

Labour Law Compliance Checklist in Nepal: A Practical Guide for Employers

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This guide sets out the principal compliance requirements for employers under Nepal's Labour Act, 2074 and Labour Rules, 2075 — covering hiring, employment contracts, remuneration, leave, social security, disciplinary action, and termination. It is intended as a practical baseline reference for private and non-governmental enterprises operating in Nepal, and should be read alongside applicable sector-specific laws and legal advice.



Context

1. Employment relation in enterprise is primarily governed by the Labour Act, 2074 (2017) (BS) (the “**Act**”), which came into force on 2074/05/19 BS (4 September 2017 AD), and the Labour Rules, 2075 (BS) (2018) (the “**Rules**”), which came into force on 2075/03/08 BS (22 June 2018 AD).
2. The Act and Rules (the “**Labour Laws**”) generally apply to *private and non-governmental entities*, including companies, firms, cooperatives and associations, regardless of their legal form, objective or profit motive. However, they do not apply to the Nepal Army, Nepal Police, Armed Police Force, National Investigation Department, or civil servants, who are governed by separate laws.
3. This framework is further supplemented by the Contribution-Based Social Security Act, 2074 (BS) (2017), the Contribution-Based Social Security Rules, 2075 (BS) (2018), the Bonus Act, 2030 (BS) (1974 AD), and the Trade Union Act, 2049 (BS)(1992 AD)
4. Further, certain industries and enterprises may also be subject to sector-specific laws, judicial pronouncements, and notices published in the Nepal Gazette, which may prescribe additional or alternate requirements. These laws and sources collectively regulate major employment matters, the scope of which is set out below:

Laws	Scope
Labor Act, 2074 (BS)	Governs employer–employee relations in the non–governmental sector, including employment, remuneration, leave, employee conduct, occupational safety and health, and termination.
Labor Rules, 2075 (BS)	Prescribes the detailed procedures, forms, and compliance requirements for implementing the Labour Act.
Contribution-Based Social Security Act, 2074 (BS)	Governs the contribution-based social security system applicable to the non–governmental sector, including contribution based social security coverage and benefits for employees.
Contribution-Based Social Security Rules, 2075 (BS)	Prescribe the procedures and requirements for implementation of the contribution-based social security scheme.
Bonus Act, 2030 (BS)	Governs the payment and distribution of bonus by an enterprise out of its net profit, including the applicable bonus threshold and allocation rules. For more information, refer here
Trade Union Act, 2049 (BS)	Prescribes the formation, operation, and rights of trade unions in the non–governmental sector.

Sector Specific Laws / Gazette Notices	Prescribe labour-related requirements for certain industries and enterprises, including industries operating under special legal regimes such as Special Economic Zones.
Judicial Pronouncements	Interpret the application of labour laws or special laws through decisions of the Supreme Court of Nepal and other competent courts

Scope Of the Checklist

5. This Checklist covers only the principal matters under the Labour Laws and does not specifically address trade union, bonus, or contribution-related matters. Further, this Checklist covers the compliance requirements applicable to the Enterprise and businesses and not to the employees.
6. Further, even under the Labour Laws, this Checklist excludes some matters of compliance, such as,
 - (a) Complaint procedures before the Labour Office,
 - (b) Proceedings before the Labour Court,
 - (c) Strike and lockout procedures,
 - (d) Collective bargaining process,
 - (e) Occupational safety and health standards,
 - (f) Offences, penalties and appeal procedures.

Minimum Standard

7. The Labour Laws prescribe the minimum mandatory standards governing employment relations in Nepal. Accordingly, every employer is required to comply with such standards in both form and substance, and no term or practice may be adopted below the minimum standard prescribed by law. An employer may provide terms more favourable to employees through contract, policy, or collective arrangement, but may not fall below the minimum standards prescribed by law. Non-compliance may result in complaint proceedings, corrective directions or orders, payment of unpaid amounts and compensation, fines, as iterated in the Labour Laws.

Key Compliance Requirements

8. The principal compliance requirements under the Labour Laws are set out below.

Hiring and Engagement

9. The form and procedure of hiring depend on the nature of employment, including but not limited to regular, time-based, work-based employment, part-time and casual employment. For more information, [refer here](#) As a general rule, a written employment contract are the main compliance requirements for any engagement except for casual employment. While

the procedure for engaging foreign employees is slightly different, the law does not prescribe any separate procedure for engaging any form of employment.

Particulars	Requirement	Compliance Statement
<p>Nature of Employment Act, Section 10; Rules, Rule 3</p>	<p>The Labour Act recognizes regular, work-based, time-based, casual and part-time employment.</p> <p>The classification must reflect the actual nature, duration and hours of work.</p>	<p>Determine the correct employment category before hiring and formalizing the employment relation.</p> <p>Record the employment type in the appointment letter or employment contract and keep the classification basis in the employee file.</p>
<p>Employment Contract Act, Sections 11 and 12 Rules, Rule 4</p>	<p>Employment contracts must be in writing and consistent with the nature of employment.</p> <p>The employment contract should include remuneration, benefits, employment conditions, employment type, main duties, position, workplace, date and place of agreement, effective date and other service conditions.</p>	<p>Issue a written employment contract which should include remuneration, benefits, employment conditions, employment type, main duties, position, workplace, date and place of agreement, effective date and other service conditions.</p>
<p>Probation Act, Section 13</p>	<p>Probation may be applied only where the probation is permitted by law and must not exceed six months.</p> <p>If employment is not ended during probation, the employment relationship continues after completion of probation.</p>	<p>Mention probation period clearly in the employment contract which cannot exceed it more than 6 months.</p>
<p>Internship Act, Sections 16 and 17</p>	<p>Interns may be engaged through an educational institution under an approved curriculum, but if they are required to work beyond the</p>	<p>Maintain internship or trainee agreement, curriculum or training plan, attendance record, safety</p>

	<p>approved curriculum or used as regular employees, they may be treated as regular employees.</p> <p>Further, they should not work beyond 8 hours per day and 48 hours per week, and occupational safety and health protection applies to them.</p>	<p>record and benefit/payment record.</p> <p>Do not use interns or trainees as regular employees without proper legal classification.</p>
<p>Traineeship Act, Section 18</p>	<p>A person may be engaged as a trainee employee for learning work with training, and the training period should generally not exceed one year unless a longer period is required by law or nature of work.</p> <p>Further, trainee employees should receive minimum remuneration and applicable benefits, and if retained as employees by the same employer, probation should not apply again.</p>	<p>Engage trainee employees through proper trainee arrangements, provide minimum legal remuneration and benefits, monitor the training period, and do not impose fresh probation if they are later retained as employees.</p>
<p>Managerial Employees Act, Section 171</p>	<p>Managerial employees generally include employees appointed at manager level or above with authority to evaluate, supervise, control or manage other employees, and separate employment conditions specifying designation, authority, reporting line, duties, remuneration, benefits, confidentiality obligations and termination conditions may be prescribed for them.</p>	<p>Classify managerial employees based on actual authority and responsibility. Keep separate employment agreement or role description stating designation, authority, reporting line, duties, confidentiality, remuneration, benefits and termination conditions.</p>

Engagement of Foreign Nationals

- Under the Labour Laws, engagement of foreign nationals is regarded as an exception and is therefore subject to compliance with the strict legal requirements.

Particulars	Requirement	Compliance Statement
<p>Foreign Employees Act, Sections 22, 23 and 24; Rules, Rules 7, 8, 9 and 13</p>	<p>The Employer must not employ a foreign national without first obtaining a labor permit from the Department of Labor and Occupational Safety (the “Department”).</p> <p>A foreign national may be employed only where the required skilled employee is not available among Nepali citizens. Except in exempted cases, including foreign-invested or foreign-assisted establishments covered by specific arrangements, an employer must not employ foreign employees exceeding 5% of the total employees required in the establishment.</p> <p>Except in the case of certain specified projects, the employer must, prior to applying for such permit, publish a vacancy notice for the relevant position in a national daily newspaper.</p> <p>Where no suitable Nepali applicant is available in response to such notice, the employer may submit an application to the Department together with the prescribed evidence and supporting documents.</p> <p>The Department may conduct such inquiry or verification as it considers necessary and, if satisfied, may grant permission to employ the foreign skilled employee.</p>	<p>Obtain labour permit from the Department before employing any foreign national.</p> <p>Before applying for the permit, publish vacancy notice for the relevant position in a national daily newspaper, unless the case falls under a legal exemption.</p> <p>Ensure that the number of foreign employees does not exceed 5% of the total employees required in the enterprise, except where a specific legal exemption or approved arrangement applies.</p> <p>For more information, refer here</p>
<p>Employment Conditions Act, Section 27</p>	<p>The remuneration, service conditions and benefits of a foreign employee should be stated in a time-based or work-based employment</p>	<p>Use a time-based or work-based contract for foreign employees and ensure</p>

	agreement and should not be below the statutory minimum standard.	compliance with minimum legal standards.
Language of Agreement Act, Section 25	The employment agreement and information relating to work, service conditions and benefits should be in a language understood by the foreign employee or in English.	Prepare the foreign employee agreement in English.
Contract Duration Act, Section 27; Rules, Rules 11 and 12	If the employment agreement mentions a period, that period applies. If no period is mentioned, the foreign employment agreement remains valid for up to three years. However, highly skilled technical foreign employees may receive labour approval for up to five years, while other foreign employees may receive approval for up to three years, subject to applicable extension rules.	Mention a clear contract duration in the foreign employee agreement, in alignment with the conditions specified in the work permit issued by the Department. Align the term of the employment with the work permit.

Outsourced Employees

- Labour-supply employees are a special category of employees engaged through a labour supplier. Labour supply must be made through a licensed labour supplier. The main employer must also monitor whether supplied employees receive minimum remuneration, benefits and legal facilities. The labour audit format specifically checks whether such monitoring has been done.

Particulars	Requirement	Compliance Statement
Licensed Labour Supplier Act, Sections 58, 59 and 60; Rules, Rules 27, 28 and 29	Labour supply must be made through a licensed labour supplier, and unlicensed labour supply may attract penalty and regulatory order.	Engage supplied employees only through a licensed labour supplier and keep the supplier's licence copy, licence number, validity period and permitted work category in the employment file.

<p>Written Labour Supply Arrangement Act, Sections 61 and 62; Rules, Rules 28 and 31</p>	<p>Labour-supply engagement must clearly state the work category, number of employees, work location, remuneration, benefits, social security, insurance, safety and payment responsibility.</p>	<p>Execute a written labour supply agreement before engagement and ensure that all payment, benefit, safety and monitoring obligations are clearly allocated.</p>
<p>Minimum Remuneration and Benefits Act, Sections 61 and 62; Rules, Rule 31</p>	<p>Supplied employees must receive at least the minimum remuneration, benefits and legal facilities required under the prevailing labour laws.</p>	<p>Verify attendance, wage sheet, overtime payment, benefit payment, before approving supplier invoices.</p>

Transfer and Change in Employment Structure

12. The Labour Act permits transfer of an employee within the same establishment, from one office, branch or unit to another, provided that such transfer does not adversely affect the employee’s service conditions, benefits, nature of work or work level. An employee may also be transferred from one establishment to another only with the employee’s consent and with proper arrangement for continuity of service period and service-based benefits. Further, where the transfer is outside the employee’s permanent residence or existing workplace, the employer must provide the prescribed transfer-related facilities. Therefore, transfer should not be treated only as an internal administrative matter but should be supported by written records and benefit continuity:

Particulars	Requirement	Compliance Statement
<p>Internal Transfer Act, Section 109</p>	<p>Internal transfer means transfer within the same establishment, including transfer from one office, branch, department, unit, workplace, post, or reporting line to another. Such transfer must not be unfair to the employee, contrary to law, contrary to the service by-laws, or result in unlawful reduction of remuneration, benefits, service conditions, work level, or work nature.</p>	<p>Make internal transfer only for genuine business reasons. Check that the transfer does not reduce lawful remuneration, benefits, grade, work level, work nature, or service conditions.</p>
<p>Transfer to Another Establishment</p>	<p>Transfer to another establishment means transfer from the present establishment to another establishment, employer,</p>	<p>Obtain written employee consent before transfer to another establishment.</p>

<p>Act, Section 109; Rules, Rule 59</p>	<p>group company, project company, transferee entity, or successor entity.</p> <p>The transfer arrangement must clearly state the employee's post, remuneration, benefits, social security/provident fund contribution, leave balance, accrued benefits, service continuity, and employee consent where required.</p>	<p>Execute a written transfer agreement with the transferee, that covers post, remuneration, benefits, leave balance, accrued benefits, original joining date, and service continuity provisions.</p>
<p>Transfer Benefits</p> <p>Act, Section 109; Rules, Rule 60</p>	<p>Where an employees transferred to another workplace or outside the existing place of work or permanent residence, the employee is entitled to applicable transfer-related facilities, including travel, transport of personal goods, accommodation support, as applicable under the prevailing laws.</p>	<p>Where an employees transferred to another workplace or outside the existing place of work or permanent residence, provide applicable accommodation support, transfer-related facilities, including travel, transport of personal goods, to the transferred employee.</p>

Employment Policies

- 13. The HR Manual and service by-laws govern internal employment matters such as appointment, working hours, leave, benefits, transfer, discipline and termination. The Labour Act treats labour law as the minimum standard, so internal policies cannot reduce statutory rights.

Particulars	Requirement	Compliance Statement
<p>HR Manual Act, Sections 3 and 108</p>	<p>The Labour Act recognizes service by-laws of an enterprise for regulating employees' service conditions.</p> <p>The Human Resource Manual (the "HR Manual" or "Service By-Laws") should cover key employment matters and must not provide lower standards than the Labour Act, Labour Rules or applicable collective agreement.</p>	<p>Issue and maintain an updated HR Manual covering appointment, employment categories, working hours, overtime, leave, remuneration, increment, festival allowance, social security, transfer, grievance, misconduct, disciplinary action, suspension, resignation, termination,</p>

		retrenchment and final settlement.
Registration and Circulation Act, Section 108; Rules, Schedule 10	Internal regulations or HR Manual should be registered with the concerned Labour Office and made available to employees.	Register the HR Manual and/or internal regulations with the Labor Office and circulate them to employees through physical copy, email, HR portal or notice board.

Working Hours and Overtime

14. Work performed beyond such hours is treated as overtime and must be paid at the prescribed rate, subject to the applicable limits. The law also requires adequate rest intervals and provides certain additional protections for female employees in specified circumstances.

Particulars	Requirement	Compliance Statement
Working Hours Act, Section 28; Rules, Rule 16	Working hours, inclusive of 30 minutes between of 5 hours applicable break periods, must not exceed 8 hours per day and 48 hours per week.	Fix normal working hours at not more than 8 hours per day and 48 hours per week. Provide 30 minutes' rest after 5 continuous hours of work.
Overtime Act, Sections 30 and 31	Overtime may be required only up to 4 hours per day and 24 hours per week. Overtime work must be paid at the rate of 1.5 times the basic remuneration. However, in substitution for the prescribed overtime payment, facilities may be provided as set out in the employment agreement.	Ask overtime only up to 4 hours per day and 24 hours per week. Pay overtime at 1.5 times the basic remuneration, unless a lawful substitute facility is expressly provided in the employment agreement.

Remuneration

15. The employer is required to comply with the minimum standards relating to remuneration and payment. This includes payment of minimum remuneration, timely payment of salary, annual grade increment, and festival allowance, subject to the

conditions prescribed by law. The minimum remuneration is fixed every two years by the Ministry of Labour, Employment and Social Security on the recommendation of the Minimum Remuneration Fixation Committee, and comes into force upon publication in the Nepal Gazette.

Particulars	Requirement	Compliance Statement
Minimum Remuneration Act, Section 34	Employer must provide at least the government-prescribed minimum remuneration to the employees.	Pay every employee at least the latest minimum remuneration prescribed by the Government of Nepal. Review payroll whenever minimum remuneration is revised.
Payment Timeline Act, Section 35	<p>The employer must pay remuneration at the time expressly provided in the employment agreement.</p> <p>Where the employment agreement does not specify the time of payment, the employer must pay remuneration at the time fixed by the employer.</p> <p>In the case of an employee engaged for a period of less than one month, remuneration must be paid within three days from the date of completion of the work.</p> <p>In the case of a casual employee, remuneration must be paid immediately upon completion of the work.</p> <p>In all cases, the interval between two remuneration payments must not exceed one month.</p>	Pay remuneration within the time stated in the employment contract or fixed by the employer. Ensure that the payment interval does not exceed 1 month. Pay employees engaged for less than 1 month within 3 days of completion of work. Pay casual employees immediately after completion of work.
Annual Increment Act, Section 36	Upon completion of one year of service, a monthly-paid employee is entitled to an annual grade increment equivalent to one-half day's basic	Provide annual grade increment equal to one-half day's basic remuneration to every

	remuneration each year. Where the employee has worked for less than one full year in the relevant year, the increment should be calculated on a proportionate basis, where applicable.	monthly-paid employee after completion of 1 year of service. For any eligible period of less than one full year, calculate the increment on a proportionate basis, where applicable.
Festival Allowance Act, Section 37	Festival allowance equivalent to one month's remuneration is payable annually. The festival allowance is generally paid at the time of Dashain or another festival chosen by the employee, as applicable.	Pay festival allowance equal to one month's remuneration once every year to eligible employees, generally before Dashain or before the festival chosen by the respective Employer.
Deductions Act, Section 38, Rules, Rule 19	Remuneration should not be deducted except in legally permitted circumstances, such as tax, social security contribution, court or authority order, absence, approved facilities, loss caused by bad faith or negligence, union fee, advance or loan.	Make deduction only for legally permitted reasons such as tax, social security contribution, court/authority order, absence, approved facilities, loss caused by bad faith or negligence, union fee, advance or loan.

Holidays and Leave

16. The Labor Laws recognize various types of leave, including weekly leave, public holidays, substitute leave, home leave, sick leave, maternity leave, and mourning leave. The law also regulates the accumulation and encashment of certain leave and the final settlement of eligible leave in accordance with law.

Particulars	Requirement	Compliance Statement
General Leave Policy Act, Sections 40 to 49	Employer must provide statutory leave and holidays, including weekly leave, public holidays, substitute leave, home leave, sick leave, maternity leave, maternity care leave and mourning leave.	Maintain and implement a leave policy in compliance with the statutory leave provisions.

Weekly Leave Act, Section 40	An employee is entitled to one weekly leave each week.	Provide 1 paid weekly leave day every week.
Public Leave Act, Section 41	Paid public holidays must be provided as prescribed by the Government of Nepal.	Provide 13 paid public holidays each year, including May Day. Provide 14 paid public holidays for female employees, including International Women Labour Day.
Substitute Leave Act, Section 42	An employee engaged in continuous or unavoidable work who works on weekly leave or public holiday is entitled to substitute leave.	Provide substitute leave where an employee works on weekly leave or public holiday due to continuous or unavoidable work.
Home Leave Act, Section 43	Paid home leave must be provided at the rate of 1 day for every 20 days worked, subject to the statutory exception relating to educational institutions and labor receiving summer or winter leave.	Provide paid home leave at the rate of 1 day for every 20 days worked.
Sick Leave Act, Section 44	Paid sick leave of 12 days per year must be provided, proportionately where service is one year or less. Medical certificate is required where sick leave exceeds 3 consecutive days.	Provide 12 days paid sick leave each year. Provide proportionate sick leave where service is 1 year or less. Obtain medical certificate where sick leave exceeds 3 consecutive days..
Maternity Leave Act, Section 45, Rules, Rules 17, 18	Female employees are entitled to maternity leave of 14 weeks, with full remuneration for 60 days.	Provide 14 weeks' maternity leave. Ensure leave starts at least 2 weeks before expected delivery and continues at least 6 weeks after delivery. Pay full remuneration for 60 days, except for circumstances where such remuneration is covered by

		the SSF or relative benefit scheme.
Maternity Care Leave Act, Section 46	Male employees are entitled to maternity care leave where their wife is going to deliver a child.	Provide 15 days paid maternity care leave to a male employee whose wife is going to deliver a child.
Mourning Leave Act, Section 47	Mourning leave must be provided in prescribed circumstances.	Provide 13 days mourning leave with full remuneration in legally covered circumstances.
Payment for Excess Accumulated Leave Act, Sections 48 and 49	Home leave may be accumulated up to 90 days and sick leave up to 45 days, such that if the accumulated leave exceeds these limits, payment for the excess leave must be made at the end of each year based on basic remuneration.	Allow accumulation of home leave up to 90 days and sick leave up to 45 days. Pay the value of excess accumulated leave at the end of each year and settle payable leave at separation. Keep calculation and payment record.

Social Security and Other Benefits

17. Social security-related benefits are principally governed by separate legislation. Employers are required to comply with the contribution-based social security framework and related statutory requirements.

Particulars	Requirement	Compliance Statement
Social Security Contributions	The employer and employee must make contribution-based social security contributions on the basis of the employee's basic remuneration. The current total contribution is 31% of basic remuneration, consisting of 20% employer contribution and 11% employee contribution.	Deduct 11% of the employee's basic remuneration from payroll and add 20% employer contribution each month, making total monthly contribution of 31% of basic remuneration. Deposit the contribution through the Social Security Fund portal by the applicable monthly deadline, generally by the

		15th day of the following Nepali month.
Social Security Schemes and Benefits	The Social Security Fund provides benefits under applicable schemes, including medical treatment, health and maternity protection, accident and disability protection, dependent family protection and old-age protection, subject to the relevant scheme rules and eligibility conditions.	Register eligible employees with the Social Security Fund and maintain employee-wise SSF records. For scheme-specific benefits, eligibility, claim process and limits, refer here

Committees

18. The Labor Act requires the constitution of certain committees depending on the number of employees engaged in the enterprise. These committees serve an important role in workplace governance, labor relations, safety, and dispute prevention.

Particulars	Requirement	Compliance Statement
Safety and Health Committee Act, Section 74; Rules, Rules 34 to 37	Mandatory in enterprises employing 20 or more employees.	Constitute a Safety and Health Committee where 20 or more employees are employed.
Labor Relation Committee Act, Section 111; Rules, Rule 61	Mandatory in enterprises employing 10 or more employees.	Constitute a Labor Relation Committee where 10 or more employees are employed.
Collective Bargaining Committee Act, Section 116	Mandatory in enterprise employing 10 or more employees.	Constitute a Collective Bargaining Committee, where 10 or more employees are employed.

Labor Audit and Inspection

19. Labour audit is a formal compliance review of the establishment's labour practices. It covers matters such as employment contracts, foreign employees, supplied employees, remuneration, benefits, occupational safety and health, internal regulations

and committee formation. The audit also helps the employer remain ready for inspection by the Labour Office, Labour Inspector or other concerned authority.

Particulars	Requirement	Compliance Statement
Scope of Audit Act, Section 100; Rules, Rule 56	<p>The Labor Rules require the enterprise to prepare labor audit report in the prescribed format.</p> <p>The labor audit covers employment contracts, wages, working hours, overtime, leave, benefits, social security, insurance, labor supply, OSH, committees and internal regulations.</p>	<p>Review payroll, attendance, overtime, leave, employment contracts, insurance, social security/provident fund, labor-supplier records, committee records and HR policy records during each audit.</p>
Labor Audit Report Act, Section 100; Rules, Rule 56 and Schedule 10	<p>Labour audit must be conducted by the end of Poush every year. The audit report is not required to be submitted routinely every year, but must be submitted or produced before the Labour Office or Labour Inspector when demanded or during inspection.</p>	<p>Complete the labour audit by the end of Poush every year. Submit or produce the audit report to the concerned Labour Office, Labour Inspector or Department when demanded or during inspection. Keep submission proof or inspection record</p>

Lay-off and Retrenchment

20. Lay-off is a temporary arrangement permitted in specified circumstances where the enterprise is unable to provide work for reasons beyond its control. Retrenchment, by contrast, is a permanent reduction in employment arising from grounds such as financial difficulty, redundancy, merger, or closure, and must be preceded by notice and consultation as required by law. For more information, [refer here](#)

Particulars	Requirement	Compliance Statement
Grounds for Lay-off Act, Section 15	<p>Lay-off may be applied where the employer cannot continue work due to lawful and genuine circumstances, such as interruption of operation, shortage of essential</p>	<p>Apply lay-off only where the employer cannot continue work due to lawful and genuine circumstances, such as interruption of operation, shortage of</p>

	resources, financial difficulty, or other valid operational reasons.	essential resources, financial difficulty, or other valid operational reasons.
Lay-off Notice and Employee Details Act, Section 15; Rules, Rule 5	Before placing employees under lay-off, the employer should issue written notice stating the reason, expected period, affected employees' name, position, department or unit, work description and applicable remuneration arrangement.	Issue written lay-off notice to affected employees and keep employee-wise notice records.
Remuneration During Lay-off Act, Section 39; Rules, Rule 5	During the lay-off period, the employee should be paid half of the remuneration payable to the employee until the work resumes. Any deduction from remuneration during lay-off should be made only in legally permitted circumstances, such as tax, social security contribution, lawful advance, loan recovery or other legally permitted deduction.	Pay 50% of the employee's remuneration during lay-off and clearly mention whether attendance at the workplace is required.
Alternative Work Rules, Rule 6	The employer may assign suitable alternative work during lay-off, but the employee should not be placed in lower-level work or given lower remuneration and benefits without consent.	Assign alternative work only where lawful and maintain written assignment records without reducing lawful remuneration or status.
Grounds for Retrenchment Act, Section 145	Retrenchment may be carried out only on lawful grounds such as financial difficulty, partial or full closure, reduction of work, merger-related excess manpower or other valid operational reason. Before retrenchment, prior notice should be given stating the	Proceed with retrenchment only after confirming lawful ground such as financial difficulty, partial or full closure, reduction of work, merger-related excess manpower or other valid operational reason and issue proper prior notice to the concerned parties.

	reason, probable date and likely number of affected employees.	
Selection of Employees Act, Sections 145 and 146	<p>Before retrenchment, the employer should consult with the concerned union or Labor Relation Committee on possible alternatives, selection basis and conditions.</p> <p>Selection should be fair and generally consider foreign employees first, then employees with higher disciplinary records, weaker performance, and last-appointed employees in the same category of work.</p>	<p>Conduct consultation, prepare meeting minutes and maintain a fair selection matrix, such that consider foreign employees first, then employees with higher disciplinary records, weaker performance, and last-appointed employees in the same category of work, during retrenchment.</p>
Final Settlement Act, Section 145	<p>A retrenched employee should receive one month's basic remuneration for each completed year of service. If the service period is less than one year, compensation should be calculated proportionately. However, retrenchment compensation is not payable where the employee is entitled to unemployment allowance under social security law. All unpaid salary, leave encashment and other payable dues should also be settled.</p>	<p>Check whether the retrenched employee is entitled to unemployment allowance under social security law. If not entitled, calculate and pay retrenchment compensation at one month's basic remuneration for each completed year of service, proportionately for service below one year. In all cases, calculate and pay unpaid salary, leave encashment and other lawful dues.</p>

Misconduct, Disciplinary Action, and Suspension

21. The Labour Act classifies misconduct according to its nature and seriousness. It includes minor misconduct punishable by warning, misconduct punishable by deduction of up to one day's remuneration, misconduct punishable by stoppage of annual increment or promotion, and serious misconduct punishable by removal from service. Disciplinary action must be based on lawful ground, proper evidence and statutory procedure. The employee must be given at least 7 days to submit clarification.

Disciplinary action must be started within 2 months from knowledge of misconduct and decided within 3 months from commencement of the action.

Particulars	Requirement	Compliance Statement
Misconduct Act, Sections 130 to 134	Misconduct must be based on acts or omissions recognized by the Labor Act, such as unauthorized absence, repeated late attendance, refusal to follow lawful instruction, negligence, unlawful strike, misuse or damage of employer’s property, theft, fraud, bribery, financial misappropriation, violence, breach of confidentiality, false documents, intoxication during work, or repeated misconduct.	Identify the specific act of misconduct before taking action. Keep complaint, attendance record, witness statement, documentary evidence, investigation note and other supporting records.
Disciplinary Process Act, Section 135	Before imposing punishment, the employee must be informed of the allegation and possible punishment and must be given reasonable opportunity, generally at least 7 days, to submit clarification.	Issue written show-cause notice stating the allegation, facts, evidence and possible punishment. Give at least 7 days for clarification. Review the clarification before making any decision.
Decision-Making Authority Act, Sections 135 and 137	Disciplinary decision must be made by the legally authorized person, generally the chief executive or the managerial-level officer authorized under the service by-laws or internal delegation.	Confirm the authorized decision-maker before starting action. Keep service by-laws provision, delegation record, management authorization, decision note and approval record in the disciplinary file.
Timeline, Implementation and Intimation Act, Sections 137 and 138	Disciplinary action must be started within 2 months from the employer’s knowledge of misconduct and decided within 3 months from commencement of action. The final decision must be reasoned, implemented properly	Start action within 2 months of knowledge and complete decision within 3 months from commencement. Prepare a reasoned written decision, serve it to the employee, and keep the complete disciplinary file.

	and communicated to the employee.	
Punishment for Misconduct Act, Sections 130 to 134	Punishment must depend on the nature and seriousness of misconduct and may include warning, reprimand, deduction of up to one day's remuneration, suspension, stoppage of increment or promotion, or removal from service in serious cases.	Match the misconduct with the applicable punishment category. Impose only proportionate punishment and keep punishment assessment note, approval record and past misconduct record, if any.

Termination

22. Termination must be based on lawful grounds and undertaken strictly in accordance with the Labor Act. The Labor Act contemplates termination on legally recognized grounds such as serious misconduct, poor performance, bad health, or other adequate and reasonable grounds permitted by law. In the case of time-based, work-based, or contractual employment, termination ordinarily follows completion of the relevant term or work. For more information, [refer here](#)

Particulars	Requirement	Compliance Statement
General Grounds of Termination Act, Sections 139 to 147	Employment may be terminated only on lawful grounds, including (a) resignation, (b) expiry of time-based employment, (c) completion of work-based employment, (d) end of casual employment, (e) poor performance, (f) health ground, (g) compulsory retirement, or serious misconduct.	Identify the correct legal ground before termination.
Resignation Act, Section 141	An employee may resign by giving applicable notice as per the employment agreement. If the employee does not give required notice, the employer may deduct remuneration equivalent to the notice period.	Obtain written resignation. Check applicable notice period, issue acceptance letter, complete handover and keep resignation, acceptance, notice calculation and handover records.
Poor Performance Act, Section 142	Termination for poor performance must be supported by performance evaluation and opportunity to improve or clarify.	Do not terminate for poor performance without performance evaluation records.

		Keep performance review, warning/improvement record, show-cause notice, clarification and final decision.
Health Ground Act, Section 143	Termination on health ground must be based on medical recommendation and consideration of whether suitable alternative work can be provided.	Obtain medical recommendation before termination. Assess possible alternative work and keep medical report, notice and decision record.
Compulsory Retirement Act, Section 147	Compulsory retirement applies upon completion of the statutory retirement age or the retirement age fixed under approved service by-laws, as applicable.	Verify age and retirement date. Issue retirement notice, prepare final settlement, collect handover and keep citizenship/identity record, retirement notice and payment proof.
Retrenchment Act, Sections 145 and 146	Retrenchment may be made only on lawful operational grounds and after notice, consultation, fair selection and payment of applicable compensation.	Follow retrenchment process separately. Keep retrenchment reason, consultation minutes, selection matrix, retrenchment notice, compensation calculation and payment records.
Notice Act, Section 144	Except in termination for serious misconduct, notice must be given based on the worker's length of service: 1 day for service up to 4 weeks, 7 days for service from 4 weeks to 1 year, and 30 days for service of 1 year or more. If notice is not given, salary equivalent to the applicable notice period must be paid in lieu of notice.	Except in termination for serious misconduct, notice must be given based on the worker's length of service: 1 day for service up to 4 weeks, 7 days for service from 4 weeks to 1 year, and 30 days for service of 1 year or more. If notice is not given, salary equivalent to the applicable notice period must be paid in lieu of notice.

<p>Termination for Serious Misconduct Act, Sections 130 to 138</p>	<p>Employment may be terminated for serious misconduct only where the misconduct falls within the category of misconduct punishable by removal from service under the Labour Act.</p> <p>Before termination, the worker must be informed of the allegation and proposed punishment and must be given at least 7 days to submit clarification. disciplinary action must be started within 2 months from the employer’s knowledge of the misconduct and the decision must be made within 3 months from commencement of the disciplinary action.</p>	<p>Issue written show-cause notice stating the allegation and possible termination.</p> <p>Give at least 7 days for clarification. Start action within 2 months of knowledge of misconduct and complete the decision within 3 months from commencement.</p> <p>Review the response, prepare a reasoned decision, serve the decision to the worker, and keep the complete disciplinary file before termination.</p>
<p>Final Settlement and Records Act, Section 38, 52,144, and 145</p>	<p>Upon termination, the employer must settle all payable salary, benefits, leave encashment, compensation, notice pay where applicable, and other lawful dues within 15 days from the date of termination.</p>	<p>Prepare final settlement within 15 days from termination.</p> <p>Provide experience certificate, calculate and pay unpaid salary, leave encashment, notice pay where applicable, or other compensation where applicable, and/or other benefits, and any other lawful dues.</p>

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Infinity Partners is a full-service law firm that provides comprehensive legal solutions tailored to meet the unique needs of our clients. With a deep understanding of Nepal's local landscape and global best practices, we specialize in commercial law, civil law, dispute resolution and legal reform.



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