

# High Level Information Series

Labour Act 2074



# Contents

- Applicability & Employment Types ..... 3
- Work Hours..... 4
- Remuneration ..... 5
- Leave & Holidays ..... 6
- Terminal Benefits..... 8
- Other Social Security Payments..... 9
- Interns and Trainees ..... 10
- Expat Employee ..... 11
- Disclaimer..... 12
- About Us..... 13
- About Baker Tilly International ..... 14

# Applicability & Employment Types

## Applicability

The law is applicable to all entities/persons except:

- Civil service,
- Nepal Army, Nepal Police, Armed Police Force,
- Entities incorporated under other prevailing laws or situated in Special Economic Zones to the extent separate provisions are provided.
- Working journalists, unless specifically provided in the contract

## Date of Application

4<sup>th</sup> September 2017 (19<sup>th</sup> Bhadra 2074)

## Types of Employment

Type	Synopsis
Work based Employment	Employment limited to complete specific work or rendering specific service.
Time bound Employment	Employment limited to render service or complete the work for definite period.
Ad-hoc (Casual) employment	Employment limited to carry out the work or rendering service for 7 or less days in a month.
Part-time employment	Employment limited to not to work for more than 35 hours in a week.
Regular Employment	Employment other than which does not fall under any of the below mentioned categories.

## Requirement of an Agreement

While employing a person, except in case of ad-hoc (casual) employment, an agreement is mandatory.

## Probation Period

Six Months

# Work Hours

## Working Hours

- Maximum of 8 hours a day and 48 hours a week
- Half hour paid break (to be considered part of 8-hour) after continuous work of 5 hours. Such break to be arranged in shift basis, if work cannot be interrupted

## Overtime

Maximum of 4 hours a day and 24 hours per week

# Remuneration

Remuneration	Minimum Remuneration- to be fixed as per agreement and shall not be less than as fixed by Minimum Remuneration Fixation Committee of Government of Nepal
Annual Increment	Every year, at least at the rate equal to ½ day basic salary
Overtime pay	1.5 times the remuneration
Due date for payment of Remuneration	<ul style="list-style-type: none"> <li>• For workers engaged for less than a month, within 3 days of completion of work</li> <li>• For workers engaged for ad-hoc (Casual) employment, upon the completion of the work</li> <li>• For others: <ul style="list-style-type: none"> <li>✓ As agreed in the employment contract</li> <li>✓ If not agreed in employment contract, as decided by employer</li> </ul> </li> </ul>
Festive Allowance	<ul style="list-style-type: none"> <li>• Mandatory</li> <li>• One months' basic salary once in every year</li> <li>• Employee chooses when to obtain it</li> <li>• Where an employee does not choose, during Dashain</li> </ul>

# Leave & Holidays

## Leave & Holidays

Weekly Holiday	1 day every week, not necessarily Saturday (paid leave)
Public Holidays	<ul style="list-style-type: none"> <li>• Male worker: 13 days including May day</li> <li>• Female worker: 14 days including May day and International Women's Day</li> <li>• In case of entities under prudential regulation, all public holidays as determined by Regulatory Authority</li> <li>• For other entities, as decided by the employer</li> <li>• Paid leave</li> </ul>
Leave in-lieu of Work	Where an employee works in weekly holidays or public holidays, leave in-lieu of work shall be provided within 21 days of such work (paid leave)
Home Leave	1 day for every 20 work-days (paid leave)
Sick Leave	<ul style="list-style-type: none"> <li>• 12 days per annum for workers worked for a year</li> <li>• On proportionate basis, if worked for less than a year</li> <li>• Paid leave</li> </ul>
Maternity Leave	<ul style="list-style-type: none"> <li>• 14 weeks before or after giving birth to a child</li> <li>• Compulsory leave since two weeks before delivery and six weeks after delivery</li> <li>• Paid leave for sixty days and thereafter, unpaid leave</li> <li>• Addition one month's unpaid</li> </ul>

	leave or other leave where a doctor certifies that rest is required
Paternity Leave	15 days
Mourning Leave	13 days (fully paid)

### Leave Accumulation

Only sick leave and home leave can be accumulated.

- Sick Leave: 90 days (Max.)
- Home Leave: 45 days (Max.)

Excess leave (not taken) shall be paid every year end on the basis of basic salary of the employee

### Leave Calendar

- As defined by law, where there is any law
- As defined by Regulatory Authority, where there is regulatory authority
- As defined in Employment Contract
- As per Fiscal Year of Government of Nepal

# Terminal Benefits

## Provident Fund

10% of Basic Salary to be added by employer and 10% of basic salary to be deducted from employee's remuneration and the amount to be deposited in Social Security Fund

## Gratuity

8.33% of Basic Salary every month to be deposited in Social Security Fund to all employees

## Severance Payment

- Eligibility after one year of Service
- 1 months' Basic Salary for every year of service, and proportionate calculation for incomplete year of service
- No Severance Payment where Unemployment Allowance is paid as per Social Security Act



# Other Social Security Payments

## Medical Insurance

- Coverage of at least Rs. 100,000 every year.
- Insurance premium to be shared equally by employer and employee

## Accidental Insurance

- Coverage at least Rs.700,000 every year
- Premium to be borne by the employer

# Interns and Trainees

Labour Act has clear provisions related to Interns & Trainees. This is summarized below:

## Interns

- Any person as per approved syllabus of any educational institution
- Maximum work hour- 48 hours per week
- Tripartite Agreement among intern, employer and educational institution is required
- No work other than prescribed, otherwise treated as regular employee

## Trainees

- Trainee with training period maximum of 1 year
- Training for specialized work not regulated under Labour Act, if prescribed by any prevailing law in force
- Minimum Remuneration fixed by Government shall be paid

## Expatriate Employee

- Permission from Department of Labour is must. All Expatriate staffs shall obtain permission to be employed in Nepal except where a specific treaty or diplomatic exemption waives a person from obtaining such permission.
- Only the skilled labour can be employed in Nepal in only the case when such labour are of scarce, except in following cases:
  - As Chief Executive Officer or prescribed number of expatriate in enterprises under foreign investment or foreign grant
  - Technical persons for up to three months period for repair of machinery, installation of new technology or other ad-hoc work.

# Disclaimer

The information contained in this booklet is intended as a quick reference guide, specifically designed for our clients. Details of the relevant legislation have not been included.

While every care is taken during the compilation of document, Baker Tilly Nepal does not bear any loss incurred due to the decisions taken on the basis of this document. Specific professional advice should be obtained before taking any action.

# About Us

Established in 2007, Baker Tilly Nepal is one of the fastest growing professional service firms in Nepal, and occupy a special place in the profession, as the full member and trademark user of top nine international accounting firms in the country.

Baker Tilly Nepal P. Ltd. is a private limited company incorporated in Nepal. We are independent member of Baker Tilly International.

Our service areas include:

- Merger Advisory Services
- Taxation
- Information Technology Risk Management Services
- Expenditure Verification for Banks in Project Lending
- Business Start Up Services
- Project Financing Services
- Accounting
- Internal Audit Services
- Performance Audit/Value for Money Audit Services
- Corporate Finance & Business Consultancy Services
- IAS/IFRS Services

## Key Facts

[www.bakertillynepal.com](http://www.bakertillynepal.com)

**Directors** 2

**People** 30+

**Experience** 10 years +

# About Baker Tilly International

Through our independent membership of Baker Tilly International we are able to provide premier accountancy, assurance, tax and specialist business advice, drawing on internationally recognised industry and service line experts in 147 countries.

Each of the network's 126 member firms is independent and autonomous; however we have chosen to work together, resulting in strong professional relationships and efficient collaboration.

Baker Tilly International member firms demonstrate a high professional standard, as well as a strong commitment to the network's core values of integrity, leadership, transparency and ethics. Each member firm offers outstanding personal service combined with the expertise, strength and resources of a truly global network to support you as you grow regionally and globally.

All Baker Tilly International member firms:

- Lead by example
- Deliver a quality service with an emphasis on integrity
- Are open and honest in all communications
- Act ethically
- Foster teamwork and collaboration with other member firms
- Maintain a supportive environment in which their individuals can flourish.

**Great Firms,  
Outstanding Network**

[www.bakertillyinternational.com](http://www.bakertillyinternational.com)

**Combined revenues** US\$3.2bn

**Member firms** 126

**Countries** 147

**People** 30,490

**Partners** 3,000+

**Ranked** 9<sup>th</sup> by global combined revenues

Baker Tilly Nepal P. Ltd.  
Patan Dhoka, Durbar Tole  
Post Box No. 252, Lalitpur-3  
Bagmati Zone  
Nepal

**T:** +977-1-5521605

**F:** +977-1-5521976

[www.bakertillynepal.com](http://www.bakertillynepal.com)  
[contact@bakertillynepal.com](mailto:contact@bakertillynepal.com)