



Nepal Labour Law Compliance Guide

Nepal has made important changes to its labour laws in recent years to make workplaces fairer and more efficient. The **Labor Act, 2074 (2017)** is the principal legislation governing the rights of workers and the duties of employers. Along with supporting rules and guidelines, this law sets the foundational standards for how people should be treated at work.

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Core Compliance Areas at a Glance

The Labor Act, 2017 outlines mandatory compliances for all employers in Nepal. Breach of these provisions may result in significant legal and financial consequences. The following overview captures the breadth of obligations every establishment must address.



Employment Agreements

Written contracts, foreign national permits, child labour restrictions, and trainee/apprentice regulations.



Working Conditions

Working hours, rest breaks, overtime pay, night shift safety for women, and minimum wage standards.



Wages & Benefits

Annual increments, festival allowances, leave entitlements, provident fund, and gratuity contributions.



Safety & Governance

Occupational health and safety policy, safety committees, internal bylaws, labour relations, and social security registration.

Written Employment Agreements & Foreign National Permits

According to **Section 11 of the Labor Act, 2074**, it is mandatory for every employer in Nepal to enter into a written employment agreement before hiring any worker. This agreement must clearly outline the employee's remuneration, benefits, terms of employment, and other legally prescribed conditions. The only exception applies to casual workers, for whom a written agreement is not required. The provision ensures legal clarity and safeguards the rights and obligations of both parties.

Every organisation must assess whether all categories of workers — permanent, contractual, or part-time — have been provided with formal appointment letters or employment agreements. If any employees have not received such documentation, the organisation must state the number of such cases and provide valid reasons, such as the nature of employment or administrative delay.

When employing foreign nationals, it is mandatory to obtain a labour permit in accordance with **Chapter 6 of the Labor Act** and **Chapter 3 of the Regulations on Employing Foreign Nationals**. Valid permits must be secured for all foreign employees before commencement of work. If permits have not been obtained, reasons for non-compliance must be clearly stated. Organisations should also specify the number of foreign nationals currently employed with valid permits to demonstrate transparency and adherence to legal requirements.

Child Labour, Trainees & Apprentices

Child Labour Restrictions

Nepali labour law strictly regulates the employment of individuals below the age of 18, with a **total prohibition** on engaging those under 14 in any form of work. If any individuals below 18 are employed, the nature of their work, conditions, and age must be clearly stated. Such employment must not involve hazardous work and must strictly comply with the law.

Apprentices (Sections 16 & 17)

An establishment may engage apprentices only under a valid agreement with a recognised teaching institution and in line with an approved curriculum. Apprentices working strictly under such a curriculum are not considered regular workers. However, if assigned tasks outside the training scope, they are legally treated as regular employees.

Apprentices must not work more than **8 hours per day or 48 hours per week**. All occupational health and safety standards applicable to regular workers must also apply to apprentices. In the event of an accident during training, the employer must ensure medical treatment and compensation in case of disability.

Trainee Workers (Section 18)

Employers may engage trainee workers for up to **one year** (unless a longer period is prescribed by law). During training, the employer must provide minimum remuneration and essential facilities including social security benefits, sick leave, gratuity, provident fund contributions, and insurance coverage.

Working Hours, Rest Breaks & Part-Time Workers

As per **Section 28 of the Labor Act, 2074**, employees in Nepal should not be required to work more than **eight hours per day and forty-eight hours per week** under normal conditions. Any work beyond these limits is considered overtime and must be compensated accordingly. Organisations must confirm whether any workers are currently working beyond these legal limits and, if so, whether proper overtime pay and rest provisions are being provided.

Rest Breaks (Section 31)

Every worker is entitled to a minimum of **half an hour of rest** after five continuous hours of work. If employees work beyond standard hours, they must receive overtime remuneration or equivalent compensatory facilities as prescribed by law.

Night Shifts for Women (Section 33)

If women employees are required to work before sunrise or after sunset, employers are legally obligated to ensure **safe transportation and adequate security arrangements**. These measures protect the rights, dignity, and well-being of female workers during non-standard hours.

Part-Time Workers (Chapter 5)

Part-time workers — though working fewer hours than full-time staff — are still entitled to **proportionate remuneration, facilities, and social security benefits** as per the law, including minimum wage, leave, insurance, and provident fund contributions.

Wages, Increments & Festival Allowance

As per prevailing labour laws, every worker must be paid at least the **government-declared minimum wage**, regardless of job type, contract nature, or working hours. Paying less than the minimum wage is a direct violation of the Labor Act, 2074 and can result in legal penalties. Organisations must confirm whether all employees — including part-time, contractual, daily-wage, and support staff — are receiving wages equal to or above the legal minimum.

According to **Section 36 of the Labor Act, 2074**, every worker who has completed one year of continuous service is legally entitled to an **annual salary increment (grade)**. This increment must be equivalent to at least half a day's wage based on the employee's basic monthly remuneration. The purpose of this provision is to ensure steady financial growth and recognise employee loyalty and service. Organisations must confirm whether this mandatory increment is being provided to all eligible employees.

Under **Section 37**, every worker who has completed at least one year of continuous service is entitled to receive a **festival allowance once a year**, equal to one month's basic remuneration, provided in connection with a major festival observed by the worker. Organisations must confirm whether festival allowances are being provided to all eligible workers and, if not, state the number of workers affected and the reasons for non-compliance. Providing this allowance reflects both legal compliance and cultural sensitivity.

Leave Entitlements Under the Labor Act

The Labor Act, 2074 mandates specific types of paid and unpaid leave entitlements to ensure employee welfare. Organisations must ensure all of the following leave provisions are being complied with fully.

Leave Type	Entitlement
Weekly Leave	One paid day off per week for all workers
Public Holidays	13 days annually (14 for female workers), including May Day and International Women's Day
Compensatory Leave	Must be provided within 21 days if employees work on weekly rest days or public holidays
Home Leave	One day paid leave for every 20 days worked; can accumulate up to 90 days
Sick Leave	12 paid days annually; proportionate if employed less than a year; medical proof required for more than 3 days; accumulates up to 45 days
Maternity Leave	14 weeks total (at least 2 weeks pre- and 6 weeks post-delivery); full wages for part of this period
Paternity Leave	15 days of paid leave for male workers whose wives give birth
Kiriya (Mourning) Leave	10 days of paid leave for death of close family members

The employer must also comply with documentation requirements (e.g., birth registration certificate for maternity leave) and cannot reduce maternity wages if covered by the Social Security Fund. Except for sick, maternity, and mourning leave, all other leaves may be adjusted or denied by the employer based on workplace needs.

Provident Fund, Gratuity & Social Security

Provident Fund (Section 52)

Employers must deduct **10% of each worker's basic remuneration** and add an equal employer contribution, deposited in the Social Security Fund (SSF) from the start of employment. If the SSF is not yet operational, employers must follow transitional provisions or pay an additional 10% directly to workers.

Gratuity (Section 53)

Employers must deposit **8.33% of each worker's basic monthly remuneration** as gratuity in the SSF from the date of employment. For workers hired before the Act's enforcement and not previously entitled to gratuity, contributions must begin from the Act's commencement date. Existing gratuity balances must be transferred to the SSF.

SSF Registration & Contributions

As mandated by the **Contribution-based Social Security Act, 2074**, establishments must register with the Social Security Fund and make regular, timely contributions. This guarantees workers' access to health insurance, provident fund, and other social protections. Failure to register or contribute constitutes a serious legal violation.

Organisations should confirm whether provident fund and gratuity contributions are being regularly deposited in the SSF, whether older balances have been transferred as per the law, and whether SSF registration has been completed. Timely and accurate deposits are essential to protect workers' social security rights and maintain legal compliance.

Occupational Safety, Health & Internal Governance

Under **Section 68 of the Labor Act, 2074**, every employer is required to formulate and implement a workplace safety and health policy. This policy must be prepared in accordance with the Act and related directives, registered with the relevant labour office, and monitored regularly by the authorities. Employers must also follow prescribed standards and make additional arrangements to uphold health and safety.

Safety & Health Committee (Section 74)

Every establishment employing **20 or more workers** must form a Safety and Health Committee with worker representation. The committee advises the employer on safety arrangements, evaluates and recommends improvements, notifies authorities if the employer fails to act, and reviews the safety and health policy annually.

A separate system or arrangement to audit and monitor the implementation of the occupational safety and health policy must also be in place.

Internal Management Bylaws (Section 108)

Every establishment may create its own internal management bylaws. However, such bylaws must not violate the minimum standards set by the Labor Act or any collective agreement. They must be registered with the labour office, made accessible to workers upon request, and developed in consultation with trade unions where available.

Organisations must provide the registration date, registration number, and confirm that copies have been distributed or made accessible to all workers. If any part of the bylaws conflicts with the law or collective agreement, the court can nullify such provisions.

Labour Relations, Performance Evaluation & Dispute Resolution

According to **Section 111 of the Labor Act, 2074**, every establishment is required to form a **Labour Relations Committee** to promote constructive dialogue between management and workers. Organisations must specify whether the committee has been formally established, its composition, the frequency of meetings, and examples of issues discussed or actions taken.

01	02	03
<hr/> Performance Evaluation (Section 112)	<hr/> Individual Dispute Resolution (Section 113)	<hr/> Collective Claims & Bargaining
Establishments may conduct annual performance evaluations based on fair criteria communicated to employees in advance. Employees must be allowed to record disagreement on the evaluation form, and a review must be arranged. Evaluation regulations must be registered with the Labour Office and distributed to workers.	Employees with individual claims must submit a written application to the employer, who must accept it and provide a receipt. The employer must resolve the dispute through discussion within fifteen days (extendable by mutual agreement). Organisations must report the number of claims received and how many have been resolved.	Establishments must allow workers or trade unions to file collective claims. Organisations must report whether collective claims have been submitted, their nature and status, and details of any collective bargaining process — including the date of the demand letter, negotiation status, whether an agreement was reached, and whether any strike or lockout occurred.

Bonus Distribution, Trade Unions & Labour Supply Licensing



Bonus Act Compliance (Bonus Act, 2030)

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Implementation Status & Ongoing Compliance Monitoring

To ensure compliance with the Labor Act, 2074, establishments must monitor and report on the status of any agreements, decisions, or rulings made under the Act. This includes whether such agreements or rulings have been fully implemented, and if implementation is still pending, a clear explanation of the reasons for the delay and the expected timeline for completion.

Regular reporting on these matters reflects the organisation's commitment to upholding labour rights and fulfilling legal obligations promptly and transparently. Organisations should also confirm whether a separate system or arrangement is in place to audit and monitor the implementation of the occupational safety and health policy at the workplace.

SSF Contribution Monitoring

Confirm whether the establishment has been making timely and full contributions to the Social Security Fund as required by law. Maintaining these deposits is essential for legal compliance and safeguarding workers' welfare.

Bylaws & Policy Registration

Confirm the registration date and number of internal management regulations and performance evaluation regulations with the Labour Office, and that copies have been distributed or made accessible to all workers.

Labour Relations Committee Activity

Confirm the frequency of Labour Relations Committee meetings and provide examples of issues discussed or resolved, demonstrating active and constructive labour-management dialogue.

Risks of Non-Compliance: Penalties & Enforcement

Chapter 23 of the Labor Act, 2017 lays down detailed provisions relating to complaints, enforcement mechanisms, penalties for non-compliance, and the right to appeal. Any person – employer, worker, or affected individual – has the right to lodge a formal complaint if there is a violation of the Labor Act or its rules. A recognised trade union may also file a complaint on behalf of an affected person with their written consent. Such complaints must be submitted **within six months** of the alleged violation.

Violation	Penalty
Unlicensed labour providers / unauthorised hiring	Fine up to NPR 200,000
Employing foreign workers without permits	Fine up to NPR 200,000 + NPR 5,000 per worker per month
Workplace discrimination	Fine up to NPR 100,000 + order for equal treatment
Failure to issue appointment letters / contracts	NPR 10,000 per worker, up to NPR 500,000 maximum
Obstruction of government officials / false information	Fine up to NPR 20,000
Illegal apprenticeships	NPR 10,000 per person + order for regular employment
Failure to provide statutory benefits (SSF, insurance, medical)	Twice the amount due as compensation
Underpayment / unlawful deductions	Repayment of amount + twice the deducted sum

Labour Court Jurisdiction & Serious Offences

Certain serious offences fall under the jurisdiction of the **Labour Court**, carrying the most severe consequences under the Act. Employers and workers alike must be aware of these provisions to avoid legal consequences and ensure harmonious industrial relations.



Forced Labour

Engaging in forced labour is punishable by **imprisonment up to two years**, a fine up to NPR 500,000, or both. The offender may also be required to pay double the unpaid wages and benefits.




OHS Violations

In cases leading to death, disability, or serious harm due to occupational health and safety non-compliance, the responsible party may face **up to two years of imprisonment** and be required to pay appropriate compensation.



Corporate Accountability

Where a company is found guilty of an offence, it may be fined, and if imprisonment is warranted, the **Chief Executive Officer may be personally liable**. This provision underscores the importance of leadership accountability in labour law compliance.

 The Act also provides a mechanism for individual workers to resolve disputes directly with their employer through prescribed internal procedures, without needing to involve the Department or Labour Office — offering a faster, less adversarial path to resolution.

Conclusion: Building a Compliant & Ethical Workplace

Labour law compliance in Nepal is not only a legal obligation but also a crucial aspect of ethical and responsible business conduct. **Chapter 23 of the Labor Act, 2017** empowers authorities to enforce compliance through rigorous penalties and provides workers with a clear avenue for seeking redress. Employers must regularly review their HR practices to ensure alignment with the law and avoid substantial financial and legal consequences.

From written employment agreements and minimum wage standards to provident fund contributions, leave entitlements, and occupational safety policies, the Labor Act, 2074 creates a comprehensive framework that protects workers at every stage of employment. Organisations that proactively address each compliance area — rather than reacting to enforcement — build stronger, more motivated teams and more resilient institutions.

Legal Protection

Avoid fines, penalties, and Labour Court proceedings by maintaining full compliance across all provisions of the Act.

Worker Dignity

Fair wages, safe conditions, and proper benefits reflect a commitment to the dignity and well-being of every employee.

Organisational Growth

Compliant workplaces enjoy higher productivity, better retention, and a reputation that attracts talent and builds trust.