

Foreign exchange facility for payment of services obtained from third country



FOREIGN EXCHANGE FACILITY FOR PAYMENT OF SERVICES OBTAINED FROM THIRD COUNTRY

Background

Any firm, company or institution established in Nepal, which receives service from a firm, company or institution established outside Nepal can avail of foreign exchange facility from 'A' class commercial banks and 'B' class development banks in accordance with the provisions specified in FXMD Circular 18 issued by NRB Banking Department on 23 Poush 2078 (7 January 2022) on the basis of the right conferred to it under section 12 of The Foreign Exchange (Regulation) Act 2019.

1. Foreign Exchange Facility up to USD 5,000

Foreign currency conversion facility up to USD 5,000 or equivalent foreign currency can be availed by submitting necessary documents and papers required under point number 5 below.

2. Foreign Exchange Facility in excess of USD 5,000

If a firm, company or organization registered in Nepal has to enter into an agreement with a service provider situated outside Nepal or require to make payment for the service in a way that creates foreign exchange liability in excess of USD 5,000 will need to get approval or recommendation from the regulatory body. The regulatory body will have to confirm the amount to be sent after the completion of the service or assignment and make a recommendation to provide an exchange facility as per the existing arrangement.

3. Foreign Exchange Facility up to USD 12,000

On the basis of agreement or recommendation from the regulatory body, foreign currency conversion facility up to USD 12,000 or equivalent foreign currency can be availed directly from a commercial bank by submitting documents and paper required under point number 5 below.

4. Foreign Exchange Facility in excess of USD 12,000

For payment above USD 12,000 or equivalent convertible foreign currency, the exchange facility shall be provided only upon approval of the NRB Banking Department with the recommendation of the regulatory body. In addition, in the absence of a regulatory body and the absence of approval/recommendation from the regulatory body, the exchange facility shall be provided only for the payment of USD 5,000 or equivalent convertible foreign currency upon approval of this department only.

5. Documents and Papers Required to be Submitted

- Firm, Company or Institution registration certificate along with tax registration certificate.
- Tax clearance certificate or acknowledgment of tax return filing along with deposit voucher of applicable duties on procurement of services.
- Latest Audit Report.
- Tax invoices along with the certified copy of the agreement with the service provider.
- Agreement with the service provider along with the certified copy of the invoices.

- A copy of the decision of the board of directors or the authorized officer regarding the demand for exchange facility along with the self-declaration to take full responsibility in case of misappropriation of foreign currency.
- Documents and papers proving the completion of the work.
- In case of payment received from the employer, documentary evidence & bank statement proving the amount involved.
- Recommendation of the regulatory body. (Not required in case of point number 1)

6. Additional Arrangement in the Absence of Regulatory Body

In case the regulatory body could not be identified and could not get the recommendation as per clause (i) of point number 5 above, exchange facility shall be provided as follows:

- Exchange facility up to USD 50,000 or equivalent convertible foreign currency may be provided on the basis of necessary documents mentioned in points no. 5 (a) to (g). In the case of a company or industry, the bank needs to be informed whether a recommendation from the office of company registrar, department of industry and commerce, or other concerned authorities can be obtained or not.
- Prior approval of NRB is required mandatorily before obtaining service of more than USD 50,000 from a foreign firm, company or institution. Documents mentioned in points number 5 (a) to (e) above along with the application should be submitted for obtaining prior approval.

7. Application to Banking Department of NRB

If any firm, company or institution has received consultancy and other services from a firm, company or institution registered outside Nepal without the approval of the bank prior to the implementation of this provision or in the case where the regulatory body could not be identified or could not get the recommendations, such party may apply to this department for payment in writing.

8. Foreign Exchange Facility to Branch of the Entity Incorporated Outside Nepal

Any branch or contact office established in Nepal by any company incorporated outside Nepal to conduct the operations under the contract won from global tenders of the GoN and bodies owned by the GoN, may repatriate the amount of profit earned from the execution of such contract or subcontract given by the main contractor to its parent company after complying with following conditions:

- The approval from NRB is required to repay such profits.
- The following documents should be submitted for approval;
 - Firm, Company or Institution registration certificate along with tax registration certificate.
 - Tax clearance certificate along with deposit voucher of applicable TDS and applicable tax in case of profit.
 - Latest Audit Report.
 - Tax invoices along with the certified copy of the agreement with the service provider.
 - A copy of the decision of the board of directors or the authorized officer regarding the demand for exchange facility along with the self-declaration to take full responsibility in case of misappropriation of foreign currency.
 - Documentary evidence & bank statement proving the amount received from the entity to which service is being rendered.

- Report certified by the auditor confirming the profit has been earned by performing the work for which the contract/sub-contract has been obtained.
- Documents certifying the amount paid by the contracting organization for the related work and a letter of recommendation to this department to transfer the profits if the same organization and regulatory body are within the limits of that amount.

9. Foreign Exchange Facility to Airlines Industry

Any airlines service operating entity shall be eligible for foreign currency exchange facility for the import of services up to US dollar twenty-five thousand or equivalent convertible foreign currency through commercial banks on the basis of the following documents & papers:

- Firm, Company or Institution registration certificate along with tax registration certificate.
- Tax clearance certificate and acknowledgment of duties paid on the purchase of services.
- Audit report of last financial year.
- Agreement with the service provider along with the certified copy of the invoices.
- A copy of the decision of the board of directors or the authorized officer regarding the demand for the exchange facility along with the details of the work done as per the agreement and self-declaration to take full responsibility in case of misappropriation of foreign currency.
- Documents proving the completion of the work if already completed.
- Recommendation of the regulatory body.

10. Foreign Exchange Facility to Project of National Pride and Priority

National Pride projects and National Priority Projects specified in accordance with "National Priority Project Determination Criteria, 2075" shall be provided with foreign exchange facility for making payment of services obtained from foreign institutions through commercial banks on the basis of the following documents & papers:

- Project registration certificate along with tax registration certificate.
- Tax clearance certificate and acknowledgment of duties paid on the purchase of services and acknowledgment of tax paid in case of profit.
- Audit report of last financial year.
- Agreement with the service provider along with the certified copy of the invoices.
- A copy of the decision of the board of directors or the authorized officer regarding the demand for the exchange facility along with the details of the work done as per the agreement and self-declaration to take full responsibility in case of misappropriation of foreign currency.
- Documents proving the completion of the work if already completed.
- Recommendation of the concerned body of the GoN.
- The details of such exchange facility shall be submitted to NRB in the format specified in Schedule 11.1 on a quarterly basis within 7 days of the end of each quarter.

11. Foreign Exchange Facility to Nepalese Citizens

Arrangements have been made to provide exchange facility of convertible foreign currency (excluding India) to Nepali citizens for various purposes fulfilling the following conditions:

- The beneficiary of the exchange facility should be the entity registered outside Nepal itself. Individuals living abroad will not be allowed to become beneficiaries.
- There must be an invoice or any documentary evidence to confirm the amount demanded.
- A copy of the applicant's citizenship certificate and permanent account number certificate should be attached.
- Such exchange facility may be provided up to a maximum of USD 1,000 or equivalent convertible foreign currency.
- In case of taxable payments, the facility should be provided only after attachment of the proof of advance tax deposit required under prevailing tax laws.
- This exchange facility cannot be used for capital account transactions (foreign share purchase, deposit, etc.)

right people
right size
right solutions

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