

FAQs

Frequently Asked Questions



Government of Nepal
Ministry of Industry, Commerce and Supplies
Special Economic Zone Authority, Nepal
विशेष आर्थिक क्षेत्र प्राधिकरण

Special Economic Zone Authority (SEZA)

Q1. What is a Special Economic Zone (SEZ)?

A special economic zone is a geographic area that has a diverse range of industries. It is governed by a special law intended to promote business and trade for industries inside SEZ. SEZs are developed with the goals of improving the country's trade balance, attracting investment, and creating new jobs.

Q2. What is the procedure for setting up of unit in SEZ?

- Call for application submission by SEZA
- Submit of application as per SEZ Act 2073, Schedule 4.
- Evaluation and selection of Industries.
- Deposit NPR 25,000/- as License Fee.
- Collect license to establish unit in SEZ.
- Register for company, PAN, industry (obtain foreign investment approval for FDI from DOI/IBN)
- Sign lease agreement with Government of Nepal

Q3. What are the basic criteria to set unit in SEZ?

Investment Threshold

- Domestic Investment: Minimum Fixed Capital > NPR 20 Million
- Foreign Investment: As per the prevailing law

Export Provision

- 0% export on 1st year of Commercial Operations Date (COD)
- 60% (minimum) export of production from the subsequent year.

Qualifying Industry

- Domestic Investment: Any industry except for negative list of the SEZ Act, 2016 (Annex 3)
- Foreign Investment: Any industry except for negative list of the SEZ Act, 2016 (Annex 3) and negative list of the Foreign Investment and Technology Transfer Act (FITTA) 2019 schedule

Lease Rate

- NPR 20 per square meter per month (Rebate on land lease rate 50%, 40% & 25% in 1st, 2nd & 3rd years respectively)

Q4. How much is the land lease rate and lease period for unit in SEZ?

Lease Rate

- NPR 20 per square meter per month (Rebate on land lease rate 50%, 40% & 25% in 1st, 2nd & 3rd years respectively)

Lease Period

- 30 years + 10 years



Bhairahawa SEZ

Q5. Can existing industry enter SEZ?

Existing industry cannot be relocated in SEZ (except for some special industries through the decision of Cabinet).

Q6. How many SEZ are under operation and construction?

Bhairahawa SEZ and Simara SEZ Block A are under operation. Panchkhal SEZ is under construction.

Q7. How long does it take to start construction & operation after getting letter of approval to establish unit?

Construction work can be initiated after signing agreement with Government of Nepal, that is within 15 days of industry registration and operation, within 1 year of signing the lease agreement.

Q8. How many SEZs are there in Nepal?

As per 15th periodic plan, Government of Nepal has announced program of One Province One SEZ, under which there are 7 SEZ locations identified, Bhairahawa, Simara, Panchkhal, Biratnagar, Jumla, Dhagadi and Gorkha. Along with that other locations which have been identified for SEZ are Nuwakot, Siraha, Jhapa, Dhanusa, Rautahat, Kapilvastu, Nepalganj and Kailali.

Q9. What is the difference between SEZ and IDML?

SEZ Industry	IDML Industry
Governed by SEZ Act 2073	Governed by IE Act 2076
Attractive financial incentives and non-financial incentives	Facilitation as per IE Act
No strike in industry	Subject of the strike is not discussed
One Stop Service inside SEZ	Central one stop service
Export 60% of total production	Export is not compulsory
Special arrangements for security	Self security arrangements
Availability of physical infrastructure	Self arrangement of infrastructure

Q10. What are the exemptions given by the Government to the SEZs?

Income Tax Exemption:

- General: 100% tax exemption for first 5 years after Commercial Operations Date (COD) and thereafter 50% tax exemption for the remaining period of contract.
- Hilly or Mountain District: 100% tax exemption for first 10 years after Commercial Operations Date (COD) and thereafter 50% tax exemption for the remaining period of contract.

Dividend:

- 100% exemption first 5 years after Commercial Operations Date (COD)
- 50% exemption for the subsequent 3 years.

Value Added Tax Exemption:

- 0% VAT on export of products and services produced by industry inside SEZ
- 0% VAT on raw material, and products sold to industry in SEZ.

Customs Duty

- 1% customs duty on import of 1 vehicle to be used for transport of employees and also for 1 vehicle to transport good and services.
- Import of plant and machinery, tools & spare parts, packaging, raw materials and auxiliary parts, on bank guarantee. Such bank guarantee will be released on recommendation from SEZA after verification of the use in the industry.
- Duty refund on sells of goods/ raw materials to industry inside SEZ

Rebate on Land Lease Rate

- Rebate on land lease rate 50%, 40% & 25% in 1st, 2nd & 3rd years respectively.

Note: For more information contact Special Economic Zone Authority (SEZA)