legal Guide provides an overview of the legal framework governing land ceiling and available exemptions applicable to businesses and industries in Nepal.

The major laws applicable to this matter are: (a) the Land Act, 2021 (1964) (“**Land Act**”), (b) the Land Rules, 2021 (1964) (“**Land Rules**”), and (c) the Order Relating to Granting Exemption from Land Ceiling, 2078 (2021) (“**Order**”).

The Land Act which came into force on 2021/08/01 B.S. (16 November, 1964), introduced the concept of land ceiling in Nepal. In addition to the land ceiling limits, Section 12 of the Land Act provides for certain exemptions, permitting specified sectors, including businesses, industries, companies, and other entities, to hold land in excess of the prescribed ceiling. The procedural framework governing such exemptions is further set out in the Order.

It is important to note that natural persons are not eligible to obtain exemption from the statutory land ceiling. Only those businesses and industries expressly covered under Section 12 of the Land Act and the Order will qualify to hold land above the statutory ceiling. Accordingly, this Legal Guide focuses on businesses and industries that require land in excess of the prescribed ceiling and that are holding or using land above such statutory limits.

### Land Ceiling Applicable to Businesses

#### **A. What is the applicable land ceiling to businesses in Nepal?**

1. As set out in *Annexure I* of this Legal Guide, the land ceiling prescribed under Section 7 of the Land Act also applies to businesses and industries. Accordingly, a business entity may hold up to 11 bigha in the Terai, 30 ropani in the Kathmandu Valley, and 75 ropani in the hilly region outside the Kathmandu Valley.
2. The Land Act does not classify landholding ceiling on the basis of the nature or category of landholders (such as natural persons, businesses, or industries). Instead, the ceiling is prescribed primarily on the basis of geographical location of the lands.
3. Similarly, the wording of the Land Act suggests that the concept of land ceiling was originally framed primarily with natural persons in mind. Section 7 of the Land Act refers to “*any person or his/her family*,” and Section 7(2) specifically mentions land held “*for Gharbari (घरबारी) purposes*.” Such expressions indicate that the law was intended primarily to regulate individual and family landholding, particularly in the historical context of dismantling the feudal landholding system. On this basis, it may reasonably be understood that the concept of land ceiling was principally designed for natural persons rather than specifically for businesses or industrial entities.
4. Nevertheless, in practice, the same ceiling provisions have also been applied to businesses and industries. As the limits prescribed under Section 7 are often insufficient for large-scale commercial or industrial operations, the legal framework permits exemption from the land ceiling

to certain businesses and industries on the basis of the purpose of the land use. Accordingly, businesses and industries may acquire, hold, and use land in excess of the ceiling, provided that they comply with the prescribed legal procedure and applicable laws.

5. Based on prevailing practice, the land ceiling appears to be applied on an entity-wise basis. Accordingly, where multiple companies operate under the same corporate group, the ceiling is generally assessed with respect to each separate legal entity individually, rather than at the group level, notwithstanding the existence of common shareholding, common management, or common control.

***B. What are the consequences for violation of owning or holding the lands beyond the specified ceiling?***

6. Section 10 of the Land Act prohibits any person from holding land in excess of the ceiling and declares such holding unlawful.
7. Further, Section 11 of the Act provides that a person who acquires land in violation of Section 10 may, by order of the prescribed authority, be liable to a fine of up to NPR 1,000. In addition, any land acquired in excess of the limit permitted under Section 7 is subject to confiscation.
8. Accordingly, any land purchased and held beyond the ceiling is liable to be confiscated under the Land Act, in addition to the imposition of the prescribed monetary penalty. The Order likewise indicates that land purchased in excess of the prescribed ceiling without prior approval is subject to confiscation.

### **Exemptions Available for Businesses**

***C. Which businesses are eligible to acquire the lands beyond the ceiling?***

9. In Nepal, there is no separate or independent basis for exemption from the land ceiling other than Section 12 of the Land Act. Section 12 exclusively specifies the sectors eligible for such exemption. Accordingly, a business or industry must fall within the Section 12 (as detailed in *Annexure II* of this Legal Guide) in order to qualify for exemption from the land ceiling.
10. The procedural aspects relating to such exemption are mainly dealt with by the Order issued under the Act. This Order also prescribes the upper limits of land (*See Schedule-I of the Order*) that businesses and industries falling within the sectors specified in Section 12 may hold.

***D. Is approval from the government agencies are required for acquiring the lands beyond the ceiling? What is the process to be followed?***

11. Yes, prior approval from the line ministry or Council of Ministers, as applicable is required to acquire and hold the land beyond the ceiling.

12. The Government of Nepal issues relevant policy, procedure and notification from time to time to govern such exemption. Currently, the *Order on Land Ceiling Exemptions, 2078 B.S.* is in force. Prior to this, similar procedures were issued in 2074 B.S., 2068 B.S., and 2062 B.S.
13. These legal instruments regulate the extent to which land may be held beyond the prescribed ceiling, the procedure for obtaining approval, and the conditions that must be complied with. The 2078 B.S. order continues to serve as the governing framework for such matters.
14. According to the 2078 B.S. Order, energy-related and manufacturing-related industries are not permitted to obtain approval to purchase or hold land in excess of the prescribed ceiling within the Kathmandu Valley (i.e., Kathmandu, Lalitpur, and Bhaktapur).
15. The authority to grant approval lies with the concerned Ministry, namely the Ministry of Land Management, Cooperatives and Poverty Alleviation (“**Ministry**”), and, in certain cases, the Council of Ministers, Government of Nepal.
16. Under Section 4(7) of the Order, the matter must be referred to the Council of Ministers in the following cases:
  - a. Any industry, establishment, company, or institution not listed in Schedule-1 of the Order;
  - b. Any industry, establishment, company, or institution seeking to acquire land in excess of the limits specified in Schedule-1; and
  - c. Any institution designated under sub-section (5) of Section 2(i5) of the Act (i.e., other institutions identified by the Government of Nepal and published as public institutions in the Nepal Gazette).
17. A business or industry may obtain approval from the Ministry or the Council of Ministers by following the procedure set out in Annexure III and submitting the documents listed in *Annexure-IV*.

***E. What are the conditions that are imposed as part of the governmental approval?***

18. The businesses and industries acquiring the lands in excess of the ceiling is required to comply with stringent conditions. Such conditions are set out in the Order. The key conditions are set out below.
19. *Purchase Time Limit:* A company or industry granted approval to hold and use land above the ceiling must complete the purchase within two (2) years from the date of approval (Section 5 of the Order.) If the land cannot be purchased within this period, the company or industry may apply to the Department of Land Management and Records (“Department”) for an extension, provided that the application is submitted at least three (3) months before expiry of the two-year period.
20. *Provision of Purchase Details:* A company or industry shall notify the concerned Land Revenue Office within 15 days of completing the purchase of land (Section 8 of the Order). Similarly, companies and industries are required to submit details regarding the use of such land at intervals of every three (3) years.

21. Restricted Use of Land: Land granted with a land ceiling exemption must be used strictly and exclusively for the purpose for which the exemption was granted. This requirement is expressly provided under Section 12B. of the Land Act.

Further, when approval is granted for the purchase of land in excess of the prescribed ceiling, such approval is generally issued for a limited period of use. Accordingly, if such land is not used for the approved purpose, if the approved period expires, or if the relevant industry, company, or institution ceases operation, the Government of Nepal may confiscate the land held in excess of the ceiling.

22. Restrictions on Mortgage and Lease: Section 12D of the Land Act provides that land purchased and held in excess of the prescribed ceiling cannot be leased to others. Similarly, Section 11 of the Order prohibits companies from mortgaging land held above the ceiling to obtain loans from banks.
23. Specific Conditions for Projects Approved by the Investment Board: In the case of projects approved by the Investment Board of Nepal, maximum limit of land that may be acquired and the timeline for acquisition shall be as specified in the investment agreement, which shall not exceed two (2) years. If the investment agreement does not specify such limits, the provisions of the Order shall apply.

In exceptional circumstances where land could not be acquired due to factors beyond the control of the project, the Investment Board may recommend an extension of the acquisition period. Based on such recommendation, the acquisition period may be extended for a maximum of one additional year.

24. Further, Schedule 2 of the Order sets out the conditions that must be fulfilled and adhered to by companies and industries granted approval to hold land above the ceiling. These conditions are explained in *Annexure-V* of this Legal Guide.

***F. Can the lands acquired in excess of ceiling be sold, transferred or exchanged?***

25. Yes, but under a very limited condition. Companies and industries are not completely prohibited from selling, transferring, or exchanging (the act of selling the approved land and buying the same in another location) land held in excess of the prescribed ceiling, but such actions must strictly comply with the legal conditions and standards.
26. This is governed by Section 12C of the Land Act, inserted through the Eighth Amendment on 2076/10/28 (11 February, 2020). Even before this amendment, orders relating to land exemptions issued in 2074, 2068, and 2062 B.S. allowed the exchange of excess land for industry relocation with government approval. Prior to these orders, it appears that the then His Majesty's Government used to permit the sale of excess land for relocation purposes.
27. Section 12C. provides that land granted with a land ceiling exemption shall generally not be sold, distributed, or transferred in any manner. However, it permits sale or exchange in the following limited circumstances:

- a. Where an industry, company, or institution is dissolved or liquidated, such land may be sold or transferred, with the approval of the Government of Nepal, solely for the purpose of settling liabilities.
  - b. Where an agricultural farm, industry, establishment, company, or institution established on land granted with a land ceiling exemption is required to be relocated or the land is required to be exchanged, relocation or exchange may be carried out subject to the approval of the Government of Nepal and in accordance with the conditions prescribed by it.
28. Although the Land Act permits relocation with the approval of the Government of Nepal, the filing of court cases challenging the sale and exchange of land held in excess of the ceiling has increased in recent years. Notable examples include the Patanjali and Giribandhu Tea Estate cases, where, in addition to other claims, the Government of Nepal's decision permitting the sale and exchange of land above the prescribed ceiling were also challenged.
29. In the case of *Om Prakash Aryal v. Office of the Council of Ministers and Others* (Writ No. 078-WC-0004) relating to the Giribandhu Tea Estate, the Supreme Court, at pages 43 and 44 of its judgment, elaborated on the conditions that must be satisfied for a decision permitting land exchange to be considered legally valid. Accordingly, future decisions relating to the sale or exchange of land held in excess of the prescribed ceiling should satisfy the standards laid down in that judgment.
30. Under Section 7 of the Order, if a company is unable to purchase land exempted from the land ceiling due to destruction of the property or land caused by a natural disaster, the company or industry may submit an application to the Ministry, accompanied by the recommendation of the relevant authority, to acquire land at an alternative location. In such cases, the Ministry may grant approval for the purchase of land at the proposed alternative site.
31. In summary, land held in excess of the prescribed ceiling may be sold or exchanged only in accordance with Section 12C of the Land Act, the conditions imposed at the time of granting approval, and the principles established by judicial decisions. The primary purpose of these restrictions is to ensure that land held above the prescribed ceiling cannot be sold for personal use or commercialized as private property.
32. However, questions may arise in the case of real estate companies, which are also eligible to own land above the prescribed ceiling with approval, when they develop such land, construct buildings, and sell them as part of their business operations. To address this, provisions have been proposed through a *Bill to amend certain Nepalese Land-related Acts, 2082* which will allow real estate companies to develop and sell constructed properties on such land. Nevertheless, this Bill has not yet been enacted by the Federal Parliament.

***G. What is the legal status of the lands acquired in excess of the ceiling?***

33. With respect to the legal status of land held in excess of the prescribed ceiling, although such land is acquired by industries, companies, or institutions using their own funds, it is subject to

strict statutory restrictions and does not enjoy the same status as unrestricted private land. This is because such land is permitted to be used only for the duration and purpose specified in the approval, after which it reverts to government ownership.

34. The Giribandhu Tea Estate Case decided by the Supreme Court of Nepal has also interpreted land held in excess of the prescribed ceiling as state property.
35. However, as stated above in Point No. 23, in cases of liquidation or dissolution, businesses or industries are permitted to sell or transfer such land with the approval of the Government of Nepal, solely for the purpose of settlement of liabilities and obligations.

## **Regularization of Land Held Above Ceiling without Prior Approval**

### ***H. Can lands acquired in excess of the ceiling without prior governmental approval be subsequently regularized? If so, what is the process to be followed for such regularization?***

36. The orders regulating land ceiling exemptions prescribe a formal approval process for holding land above the ceiling. Based on official records available on government online portals, such orders can be traced only up to the year 2062 B.S., and no record of issuance before that period have been found. Prior to the issuance of these orders, it appears that the then His Majesty's Government or the Government of Nepal used to grant land ceiling exemption to companies and industries upon application for land that had already been purchased and was being used without prior approval during purchase.
37. In recent years, statutory provisions were introduced requiring companies, industries, and institutions holding and using land in excess of the prescribed ceiling to obtain formal approval. Section 12A was inserted into the Land Act through the Eighth Amendment. Sub-section (1) of Section 12A required that where any company, industry, or institution had acquired and was using land in excess of the land ceiling without prior approval, it must, within three (3) months from the date of commencement of the said section, submit an application to the Government of Nepal, setting out and justifying the necessity of retaining land in excess of the prescribed ceiling.
38. Subsequently, the *Act to Amend Certain Nepal Acts Relating to Investment Facilitation, 2081 (2024)*, passed by the Federal Parliament on 2081/03/24 (08 July, 2024), further amended Section 12A by adding sub-section (1A). This amendment provided an additional opportunity to those companies, industries, and institutions that had failed to apply within the three-month period, allowing them to submit an application to the Government of Nepal through the Ministry within six (6) months from the date of commencement of the said sub-section.
39. At present, the time period provided under sub-section (1A) for submitting such applications has also expired, and no further amendment or approval opportunity has been provided. Nevertheless, the acquisition and use of land in excess of the prescribed ceiling without the required approval remains unlawful. Such conduct constitutes a violation of Sections 7, 10, 12, and 12A of the Land Act, as well as the relevant orders relating to land ceiling exemptions issued thereunder.

40. Given that the use of land in excess of the prescribed ceiling without approval amounts to a violation of Sections 7 and 10 of the Land Act, it appears that the legislative intent is to subject such excess land to forfeiture in accordance with Section 11 of the Act. However, as a matter of practice, there does not appear to have been any instance to date in which land held above the ceiling without approval has actually been confiscated.

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**Annexure-I**  
**Land Ceiling under Land Act**

<i>Current Land Ceiling</i>			
Region	Land Ceiling Section 7(1)	Land can be hold for Gharbari purpose as per Section 7(2) of the Act	Total
Inner Madhes including the entire Tarai	10 bigha	1 bigha	11 bigha
Kathmandu Valley	25 ropani	5 ropani	30 ropani
In all hilly regions except Kathmandu Valley	70 ropani	5 ropani	75 ropani
<i>Land Ceiling Before the Fifth amendment of 2058/10/25 B.S. (Previous Land Ceiling)</i>			
Inner Madhes including the entire Tarai	25 bigha	3 bigha	28 bigha
Kathmandu Valley	50 ropani	8 ropani	58 ropani
In all hilly regions except Kathmandu Valley	80 ropani	16 ropani	96 ropani

## **Annexure-II**

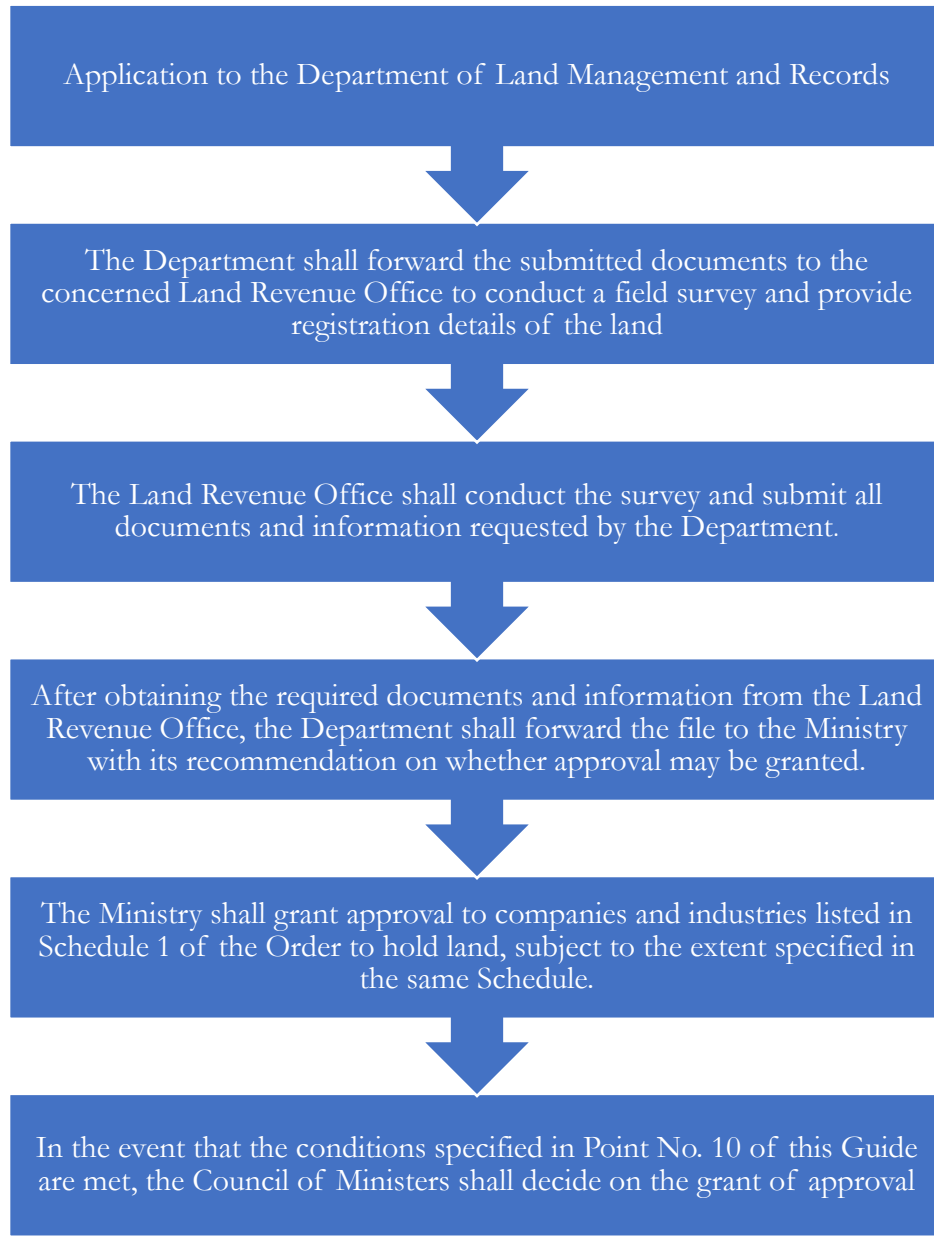
### **Land Ceiling Exemption Provision**

Since the enactment of the Land Act, Section 12 provides that certain types of companies, industries, and corporations may hold land in excess of the prescribed ceiling, subject to the approval of the Government of Nepal. Section 12 of the Act specifies that such entities are permitted to hold land beyond the ceiling limits only if they comply with the prescribed conditions and follow the due process of law. The land ceiling provisions under Sections 7 and 10 of the Act shall not apply to following lands obtained through due process of law:

- a. Land under the possession of the Government of Nepal
- b. Land under the possession of the Provincial and Local Governments
- c. Land possessed or acquired by public institutions fully owned by the Government of Nepal
- d. Land required for use by public institutions, industries, establishments, companies, or projects.
- e. Land required for use for industrial purposes.
- f. Land required for use for agricultural-industrial purposes
- g. Land required for the purpose of real estate business.
- h. Land under the control of Guthi institutions in accordance with the Guthi Institutions Act, 2033 B.S.,
- i. Land required for, or acquired by, an organization engaged in agricultural cooperative (सहकारी खेति)
- j. Land required for foreign organizations or foreign entities granted diplomatic privileges.

## Annexure III

### Procedure for Obtaining Prior Approval



## **Annexure IV**

### **Documents to Be Submitted with Land Ceiling Approval Application**

The applicant shall file application to the department accompanied with following documents:

- a. Details of the land intended to be purchased, including its location, maximum area, type, and availability;
- b. Recommendation from the relevant Ministry associated with the industry, establishment, company, project, or institution;
- c. Certificate of registration of the industry, establishment, or company, and, if applicable, details regarding its classification or level;
- d. Copy of the decision of the institution's governing committee to purchase the land and the authorized letter;
- e. Recommendation from the local authority where the land is located;
- f. Copy of the institution's constitution or memorandum of association and bylaws;
- g. Copy of the Permanent Account Number (PAN) registration certificate and proof of tax payment;
- h. In the case of an industry, establishment, company, or institution requiring project approval, a copy of the project approval letter;
- i. In the case of projects approved by the Investment Board, a recommendation from the Investment Board;
- j. Copies of citizenship certificates for founders and directors who are Nepali citizens, or copies of passports for foreign nationals;
- k. Copies of documents showing the names, permanent addresses, and residence of founders and directors, or, in the case of changes in directors, relevant documents evidencing such changes;
- l. In the case of operating industries, establishments, companies, or institutions, details of the activities being conducted;
- m. In the case of industries, establishments, or projects with foreign investment, the foreign investment approval letter;
- n. Copies of land ownership registration certificates and land revenue receipts for all property in the name of the industry, establishment, company, or institution;
- o. For operating industries, establishments, companies, or institutions, the audited financial statements of the most recent year.

## **Annexure V**

### **Conditions for Companies Holding Land Above the Ceiling**

The companies, industries and institutions shall fulfil the following conditions:

- a. Industries, establishments, companies, projects, or institutions shall only acquire land that is free from encumbrances.
- b. Industries, establishments, companies, projects, or institutions may hold or use land above the ceiling only for the duration necessary to achieve their intended purpose.
- c. Industries, establishments, companies, projects, or institutions granted approval to hold land above the ceiling must complete the acquisition or holding of such land within the period specified at the time of approval.
- d. Industries, establishments, companies, projects, or institutions granted approval to hold land above the ceiling must obtain prior approval from the relevant Ministry and the Ministry of Land Management, Cooperatives and Poverty Alleviation if they intend to change the purpose, relocate, or merge with other entities of a similar nature or purpose.
- e. Industries, establishments, companies, projects, or institutions granted approval to hold land above the ceiling must comply with the conditions set by the registration authority, the relevant Ministry, the Ministry of Land Management, Cooperatives and Poverty Alleviation, and the Government of Nepal/Council of Ministers.
- f. Industries, establishments, companies, projects, or institutions granted approval to hold land above the ceiling must use such land solely for the purpose for which approval was granted.
- g. Industries, establishments, companies, projects, or institutions granted approval to hold land above the ceiling must submit the details of the land in accordance with Section 8 of the Order.
- h. Industries, establishments, companies, projects, or institutions granted approval to hold land above the ceiling must submit an annual progress report to the concerned office each year.