

## Voluntary liquidation of the Company

A company shall be eligible for voluntary liquidation under Section 126 of the Companies Act, 2006, provided that the necessary legal procedures are fulfilled. In cases where **voluntary liquidation is not feasible or not preferred**, the company may still be subjected to liquidation under the **Insolvency Act, 2006**, upon meeting the legally prescribed conditions.

Voluntary liquidation **requires the mandatory passing of a Special Resolution** at a duly convened General Meeting, or the company may proceed with liquidation **in strict compliance with the provisions outlined in its Memorandum or Articles of Association (MOA/AOA)**.

### Process/ Steps of Company Liquidation

#### 1. Special Resolution

- **Special Resolution must be passed** in the General Meeting of shareholders to **initiate the voluntary liquidation** of the company. In addition to this primary resolution, the General Meeting shall also **compulsorily**:
- **Appoint a liquidator and approve their remuneration** without delay;
- **Appoint an auditor** to conduct an audit of the liquidator's accounts and **determine their remuneration**;
- **Obtain and ratify a formal declaration** from the directors confirming that the company will **fully settle all its debts and liabilities within one year**.

*Note : Failure to comply within the stipulated timeframe may result in rejection or delay of the liquidation process.*

#### 2. Submit application to Office of Company Registrar

An application **must be submitted** to the **Office of the Company Registrar (OCR)** and the **Department of Industry (DOI)** for initiating **voluntary liquidation**, in order to obtain **prior approval in principle** and a **No Objection Letter (NOC)** from the DOI. This NOC **must be furnished to the OCR** along with the following **mandatory documents**, strictly **within 7 days** from the date of passing the special resolution:

- The **Special Resolution** duly passed by the **General Meeting of shareholders** authorizing the voluntary liquidation;
- **Audited financial statements** presenting a **true and fair view** of the company's financial position, prepared up to a date **not earlier than 15 days** before the directors' written declaration;
- **Formal appointment of the liquidator**, clearly stating the scope and authority;
- **Appointment of an auditor** specifically designated to **audit the liquidator's statement of accounts**, along with details of approved remuneration;
- A **written declaration by the directors**, unequivocally confirming the company's **full capacity to pay off all debts and settle liabilities within one year** from the date of passing the special resolution.

*Note : Non-compliance with the above requirements will result in the rejection of the liquidation application.*

### 3. Mandatory Notification to the Inland Revenue Office (IRO) and Filing of Final Tax Returns

- The Company **must formally notify the IRO** regarding the **initiation of the liquidation process** and the **appointment of the liquidator** without delay;
- **Final tax returns for the relevant period** shall be **submitted without exception**, accompanied by the **audited financial statements**, and a **Tax Clearance Certificate must be obtained** to proceed with the liquidation.

*Note : Non-compliance with these obligations will constitute a breach of tax regulations and may halt the liquidation process.*

### 4. Initiation of Liquidation by the Appointed Liquidator

- Pursuant to the Special Resolution, a **Liquidator must be appointed** from the list of **licensed practitioners** authorized under the prevailing Insolvency Law, and their **remuneration must be duly fixed and approved** (as per Step 1);
- The details of the liquidator's appointment **must be formally submitted to the Office of the Company Registrar (OCR) within 7 days**, as required under Step 2;
- **Upon appointment**, the Liquidator shall **assume full authority over the operation and management** of the company. **All existing employee contracts are terminated**, except for those **explicitly retained by the Liquidator** to assist in the liquidation process;
- The Liquidator is **legally obligated to complete the liquidation process** within the **stipulated timeframe fixed at the time of appointment**;
- An **auditor must be appointed simultaneously with the liquidator** in accordance with **Section 111 of the Companies Act, 2006**, to audit the liquidator's statement of accounts.

*Note: Upon appointment of the Liquidator, all rights, powers, and duties of the company's directors shall immediately cease and be fully vested in the Liquidator.*

#### Rights and Duties of the Liquidator

- **Recover all amounts** through the disposal of the company's assets and ensure **full settlement of debts and liabilities**;
- Any **remaining funds shall be distributed to shareholders**, subject to **approval by at least 75% of shareholders at the Annual General Meeting**;
- **Submit all required reports** and documentation related to the liquidation process to the **Office of the Company Registrar (OCR)** in accordance with applicable laws and deadlines.

#### Half yearly reports

- a. Statement of liquidators account
- b. Progress report on liquidation for submission to the annual general meeting

#### Final reports:

- The certified final report of the liquidator shall be sent to the OCR together with the statement of liquidator's account and details of the recoveries made from assets, liabilities liquidated, and the amount distributed to the Doing Business in Nepal - 2025 45 shareholders. There shall be no assets or liabilities of the company in the liquidator's account.
- Audit report of the statement of liquidator's account.
- The statement of the liquidator's account along with an application for the deregistration of the Company shall be submitted to the IRD.

## 5. Final Action by the Office of the Company Registrar (OCR)

- Upon receipt of the Liquidator's final report, the OCR shall take decisive action to strike off the company's name from the official register and shall issue a formal order declaring the cancellation of the company's registration.
- A public notice of this cancellation shall be mandatorily published in a national daily newspaper, thereby providing legal confirmation of the company's dissolution. This step completes the liquidation process with full legal effect.

## 6. Mandatory Submission of Original Certificates Prior to Liquidation

All original documents must be submitted without exception to the respective authorities before the liquidation process can be concluded:

- **At the Office of the Company Registrar (OCR):** Certificate of Incorporation, Memorandum of Association (MOA), Articles of Association (AOA), and the certified Shareholders' Register;
- **At the Department of Industry (DOI):** Foreign Direct Investment (FDI) Approval, Project Proposal, and Industry Registration Certificate;
- **At the Inland Revenue Office (IRO):** Original PAN Certificate.

Only upon complete submission of these documents, the company shall be eligible to obtain official confirmation from the OCR and the respective offices certifying that the liquidation process has been fully completed.

## 7. Repatriation of Funds and Profits

For the purpose of repatriating funds or profits, the company must first submit a formal application to the Department of Industry (DOI). Upon obtaining a positive recommendation from the DOI, a subsequent application shall be submitted to Nepal Rastra Bank (NRB) for approval of the repatriation.

Only after full settlement of all applicable taxes on the repatriated amount, the company shall be permitted to transfer the approved funds outside Nepal. This process is mandatory and must be strictly adhered to in accordance with prevailing laws and regulations.

## Sales of Shares and Repatriation of Proceeds

The sale of company shares and subsequent repatriation of proceeds must be carried out in two mandatory stages, with full compliance to prevailing laws:

## **Step 1: Recommendation from the Department of Industry (DOI)**

A company may repatriate its investment through the **sale of shares, either in full or in part**. To initiate the process, a **formal application must be submitted to the DOI**, accompanied by the following **compulsory documents**:

- Duly filled **Application**;
- **Board Resolution** approving the sale of shares;
- **Approved Share Purchase Agreement (SPA)** for the shares sold;
- **Shareholders Register (Share Lagat)** endorsed by the **Office of the Company Registrar (OCR)**;
- **Proof of investment** made through the formal banking channel;
- Latest **Audit Report** and **Tax Clearance Certificate**.

Upon **favorable recommendation by the DOI**, the investor **must file an application to Nepal Rastra Bank (NRB)** to seek approval for the repatriation of the sales proceeds.

## **Step 2: Approval from Nepal Rastra Bank (NRB)**

To obtain NRB's approval for repatriation, the following **mandatory documents must be submitted**:

- a. **Approval for doing business** from DOI;
- b. **NRB approval for initial foreign investment** in Nepal;
- c. **Proof of investment** via bank statements or a certificate issued by the concerned Bank/Financial Institution (BFI);
- d. **Approved copy of the Sale and Purchase Agreement** from DOI;
- e. **Valuation report** of the company's assets and liabilities;
- f. Copy of the company's **PAN, MOA, and AOA**;
- g. Valid **Tax Clearance Certificate**;
- h. **Certified copy of the Share Register (Lagat)** from OCR;
- i. **Verification that the buyer is not blacklisted** by the Credit Information Bureau (CIB) of Nepal;
- j. For **unlisted companies, valuation of share price based on fair value** of assets and liabilities as per **NFRS 3 – Business Combinations**.

Once all documents are verified and approval is granted by the NRB, the investor shall be **legally authorized to repatriate the proceeds abroad**. Any deviation from this procedure **shall not be entertained under the regulatory framework**.