

Understanding the ins and outs of a country’s employment laws requires research and attention to detail. You can manage these extensive laws and practices on your own, but you risk making legal mistakes and dealing with the consequences.

At Globalization Partners, our Employer of Record services makes global expansion in Nepal simple. Rather than establishing your own subsidiary, we hire your employees through our in-country office. We help you draft employee contracts, provide fair and legal compensation, and manage payroll through our software.

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You can skip the lengthy onboarding process you’d have to handle on your own, and you give the risk to us. With your employees under our name, we’re responsible for any legal issues that arise. With our connections in 187 countries, we’ll help you find the talent your international business needs to succeed.

Doing Business in Nepal

Nepal labor laws are focused on providing jobs for domestic workers in any way possible, making the unemployment rate low. This status can make it challenging but still possible to find employees. When you offer excellent benefits and working conditions, you can sell your

position better.

Flexible hiring modes characterize the nature of work. While you can hire someone under regular employment, other options include:

- Work-based. A person is hired to carry out a specific service that an employer defines as complete.
- Time-bound. An employer sets a definite time frame for a person to work.
- Casual. A person performs seven days of work or less a month.
- Part-time. The employee works for 35 hours or less each week.

With work-based and time-bound labor, some employees may rotate between jobs instead of sticking with a single position in the company.

Employment Contracts

If you're interested in hiring someone, you must create a standard employment contract covering the type of employment and how long it will last. You also need to include the monthly salary, job description, work hours and days, and all allowances, benefits, and overtime provisions.

Since Nepal has a range of employment types, outlining the time frame or type of work is crucial for clear communication between you and your employee. At Globalization Partners, our Employer of Record services include drafting a compliant employment contract that covers all the requirements. We'll make sure your employees know what they're signing up for.

Working Hours

The standard workweek is 48 hours or six days a week for eight hours a day — most businesses close on Saturdays. Overtime should not exceed four extra hours a day and 24 hours per week. The overtime pay rate is 1.5 times the employee's regular pay.

Vacation Leave

You must provide one day of home leave for every 20 days worked. An employee can accrue up to 90 days of home leave. You're also required to give 13 days of mourning leave for the loss of a loved one.

Holidays

Male workers receive 13 holidays off, while women receive 14 — an extra day for International Women's Day. Individuals practice a wide range of religions in Nepal and can choose holiday leave based on which they prefer to celebrate.

Sick Leave

Employees who have worked in a position for a year earn up to 15 days of half-paid sick leave.

Maternity Leave

Women are granted 98 days — 14 weeks — of maternity leave. Sixty of these days are fully paid. Men receive 15 days of paid paternity leave.

Insurance Requirements

Health insurance requirements include a minimum of NPR 100,000 — the employee and employer both contribute 50% to this amount. Nepal's labor laws also require accident insurance, should an injury ever occur on the job. This should be a minimum of NPR 700,000, and the employer covers it completely.

If an employee dies on the job, the accident insurance goes to the worker's nearest successor.

Termination and Severance

Nepali labor laws outline several termination circumstances:

- Letter of resignation: An employee can submit a letter of resignation, and the employer must approve it within 15 days. If the employer does not approve the resignation, the termination goes into effect after the 15-day window. The resignation is void if the employee continues to work after this period.
- Termination at the end of the job: For work-based or time-bound employees, termination automatically occurs at the end of the job or time frame. Employment continues for a work-based employee if the employer extends the project.
- Medical problems: An employer can claim a termination with a doctor's recommendation if an employee encounters a medical issue that will require long-term treatment. However, if the employee sustained injuries on the job and is receiving treatment, the employer can only terminate the individual after a year of treatment.
- Poor job performance: Termination for poor performance is a more involved process because it gives employees a chance to explain their behavior. Employers that feel a worker's performance does not meet standards can conduct a performance appraisal. The employee has seven days to submit an explanation, such as personal issues, for low productivity. If an employee falls below appraisal standards three or more times, the employer has the right to terminate.

Certain behaviors lead to an automatic dismissal of service, including:

- Inflicting injury or bodily harm to any member of the entity.
- Offering or accepting bribes.
- Stealing or damaging property.
- Embezzlement.
- Unapproved leave for 30 days.
- Receiving two punishments for misconduct within two years.
- Using false documents.
- Consuming psychotropic drugs or alcoholic drinks.

While dismissal doesn't require a forewarning from the employer, any other type of termination requires a warning period based on the employment term. For example, employees who have worked less than four weeks require one day of notice. For four weeks

to a year of service, they need seven days, and 30 days is required for employment longer than a year.

If an employee is not entitled to an unemployment allowance under the Social Security Act, they receive one month of salary for every year of service as severance pay.

Tax

Nepal has a compulsory retirement age of 60, so taxation works to support the retired community. All employees receive a minimum 8.33% gratuity on their monthly paychecks, which acts as a pension fund. The provident fund supports social security. The employee and employer both supply 10% of pay for this tax.

Additional Benefits

Religion plays a significant role in Nepalese culture. Employers are required to distribute a festival allowance of one month's pay to all employees for various religious festivals they may celebrate.

Employees also have the option to cash in their accrued leave upon the discontinuation of service. They can accumulate up to 90 days of personal leave and 45 days of sick leave.

Choose Globalization Partners as Your Employer of Record in Nepal

Establishing your own subsidiary is time-consuming, and the various laws and regulations will always keep you busy. Globalization Partners handles the complexities of global hiring and payroll management, so you can focus on expanding your company to Nepal. [Contact us](#) today to learn more about our services.