

BUSINESS VEHICLE PART III: COMPANY

Broadly, there are three business vehicles to set up business in Nepal such as (a) Sole Proprietorship, (b) Partnership firm and (c) Partnership firm. In terms of a start-up business, a private limited company is the commonly registered business vehicle. Companies have a distinct legal identity and are considered as separate legal person, for example, a company can purchase and own property in its name as an individual. Companies have the feature of limited liability as a protection to their members which sole proprietorship or partnership firm lacks.

A company is registered at the Office of Company Registrar (“OCR”). This part provides ; (a) a brief overview on the types of company, (b) steps for registration of a company in Nepal, documents to be prepared for registration of a company, (c) hyperlinks of the templates of such documents as prescribed by OCR, (d) capital structure, (e) registration fees, (f) legal compliances to be done by the company, and (g) process of winding up of the company.

3. TYPES OF COMPANY

Different types of companies can be registered as per the nature, capital structure, and a number of shareholders of the company. The broad categories of the Company are (a) private company and (b) public company. Private companies can be further divided into single share holding company and multiple shareholding company. Public companies can be listed and unlisted under the securities board of Nepal. The details in relation to private and public companies are given as follows,

3.1 PRIVATE LIMITED COMPANY

3.1.1 OVERVIEW

Any company whose number of shareholders does not exceed 101 and whose shares are restricted to be traded in public are registered as a private limited company. A private company can be registered with a single shareholder as well as multiple shareholders.

An individual can solely register a start-up company as a single shareholder private company. In the due course of time, if the number of investors in a single shareholding company exceeds more than 1, then the single shareholding private company should be converted into a multiple shareholding private company. Similarly, a start-up can also be registered with two or more than two members as a multiple shareholding private company.

There is no specific capital requirement for both single shareholding and multiple shareholding private companies. Shareholders can determine the capital as per the operational requirement of the company. A private company can also be converted into a public company at a later stage if the company is willing to raise capital from the public.

3.1.2 DOCUMENTATION FOR REGISTRATION OF PRIVATE COMPANY

| S.N. | Documents | Formats and Registration Requirement | No. of Copies |
|------|--|--|-------------------------|
| 1. | Application for company registration | The format for the application to be submitted has been prescribed by OCR. For Single Shareholding Private Company: http://ocr.gov.np/post/4_5f297f480aea7 For Multiple Shareholding Private Company: http://ocr.gov.np/post/4_5f297fc2bb3c9 | 1 set original |
| 2. | Memorandum of Association ("MOA") of the proposed company | The format for the MOA of the company has been prescribed by OCR. For Single Shareholding Private Company: http://ocr.gov.np/post/4_5f297d425f789 For Multiple Shareholding Private Company: http://ocr.gov.np/post/4_5f297cd3515b3 | 2 set original |
| 3. | Articles of Association ("AOA") of the proposed company | The format for the AOA of the company has been prescribed by OCR. For Single Shareholding Private Company: http://ocr.gov.np/post/4_5f297e6663829 For Multiple Shareholding Private Company: http://ocr.gov.np/post/4_5f297a97c27f5 | 2 set original |
| 4. | Citizenship of promoters | Notarised copy of the citizenship certified by the notary public | 1 copy each |
| 5. | Citizenship of witnesses (each promoter will require one witness to be incorporated in the MOA and AOA) | Notarised copy of the citizenship certified by the notary public | 1 copy each |
| 6. | Promoters Agreement/ Consensus Agreement (if any) | The format for the consensus agreement among the shareholders of the company or promoters agreement among the promoters of the company has not been prescribed by OCR. The promoters/consensus agreement should be registered at OCR for ensuring its legality. | 1 copy |
| 7. | Copy of Company Registration Certificate, MOA, and AOA (if the promoter is a company) | - | 1 copy of each document |
| 8. | Corporate resolution of the promoter for incorporating the proposed company (if the promoter is a company) | The format for corporate resolution of the promoter company has not been prescribed by OCR. | 1 copy |

3.1.3 REGISTRATION FEES FOR REGISTRATION OF PRIVATE COMPANY

The registration fees that apply for the registration of private companies are charged on the proposed authorized capital of the company.

| S.N. | Amount of Authorized Capital (NPR) | Registration Fee (NPR) |
|------|------------------------------------|------------------------|
| 1. | Up to 1,00,000 | 1,000 |
| 2. | 1,00,001 to 5,00,000 | 4,500 |
| 3. | 5,00,001 to 25,00,000 | 9,500 |
| 4. | 25,00,001 to 1,00,00,000 | 16,000 |
| 5. | 1,00,00,001 to 2,00,00,000 | 19,000 |
| 6. | 2,00,00,001 to 3,00,00,000 | 22,000 |
| 7. | 3,00,00,001 to 4,00,00,000 | 25,000 |
| 8. | 4,00,00,001 to 5,00,00,000 | 28,000 |
| 9. | 5,00,00,001 to 6,00,00,000 | 31,000 |
| 10. | 6,00,00,001 to 7,00,00,000 | 34,000 |
| 11. | 7,00,00,001 to 8,00,00,000 | 37,000 |
| 12. | 8,00,00,001 to 9,00,00,000 | 40,000 |
| 13. | 9,00,00,001 to 10,00,00,000 | 43,000 |
| 13. | More than 10,00,00,000 | 30 for each 1,00,000 |

3.2 PRIVATE LIMITED COMPANY

3.2.1 OVERVIEW

The shares of a public company can be issued to the general public unlike the shares of a private company. The minimum capital requirement for any public company is NPR 1,00,00,000. While registering a public limited company, there must be a minimum of 7 shareholders.

Startup companies tend to register a private company rather than a public company considering the larger number of compliances required in the latter.

3.2.2 DOCUMENTATION FOR REGISTRATION OF A PUBLIC COMPANY

| S.N. | Documents | Formats and Registration Requirement | No. of Copies |
|------|--|--|-------------------------|
| 1. | Application for company registration | The format for the application to be submitted has been prescribed by OCR. http://ocr.gov.np/post/4_5f297fc2bb3c9 | 1 set original |
| 2. | Memorandum of Association ("MOA") of the proposed company | The format for the MOA of public company has been prescribed by OCR. http://ocr.gov.np/post/4_5f297af5b57d3 | 2 set original |
| 3. | Articles of Association ("AOA") of the proposed company | The format for the AOA of public company has been prescribed by OCR. http://ocr.gov.np/post/4_5f297a607f073 | 2 set original |
| 4. | Citizenship of promoters | Notarised copy of the citizenship certified by the notary public | 1 copy each |
| 5. | Citizenship of witnesses (each promoter will require one witness to be incorporated in the MOA and AOA) | Notarised copy of the citizenship certified by the notary public | 1 copy each |
| 6. | Promoters Agreement/ Consensus Agreement (if any) | The format for the consensus agreement among the shareholders of the company or promoters agreement among the promoters of the company has not been prescribed by OCR. The promoters/consensus agreement should be registered at OCR for ensuring its legality. | 1 copy |
| 7. | Copy of Company Registration Certificate, MOA, and AOA (if the promoter is a company) | - | 1 copy of each document |
| 8. | Corporate resolution of the promoter for incorporating the proposed company (if the promoter is a company) | The format for corporate resolution of the promoter company has not been prescribed by OCR. | 1 copy |

3.2.3 REGISTRATION FEES FOR REGISTRATION OF PUBLIC COMPANY

The registration fees that apply for registration of public companies are charged on the proposed authorized capital of the company.

| S.N. | Amount of Authorized Capital (NPR) | Registration Fee (NPR) |
|------|------------------------------------|------------------------|
| 1. | Up to 1,00,00,000 | 15,000 |
| 2. | 1,00,00,001 to 10,00,00,000 | 40,000 |
| 3. | 10,00,00,001 to 20,00,00,000 | 70,000 |
| 4. | 20,00,00,001 to 30,00,00,000 | 1,00,000 |
| 5. | 30,00,00,001 to 40,00,00,000 | 1,30,000 |
| 6. | 40,00,00,001 to 50,00,00,000 | 1,60,000 |
| 7. | Above 50,00,00,000 | 3000 for each 1,00,000 |

3.2.4 PROCESS MAP FOR REGISTRATION AND TIMELINE

(a) Company Registration

The following steps are the process for registration of both private and public companies:

Step 1: Name Reservation Request Form

Name Reservation Request Form

Request Name Details

Company Type *

Private

Company Name (English) *

Name Check

Company Name (Nepali) *

Objective Details

Add Objective

NSIC CODE HELP

NSIC Code

Objective

Remove

Submit

Cancel

Office of Company Registrar ©Copyright 2013.

Step 2: Upload of Documents and Submission of Details

Company Share Holder Details

Add Company Share Holder

(Please select Company type first !!!)

Document Details

If you have any confusion related to document uploads. [Click here](#)
Please Scan Files using 150 dpi. (Only pdf files are allowed)

| | | | |
|---|------------------------------------|---------------------|--------------------------|
| 1 | संस्थापना निवेदन | <div>Add File</div> | <input type="checkbox"/> |
| 2 | प्रबन्धपत्र | <div>Add File</div> | <input type="checkbox"/> |
| 3 | नियमावली | <div>Add File</div> | <input type="checkbox"/> |
| 4 | संबन्धित निकायको राय / प्रतिक्रिया | <div>Add File</div> | <input type="checkbox"/> |
| 5 | प्राईभेट फर्म दर्ता प्रमाणपत्र | <div>Add File</div> | <input type="checkbox"/> |

Step 3: Payment of Fees

| Home Post Registration My Tools | | | | | |
|---|----------------|--------|--------------|---------|----------------------------------|
| Company Detail Lodgment Company History Payment History Online Payment Document / Letter View | | | | | |
| Application List | | | | | |
| S/No. | Application Id | Amount | EBP CODE | | |
| 1 | | | 2077-1306653 | Pay Now | Generate Voucher |

Step 4: Obtaining Company Registration Certificate

| नेपाल सरकार उद्योग मन्त्रालय | |
|--|-----------------|
| कम्पनी रजिष्टारको कार्यालय | |
| कम्पनी दर्ताको प्रमाण-पत्र | |
| दर्ता नं. | दर्ता नम्बर |
| श्री | कम्पनीको नाम |
| नामको | |
| प्राइभेट लिमिटेड कम्पनी संस्वत् २० ६६ साल महिना गते | |
| रोज ३ मा दर्ता भएको हुनाले कम्पनी ऐन, २०६३ को दफा ५ को उपदफा (१) | |
| बमोजिम यो प्रमाण-पत्र दिइएको छ । | |
| मिति : | |
| स. रजिष्टार | |
| सहायक रजिष्टार | |
| Government of Nepal Ministry of Industry Office of the Company Registrar | |
| Registration No: | Registration No |
| CERTIFICATE OF INCORPORATION OF COMPANY | |
| This Certificate of Incorporation has been issued to | |
| M/s | Company Name |
| Private Limited having incorporated it on theday ofpursuant | |
| to sub-section (1) of section 5 of the Companies Act 2006. | |
| Date: | |
| Asst. Registrar | |
| Registrar | |
| शर्त कम्पनी संस्थापनलाई मात्र कम्पनीको उद्देश्य कार्यान्वयन गर्ने इजाजत प्रदान गरिएको नमानिने हुनाले कानून अनुसार लिनुपर्ने अनुमति सम्बन्धित निकायबाट लिएर मात्र कम्पनीको उद्देश्य अनुसार कारोबार गर्नु पर्नेछ । | |

(b) Company Registration Timeline

It takes around 15 days for approval of the proposed company name by OCR. After approval of the name and filling of required documents for company registration the process company registration will takes around 7 to 10 working days.

(c) Legal Compliances of Company

During the operation period, there are certain compliances to be fulfilled by the company as below:

i. First Compliance

Immediately upon registration of the company, there is certain information the company needs to furnish at OCR within a specific timeline.

| S.N. | Information to be Provided | Timeline |
|------|---|--|
| 1. | Full details of the registered address of the company | 30 days from the date of registration |
| 2. | Appointment of auditor for the running fiscal year | 15 days from the date of appointment |
| 3. | Directors' register | 15 days from the date of appointment |
| 4. | Declaration of directors | 7 days from the date of submission of the declaration by the directors to the company. Directors are required to submit the declaration within 15 days from the date of their appointment. |

ii. Annual Compliance

Within six months from the end of each fiscal year, i.e., within the month of Poush every year, all companies are required to – (a) convene Annual General Meeting ("AGM"), and (b) submit the AGM minutes and audit report at OCR. In the case of public companies, the first AGM should be convened within one year from the date of the business commencement certificate.

iii. Renewal of Company Registration

Once registered, a company is not required to be renewed. A company is existent for as long as it is not legally dissolved. However, there is practice of obtaining company update letter furnishing clearance of company compliance.

(e) Cancellation of Company Registration

The registration of a company may be canceled by OCR in the following circumstances –

(i) The promoters of the company write an application to OCR for canceling its registration due to the inability to operate the business.

(ii) The company does not – (i) submit its annual statements, or (ii) pay fines to OCR for a continuous period of three years.

(iii) OCR identifies that the company is not operating its business or has not come into operation.