

**LEGAL UPDATE**

## **Nepal Removes Investment Ceiling under Automatic Route for FDI: Revised Gazette Notice 2026**

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The Government of Nepal has removed the NPR 500 million investment ceiling under the Automatic Route for foreign direct investment (FDI) through a revised Gazette Notice dated 16 February 2026. The revised framework broadens sector coverage and streamlines the approval process, while certain commercially significant sectors remain excluded.



## Context

1. In Nepal, foreign direct investment (FDI) is governed by the Foreign Investment and Technology Transfer Act (FITTA), 2075 (2019) (the “**Act**”) and the Foreign Investment and Technology Transfer Rules, 2076 (2020) (the “**Rules**”). Generally, under Section 15 of the Act, a foreign investor intending to invest in Nepal is required to obtain prior approval from the Department of Industries (the “**DOI**”) by submitting an application setting out the investment details, inflow schedule, and implementation plan along with other specified documents.
2. However, Section 42 of the Act and Rule 8(ka) of the Rules provide an “*Automatic Route*” to ease the approval process and documentation requirement (the “**Automatic Route**”). In particular, through a notice published in the Nepal Gazette, the Government of Nepal (**GON**) may allow certain services such as company registration, industry registration, and foreign investment approval to be carried out under the Automatic Route through an online system. The Automatic Route relieves the foreign investors to submit the application for FDI and other documents physically, follow-up on applications and undergo administrative approval processes. This facility is available both at the time of making the initial foreign investment and upon any subsequent investment made by an existing foreign investor for the purpose of increasing the company’s capital.
3. In line with these provisions, the GON published a notice in the Nepal Gazette on 15 Ashoj 2080 (02 October 2023) (available [here](#)) (the “**Prior Notification**”), setting out the sectors open for the Automatic Route for foreign investment. The notice prescribed a maximum foreign investment limit of NPR 50 crore (NPR 500 million) under the Automatic Route and specified the industries eligible to receive foreign investment through this Automatic Route.
4. Subsequently, on 4 Falgun 2082 (16 February 2026), the Government of Nepal issued a revised gazette notice (available [here](#)) (the “**Revised Notification**”), superseding the Prior Notification and further expanding the scope of the Automatic Route. With effect from the date of publication, the Revised Notification removed the ceiling and further widened the range of industries eligible under the Automatic Route.
5. It is to be noted that, although the Act and the Rules provide a broad Automatic Route framework covering services such as company registration and industry registration, the scope of the Revised Notification is presently limited to the process of obtaining foreign investment approval.

### Scope under the Prior Notification

6. Previously, eligibility for approval under the Automatic Route was subject to the following conditions:

Eligibility criteria	Requirement
Investment threshold	Total capital investment ceiling: NPR 50 crore (NPR 500 million).
Sector eligibility	Limited to specified sectors (including <i>energy, agriculture, tourism, information technology, manufacturing, and service infrastructure</i> ). Please refer to Annexure-1 for the Sectors covered under the Prior Notification.

7. If any proposed foreign investment exceeded the investment threshold, facility of the Automatic Route was not available even if the sector was eligible. Hence, both the investment threshold and sector eligibility had to be met to qualify under the approval through the Automatic Route. If either condition was not satisfied, foreign investment approval had to be obtained through the normal process.

### Key Changes under the Revised Notification

8. The Revised Notification, repealing the Prior Notification, introduced the following key changes:

Area	Changes
Investment ceiling	Removal of the maximum investment ceiling
Sector coverage	Broadened Sector coverage (Detailed in Annexure 2)

9. Therefore, with the removal of the maximum investment ceiling and the expansion of eligible sectors, the Revised Notification has significantly broadened the scope of the Automatic Route for foreign investment approvals.

### Permitted Sectors for Foreign Investment in Nepal

10. In Nepal, the broad classification of industries is set out in Section 17 and its respective annexures of the Industrial Enterprise Act, 2076 (referenced [here](#)), and industries falling within this classification are regarded as being within the permissible scope for investment. The classifications are set out as follows:

<b>S.N</b>	<b>Classification of Sectors</b>
1	Energy-based Industry
2	Manufacturing Industry
3	Agriculture and Forest Product-based Industry
4	Infrastructure Industry
5	Tourism Industry
6	Information Technology Industry
7	Service Industry

11. However, the FITTA includes a “negative list” in its Schedule, which specifies sectors where foreign investment is prohibited. This includes sectors such as personal service businesses, industries related to arms and ammunition, real estate trading, remittance services, travel and guide services, etc. Please refer [here](#) for the complete list.
12. Accordingly, only those industries classified under the Industrial Enterprise Act and not included in FITTA's negative list are eligible for foreign investment. However, for the purposes of the Automatic Route, approval is not available for all permitted industries and is limited to the sectors specified in the Revised Notification.
13. The rationale for this distinction, although not expressly stated, may be that the sectors specified in the Revised Notification fall within the Government's priority sectors for foreign investment. However, a number of businesses falling within the permissible sectors have been excluded from eligibility for approval under the Automatic Route, even though several such businesses have the potential to attract foreign investment into Nepal, as briefly set out in the table below.

<b>Sector</b>	<b>Remarks</b>
Energy-based Industry	Automatic-route coverage appears to include wind, solar, biogas, and similar sources, however, hydropower and related segments such as electricity transmission lines and distribution networks are not included, despite their importance and strong foreign investor interest.
Manufacturing Industry	Although the sector is broadly covered under the Automatic Route, key businesses under this sector, such as leather and footwear, metal machinery and industrial equipment, are not included.
Agriculture and Forest Product-based Industry	While the sector is generally covered under the automatic route, high-potential businesses such as dairy processing and meat processing and packaging are excluded, despite their investment needs and market potential.
Infrastructure Industry	Although certain infrastructure activities are covered under the automatic route, critical areas under this sector, such as roads,

	airports, ropeways, and railways are excluded, despite their importance for national development.
Tourism Industry	While some tourism activities fall within Automatic-Route coverage, capital-intensive businesses such as cable car operations are excluded.
Information Technology Industry	Despite broad Automatic-Route coverage is provided for businesses under this sector, common businesses such as computer service centers, cyber cafes, and information dissemination businesses are excluded. Further, all the industries falling under the industries based on communication technology and broadcasting technology are also excluded without reasoned justification.
Service Industry	Although the sector is covered under the Automatic Route in several respects, growing segments such as theatre and cinema operations and boutique services are excluded, which may limit their ability to attract foreign investment.

14. As noted above, several key sectors and business activities that could have attracted substantial foreign investment have been excluded from eligibility under the Automatic Route. The Revised Notification does not clearly state the basis for these exclusions, and no specific rationale has been provided for omission of such commercially significant areas.

### **Procedure to Obtain Foreign Investment Approval through the Automatic Route**

15. The procedure to obtain foreign investment approval through the Automatic Route is as follows:

<b>Steps</b>	<b>Activity</b>	<b>Remarks</b>
I	Reserve Company Name	Reserve the proposed company name online, available <a href="#">here</a> , through the Office of the Company Registrar and obtain name reservation approval.
II	Create user ID and Submit Documents through the Online medium	<p>Create a user ID on the DOI online portal for Automatic Route approval (available <a href="#">here</a>), and upload the required company information along with the supporting documents listed below, as applicable:</p> <p><b><i>If the investor is an individual:</i></b></p> <ul style="list-style-type: none"> <li>i. Financial Credibility Certificate</li> <li>ii. Notarized copy of the Investor's citizenship certificate or passport</li> </ul>

		<ul style="list-style-type: none"> <li>iii. Joint Venture Agreement (<i>where two or more investors are investing jointly</i>)</li> <li>iv. Power of Attorney (<i>if applicable</i>)</li> <li>v. Bio-data of the Investor(s)</li> </ul> <p><b><i>If the investor is a company:</i></b></p> <ul style="list-style-type: none"> <li>i. Corporate Resolution approving the investment in Nepal</li> <li>ii. Certificate of Company Incorporation, Memorandum of Association (MOA), and Articles of Association (AOA)</li> <li>iii. Shareholders' Register and Directors' Register</li> <li>iv. Audit Report and Tax Clearance Certificate of the company</li> <li>v. Company Profile detailing the company's background and operations.</li> </ul>
III	Submit Application for Automatic Route Approval	<p>Complete and submit the online application through the DOI portal, ensuring that all required fields are accurately completed and that the relevant supporting documents are uploaded. The required information includes:</p> <p><i>General Information:</i> Sector of investment, district, local body, ward number, and the proposed company's location, along with the total investment amount.</p> <p><i>Sub-sector Information:</i> A brief description of the relevant business sub-sector in which the investment will be made, confirming that the proposed activity is eligible for FDI and is not included in the restricted list.</p> <p><i>Investment Information:</i> A breakdown of the proposed fixed assets, working capital, and total investment, together with the investment plan, a description of the products and services, and the proposed investment schedule.</p> <p>After entering the required details and documents in the electronic system for foreign investment approval, the concerned foreign investor may review them and make any necessary corrections before submitting the application.</p>

IV	Receive FDI Approval	Upon verification by the DOI ( <i>which may take up to one day</i> ), the foreign investment approval is issued online, allowing the investor to proceed swiftly to the next steps.
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16. It is further noted that, following foreign investment approval under the Automatic Route, the foreign investor is required to complete the necessary registrations, such as company registration, industry registration, and ward/municipality registration, as applicable, through the general process.
  
17. Further, the procedures for notifying Nepal Rastra Bank (Central Bank of Nepal) prior to remitting the investment amount, and compliance with the other requirements under the Foreign Exchange (Regulation) Act, 2019 and other applicable laws and rules, generally remain the same for investments approved under the Automatic Route as for other approved foreign investments.

## Conclusion

18. Overall, the Revised Notification is a welcoming step by the Government of Nepal to promote foreign investment. However, the changes appear to have been introduced on a piecemeal basis. While removal of the cap is a positive development, its introduction at a later stage highlights the need for more effective implementation. Further, although the Act envisaged the automatic route for company registration, industry registration, and foreign investment approval, in practice the automatic-route mechanism is presently available only for foreign investment approval. As a result, related processes (including company and industry registrations) still require separate compliance before the respective authorities, which undermines the underlying purpose of the reform.
  
19. Additionally, while certain sensitive areas, such as national defense, environment, and public health, are expressly subject to approval by the Department of Industry under Section 8 of the Industrial Enterprises Act, several commercially viable sectors that do not fall within these sensitive areas have nevertheless been excluded from automatic-route eligibility. In practice, such exclusions may unnecessarily narrow the scope of foreign investment and limit capital inflows into sectors with strong growth potential. Accordingly, commercially important sectors that do not raise sensitivity concerns should be brought within the automatic route, as this would reduce procedural hurdles, improve predictability, and strengthen Nepal's position as an attractive investment destination.

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## Contributors



**Narayan Chaulagain**  
Managing Partner



**Gyanu Tamang**  
Associate



**Alangkrita Upadhyay**  
Associate

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**Annexure 1:**  
**Eligible Industries for the Automatic Route: Prior Notification**

<b>S.N.</b>	<b>Sector</b>	<b>Eligible Industries</b>
<b>1.</b>	<b>Energy-based Industries</b>	<ul style="list-style-type: none"> <li>i. Industries producing energy from wind, solar power, natural oil and fuel or gas, biogas, or other similar sources, and the manufacturing of machines and equipment used for such energy production.</li> <li>ii. Biogas-based energy</li> <li>iii. Energy as a by-product of sugar industry</li> <li>iv. Feasibility Study of potential energy sectors</li> </ul>
<b>2.</b>	<b>Agriculture &amp; Forest-based Industries</b>	<ul style="list-style-type: none"> <li>i. Fruits and vegetables processing</li> <li>ii. Establishment of Green House and Operation</li> <li>iii. Production, processing, and storage of food items</li> <li>iv. Silk processing</li> <li>v. Tea and coffee processing</li> <li>vi. Herbs processing</li> <li>vii. Rubber processing</li> <li>viii. Cold storage</li> <li>ix. Natural fiber-based processing</li> <li>x. Paper, resin, and other non-wood or plantation-based industries</li> <li>xi. Tissue culture and related processes</li> <li>xii. Cotton processing</li> </ul>
<b>3.</b>	<b>Infrastructure Industries</b>	<ul style="list-style-type: none"> <li>i. Vehicle parking</li> <li>ii. Export processing zones</li> <li>iii. Cargo complex</li> <li>iv. Polluted water treatment industries (wastewater treatment plants)</li> <li>v. Film city and film studio construction</li> <li>vi. Private warehouses construction and operation.</li> </ul>
<b>4.</b>	<b>Tourism Industries</b>	<ul style="list-style-type: none"> <li>i. Motel, hotel, resort, bar, and restaurant</li> <li>ii. Conference and sports tourism</li> <li>iii. Fun Park, water park</li> </ul>
<b>5.</b>	<b>Information Technology Industries</b>	<ul style="list-style-type: none"> <li>i. Technology Park</li> <li>ii. IT Park</li> <li>iii. Biotech Park</li> <li>iv. Software development</li> <li>v. Data processing</li> <li>vi. Digital mapping</li> <li>vii. Business Process Outsourcing (BPO) / Knowledge Process Outsourcing (KPO) services</li> <li>viii. Data center, data mining, cloud computing</li> <li>ix. Web portal and web design services</li> </ul>
<b>6.</b>	<b>Services-Oriented Industries</b>	<ul style="list-style-type: none"> <li>i. Mechanical workshops</li> <li>ii. Construction business</li> <li>iii. Hospitals</li> </ul>

		<ul style="list-style-type: none"> <li>iv. Nursing homes, clinics, polyclinics, rehabilitation centers, physiotherapy clinics, Ayurvedic/alternative hospitals</li> <li>v. Sports services, swimming pools</li> <li>vi. Solid waste collection, sanitation, recycling</li> <li>vii. Construction-related machinery (heavy equipment) rental, maintenance, and operation</li> <li>viii. Veterinary services</li> <li>ix. Health check-up services (X-ray, CT, MRI, Ultrasound) and Labs</li> <li>x. International courier services</li> </ul>
<b>7.</b>	<b>Manufacturing Based Industries</b>	<ul style="list-style-type: none"> <li>i. Livestock and fishery feed production</li> <li>ii. Processing &amp; packaging of livestock/fish meat</li> <li>iii. Production of oil/fat from raw materials</li> <li>iv. Production of starch, glucose, etc.</li> <li>v. Bakery goods production</li> <li>vi. Confectionery &amp; biscuit production</li> <li>vii. Sugar production</li> <li>viii. Non-alcoholic beverage production</li> <li>ix. Textiles, garments, fabrics production and reuse</li> <li>x. Electronic household appliances production</li> <li>xi. Production using plastic and rubber</li> <li>xii. Bags, pouches, suitcases, trolley bags production</li> <li>xiii. Wooden materials production (excluding traditional/cultural items)</li> <li>xiv. Toiletries production (toothpaste, soap, shampoo, washing power)</li> <li>xv. Production using glass</li> <li>xvi. Bicycles, scooters, motorcycles, automobiles &amp; equipment production</li> <li>xvii. Electrical items (lights, switches, meters, wiring, compressors, etc.) production</li> <li>xviii. Medical, surgical, orthopedic materials production</li> <li>xix. Electrical wire production</li> </ul>

## Annexure 2 :

### Eligible Industries for the Automatic Route: Revised Notification

S.N.	Sector	Eligible Industries
1.	<b>Energy-based Industries</b>	<ul style="list-style-type: none"> <li>v. Industries producing energy from wind, solar power, natural oil and fuel or gas, biogas, or other similar sources, and the manufacturing of machines and equipment used for such energy production.</li> <li>vi. Biogas-based energy</li> <li>vii. Energy as a by-product of sugar industry</li> <li>viii. Feasibility Study of potential energy sectors</li> </ul>
2.	<b>Agriculture &amp; Forest-based Industries</b>	<ul style="list-style-type: none"> <li>xiii. Fruits and vegetables processing</li> <li>xiv. Production, processing, and storage of food items</li> <li>xv. Animal feed production industries using agricultural products as the major raw material resource</li> <li>xvi. Silk processing</li> <li>xvii. Herbs processing</li> <li>xviii. Tea and coffee processing</li> <li>xix. Vegetable processing</li> <li>xx. Rubber processing</li> <li>xxi. Cold storage</li> <li>xxii. Furniture and related wood-based industries</li> <li>xxiii. Wood-based industries related to parqueting, seasoning and treatment plants, plywood, and composite boards</li> <li>xxiv. Paper, resin, and other non-wood or plantation-based industries</li> <li>xxv. Cotton processing</li> </ul>
3.	<b>Infrastructure Industries</b>	<ul style="list-style-type: none"> <li>vii. Conference and convention centers</li> <li>viii. Vehicle parking</li> <li>ix. Export processing zones</li> <li>x. Cargo complex</li> <li>xi. Polluted water treatment industries (wastewater treatment plants)</li> <li>xii. Film city and film studio construction</li> <li>xiii. Commercial complexes</li> <li>xiv. Private warehouses</li> </ul>
4.	<b>Tourism Industries</b>	<ul style="list-style-type: none"> <li>iv. Motel, hotel, resort, bar, and restaurant</li> <li>v. Healing Center</li> <li>vi. Conference and sports tourism</li> <li>vii. Fun Park, water park</li> </ul>
5.	<b>Information Technology Industries</b>	<ul style="list-style-type: none"> <li>x. Technology Park</li> <li>xi. IT Park</li> <li>xii. Biotech Park</li> <li>xiii. Software development</li> <li>xiv. Data processing</li> </ul>

		<ul style="list-style-type: none"> <li>xv. Digital mapping</li> <li>xvi. Business Process Outsourcing (BPO) / Knowledge Process Outsourcing (KPO) services</li> <li>xvii. Data center, data mining, cloud computing</li> <li>xviii. Web portal and web design services</li> </ul>
<b>6.</b>	<b>Services-Oriented Industries</b>	<ul style="list-style-type: none"> <li>xi. Mechanical workshops</li> <li>xii. Printing press and related printing services</li> <li>xiii. Construction business</li> <li>xiv. Photography</li> <li>xv. Hospitals</li> <li>xvi. Nursing homes, clinics, polyclinics, rehabilitation centers, physiotherapy clinics, Ayurvedic/alternative hospitals</li> <li>xvii. Physical exercise and yoga (operation of meditation and practice centers)</li> <li>xviii. Sports services, swimming pools</li> <li>xix. Operation of cold storage facilities</li> <li>xx. Solid waste collection, sanitation, recycling</li> <li>xxi. Construction-related machinery (heavy equipment) rental, maintenance, and operation</li> <li>xxii. Veterinary services</li> <li>xxiii. Health check-up services (X-ray, CT, MRI, Ultrasound) and Labs</li> <li>xxiv. Operation of completed infrastructure, such as: conference and convention halls, fuel and gas supply pipelines, warehouses and storage, airports, stadiums, sports complexes, roads, power plants, railway services, and cargo complex services</li> <li>xxv. Cargo business (including international cargo services)</li> <li>xxvi. Dry-cleaning Business</li> <li>xxvii. Advertisement services</li> <li>xxviii. Services for preparing advertising materials</li> <li>xxix. Soil testing services</li> <li>xxx. Health clubs</li> <li>xxxi. Surveying services</li> <li>xxxii. Mineral study and research</li> <li>xxxiii. Equipment maintenance and installation services</li> </ul>
<b>7.</b>	<b>Manufacturing Based Industries</b>	<ul style="list-style-type: none"> <li>xx. Livestock and fishery feed production</li> <li>xxi. Processing &amp; packaging of livestock/fish meat</li> <li>xxii. Production of oil/fat from raw materials</li> <li>xxiii. Production of starch, glucose, etc.</li> <li>xxiv. Bakery goods production</li> <li>xxv. Confectionery &amp; biscuit production</li> <li>xxvi. Sugar production</li> <li>xxvii. Non-alcoholic beverage production</li> <li>xxviii. Textiles, garments, fabrics production and reuse</li> <li>xxix. Electronic household appliances production</li> <li>xxx. Production using plastic and rubber</li> <li>xxxi. Bags, pouches, suitcases, trolley bags production</li> </ul>

		<ul style="list-style-type: none"> <li>xxxii. Wooden materials production (excluding traditional/cultural items)</li> <li>xxxiii. Toiletries production (toothpaste, soap, shampoo, washing power)</li> <li>xxxiv. Production using glass</li> <li>xxxv. Bicycles, scooters, motorcycles, automobiles &amp; equipment production</li> <li>xxxvi. Electrical items (lights, switches, meters, wiring, compressors, etc.) production</li> <li>xxxvii. Medical, surgical, orthopedic materials production</li> <li>xxxviii. Electrical wire production</li> <li>xxxix. Cement Production <ul style="list-style-type: none"> <li>xl. Brick and Tile, building material Production</li> <li>xli. Iron rod Production</li> <li>xl.ii. Production of Battery</li> <li>xl.iii. Production of chemical fertilizers and agricultural lime</li> <li>xl.iv. Lubricant production</li> <li>xl.v. Industries such as rice mills, oil mills, flour mills, and pulse mills</li> <li>xl.vi. Production of sewing threads, candles, and incense sticks (agarbatti)</li> <li>xl.vii. Production of fabrication materials</li> <li>xl.viii. Iron and steel materials</li> <li>xl.ix. Corrugated iron sheets production <ul style="list-style-type: none"> <li>l. Other food processing industries, like, noodles, tea, cheeseballs, etc.</li> <li>li. Paint, Rogan production</li> <li>lii. Paper, pulp paper production</li> <li>liii. Production of stationery items</li> <li>liv. Water treatment</li> <li>lv. Bitumen and bitumen emulsion production</li> <li>lvi. Furniture and plywood production</li> <li>lvii. Tire and tube production</li> </ul> </li> </ul> </li> </ul>
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