

Understanding Business and Non-Business Entities in Nepal: A Complete Guide

Navigating the legal landscape for businesses and organizations in Nepal can be complex, especially with multiple types of entities and companies available. Whether you are an entrepreneur, a social worker, or planning to start a venture, understanding the difference between entities and companies is crucial. This guide breaks it down clearly.

What is an Entity?

In Nepal, an entity is any legally recognized organization that can own property, enter contracts, or conduct activities under the law. Entities can be for-profit or non-profit and include companies, partnerships, sole proprietorships, trusts, cooperatives, NGOs, and INGOs.

Types of Entities in Nepal

Entity Type	Examples	Purpose	Liability	Legal Basis
For-Profit Entities	Pvt Ltd, Ltd, OPC, LLP, Sole Proprietorship, Partnership, Cooperative	Profit generation	Limited (company/LLP) or unlimited (sole proprietorship/partnership)	Companies Act 2063, LLP Act 2008, Partnership Act 2034, Cooperative Act 2048
Non-Profit Entities	Trust, NGO, INGO, Section 8 Company	Social, charitable, educational, or welfare purposes	Limited to entity assets	Trust Act 2055, Social Welfare Council Act, Companies Act 2063 (Section 8)

Entities in Nepal can broadly be categorized into for-profit entities and non-profit entities.

Types of Companies in Nepal

Companies are a subset of entities and are registered under the Companies Act, 2063. They enjoy a separate legal identity, limited liability, and structured governance. The main types of companies include:

1. Private Limited Company (Pvt Ltd)
 - Owned by 1–200 shareholders
 - Minimum 2 directors
 - Suitable for small to medium businesses
2. Public Limited Company (Ltd)
 - Owned by at least 7 shareholders
 - Can raise funds from the public
 - Ideal for large businesses or those planning to list on the stock exchange
3. One Person Company (OPC)
 - Single shareholder and minimum 1 director
 - Simplified compliance for solo entrepreneurs
 - Section 8 / Non-Profit Company
4. For charitable, educational, or social purposes
 - Cannot distribute profits to shareholders

5. Limited Liability Partnership (LLP)
 - Hybrid between partnership and company
 - Profit-oriented with limited liability
 - Flexible structure for small businesses

Non-Profit Entities: NGOs, INGOs, and Trusts

Nepal also recognizes non-profit entities that serve social or charitable purposes:

- **Trusts:** Can be created by companies or individuals to provide welfare, scholarships, or charitable services. Governed by the Trust Act, 2055.
- **NGOs:** Local organizations working on social, educational, or health-related projects. Registered with the Social Welfare Council.
- **INGOs:** International NGOs working in Nepal, regulated by the Social Welfare Council, often handling foreign aid and development programs.

Key Differences: Companies vs Other Entities

Feature	Companies	Other Entities (Trusts, NGOs, Partnerships)
Legal Status	Separate legal entity	Can be separate (trusts, NGOs) or not (partnerships, sole proprietorship)
Purpose	Profit or non-profit (Section 8)	Mostly non-profit
Ownership	Shareholders / members	Trustees, members, or partners
Liability	Limited to share capital (except fraud)	Limited or unlimited depending on entity
Compliance	High (filings, audits, board meetings)	Moderate to low, depending on entity

Conclusion

Choosing the right entity or company structure in Nepal is a critical decision.

- **For-profit businesses:** Pvt Ltd, Ltd, OPC, LLP, or sole proprietorship are suitable.
- **Non-profit work:** NGOs, INGOs, trusts, or Section 8 companies are ideal.

Understanding these structures helps ensure legal compliance, efficient management, and long-term growth for your venture or social initiative.