

Corporations Act, 2021 (1964)

Date of Royal Assent and Publication:

2021.6.17(02-10-1964)

Amending Acts:	Date of Authentication and Publication
1. The Repeal and Amendment Act, 2022 (1966)	2022.12.10(23-03-1366)
2. The Corporations (First Amendment) Act, 2030(1973)	2030.5.15(31-8-1973)
3. The Judicial Administration Reforms Act, 2031(1974)	2031.4.18(2-8-1974)
4. The Judicial Administration Reforms (Fourth Amendment) Act, 2043(1986)	2043.7.24(10-11-1986)
5. The Administration of Justice Act, 2048(1991)	2048.2.16(30-5-1991)
6 ¹ . The Republic Strengthening and Some Nepal Laws Amendment Act, 2066(2010)	2066.10.7.(21-1-2010)

Act Number 23 of the year 2021(1964)

.....²

Preamble:

¹ This Act came into force on 15 Jesta 2065(2009).

² Deleted by Republic Strengthening and Some Nepal Laws Amendment Act, 2066(2010).

Whereas, it is expedient to make some necessary provisions and bring about uniformity in relation to the corporations to be established by the Government of Nepal;

Now, therefore, His Majesty King Mahendra Bir Bikram Shah Dev has, on the advice and with the consent of the National Panchayat, made this Act.

1. Short Title, Extent and Commencement: (1) This Act may be cited as the “Corporations Act, 2031(....).”

(2) It shall come into force at once.

2. Definitions: In this Act:

(a) "Corporation" means a corporation established pursuant to Section 3.

(b) “Board of Directors” or “Director” in relation to any Corporation means the Board of Directors or Director of the Corporation.

(c) “Concerned Department” means the concerned department of the Government of Nepal or any other department or authority specified by the Government of Nepal publishing a notice in the Nepal Gazette.

3. Establishment of Corporation: (1) The Government of Nepal may, if it appears necessary or appropriate to get act such as done by any Company as is contributive to the health, facility or economic interest of the people generally, establish and form any Corporation, by publishing a notice in the Nepal Gazette, setting out the following matters:

(a) Name of the Corporation,

(b) Place and address of head office of the Corporation,

(c) Objectives of the Corporation,

(d) Names, addresses and occupations of the Board of Directors of the Corporation.

(2) The Corporation shall be an autonomous body corporate with perpetual succession³ and shall have a separate seal of its own for all of its activities.

(3) The Corporation may, like an individual, acquire, use, and otherwise transfer any movable and immovable property.

(4) The Corporation may sue by its name and be also sued by the same name.

4. Board of Directors: (1) Each Corporation shall consist of the Directors nominated by the Government of Nepal in such a number as specified by the Government of Nepal. The Director designated by the Government of Nepal, from amongst the Directors, shall be the chairperson.

(2) The Directors shall hold office during the pleasure of the Government of Nepal.

(3) If the office of a Director falls vacant because of his or her death, resignation or any other cause, and the Government of Nepal fills the vacancy by nominating any other person, a notice thereof indicating the name, address and occupation of such Director shall be published in the Nepal Gazette.

5. Disqualification for Director: Any of the following persons shall not be eligible to be a Director of a Corporation:

(a) A person who has not attained the age of twenty one years,

(b) A person who is insane;

³ Amended by Repeal and Amendment Act, 2022(1966).

- (c) A person who is convicted by a court of an offense of any kind of theft or cheating or corruption or unauthorized embezzlement or misuse of assets in his or her custody and sentenced for the same,
- (d) A person who has become insolvent or got declared insolvent; or
- (e) A person who has personal interest of any kind in any contract or transaction of the Corporation.

6. Powers and duties of Board of Directors: The Board of Directors shall exercise all such powers and perform all such duties as a Corporation may have pursuant to this Act or the bye-laws framed under this Act.

7. Alteration in objects or functions of Corporation: (1) If, at any time, it is necessary to make alteration in any objects of a Corporation or in any acts specified to be done by a Corporation, the Board of Directors make a report, along with the reason for the same, to the Government of Nepal for approval, and if such a report is made and the Government of Nepal holds it to be reasonable, it may give approval for such alteration.

(2) After approval is given by the Government of Nepal pursuant to sub-section (1), a notice shall be published in the Nepal Gazette and in leading newspapers about the amended objects and acts of the Corporation, and the objects or acts of the Corporation may be altered only after the publication of such a notice.

8. Fund of Corporation: (1) There shall be one Corporation fund consisting of the following amounts, and all amounts required to be spent on behalf of the Corporation shall be chargeable on the fund:

- (a) Amounts given as grants by the Government of Nepal or other person to the Corporation, and

(b) All amounts received by the Corporation from its assets or transactions or loans of the Corporation.

(2) All cashes of the Corporation shall be created to an account by the name of "Corporation fund" to be opened with the Nepal Rastra Bank in a place where such Bank is situated, and with any other local bank in a place where such Bank is not situated.

9. Accounts etc. of Corporation: (1) All records, books of accounts of the incomes and expenses and accounts of a Corporation shall be maintained as prescribed by the Government of Nepal.

(2) The accounts of incomes and expenses of the Corporation shall have to be got audited each year by an auditor appointed by the Government of Nepal, and it shall be the duty of each Director or employee to give any such document or information as required by such an auditor in the course of performing his or her duty.

(3) After examining the books of accounts, the auditor shall prepare an audit report setting out, inter alia, the following matters, and submit a copy of the report to the Government of Nepal and other copy to the Corporation:

(a) Whether the matters required to be included in the profit and loss account prepared by the Corporation have been so included or not, and whether the statements of accounts reflect the true economic condition of the Corporation or not,

(b) Whether the accounts of incomes and expenses submitted are due or not,

(e) Whether any document, explanation or information sought has been given or not, and if so given, whether it is satisfactory or not,

- (f) Whether the manner of maintaining the accounts of the Corporation is proper or not, and
- (g) Such other matters as the auditor considers necessary.

10. **Power of Government of Nepal to give direction:** If the Government of Nepal considers necessary so to do for proper management and well operation of a Corporation, it may give necessary direction to the Corporation, and it shall be duty of the Corporation to abide such a direction.
11. **Liaison with Government of Nepal:** In making contact by the Corporation with the Government of Nepal in the course of performing its activities or in giving direction by the Government of Nepal to the Corporation pursuant to Section 10, such contact or direction shall be made or given through the concerned Department.
12. **Saving of officers against loss or damage:** The Directors or employees of the Corporation shall not be held individually liable for any loss or damage caused or to be caused from any act done or purported to be done by them in good faith in the course of performing their duties in accordance with this Act or the bye-laws framed hereunder.
13. **Punishment:** (1) If a person who has the duty to maintain, prepare and submit any statements, accounts, reports or other documents pursuant to this Act or the bye-laws framed under this Act, knowingly or with ulterior motive, conceals the truth and state a false matter in such accounts or report or other documents or alters the contents or attempts to do such an act, that person shall be liable to the punishment of imprisonment for a term not exceeding three years or a fine of up to three thousand rupees or with both punishments.

(2) If any Director or employee of the Corporation causes loss to the Corporation by doing any act knowingly or recklessly or with ulterior

motive by doing any act other than that set forth in sub-section (1), such a Director or employee shall be liable to the punishment of imprisonment for a term not exceeding one year or a fine of up to one thousand rupees.

(3) If any person obstructs the auditor appointed pursuant to Section 9 or any other authorized official with his or her business or does not provide, except for any reasonable reason, such document, explanation or information to the auditor or official as demanded, such a person shall be liable to the punishment of a fine of up to one thousand rupees.

(4) If the Corporation has suffered any loss or damage from any offence punishable under this Section, the amount of such loss or damage shall also be recovered from the offenders on the pro rata basis.

14. Dissolution: The Government of Nepal may, if it considers necessary to dissolve any Corporation, dissolve the Corporation by publishing a notice in the Nepal Gazette, and after the notice has been published accordingly:

- (a) All assets and liabilities of the Corporation shall devolve on the Government of Nepal,
- (b) All contracts and agreements concluded with the Corporation, except those concluded with mala fide intention, shall be deemed to have been concluded with the Government of Nepal.

14A.⁴ To hand over assets and liabilities of dissolved Corporation to other organization or Corporation: If any Corporation is dissolved pursuant to Section 14, the Government of Nepal may, by publishing a notice in the Nepal Gazette, hand over all such assets and liabilities of the dissolved Corporation as may be dissolved to the Government of Nepal to any organization formed pursuant to other prevailing Nepal law or to any Corporation formed pursuant to this Act with the consent of that organization

⁴ Inserted by First Amendment with effect from first Shrawan of the year 2030(1973).

or Corporation, and if the hand-over of assets and liabilities is so made, any contract and agreement concluded with the dissolved Corporation shall be deemed to have been concluded with the organization or Corporation to which the assets and liabilities of the dissolved Corporation, and the provisions of Nepal law relating to the organization or Corporation to which such hand-over has been made shall apply in that respect.

- 15. Cases and trial of cases:** (1) Any case punishable under this Act may be filed only by a complaint of the Corporation or concerned Department, and even though no complaint has been filed by any one in relation to the matter falling under its jurisdiction pursuant to sub-section (2), the concerned Department may institute case.

(2)⁵ The concerned Department shall have power to try and settle cases relating to the offense punishable under sub-section (3) of Section 13, and an appeal may be made to the Court of Appeal⁶ against any judgment or final decision made by the concerned Department.

(3) An appeal may be made to the Court of Appeal⁷ against any judgment or final decision made by the concerned Department pursuant to sub-section (2).

Provided that a fine of two hundred rupees or less than that is imposed by such a judgment or decision, no appeal may be made.

- 16. Powers to frame bye-laws:** (1) Each Corporation may frame its bye-laws in order to accomplish the objectives of this Act and manage its acts and actions.

⁵ Amended by Judicial Administration Reforms (First Amendment) Act, 2043(1986).

⁶ Amended by Administration of Justice Act, 2048(1991).

⁷ Amended by Administration of Justice Act, 2048(1991).

(2) Without prejudice to the generality of the powers conferred by sub-section (1), such Corporation may frame bye-laws on the following matters, in particular:

- (a) Acts to be done by the Corporation, and manner for doing such acts,
- (b) The manner of and procedures for performing the business of the Board of Directors,
- (c) Matters relating to branches or sub-branches of the Corporation,
- (d) Appointment, promotion, facilities, discipline and other terms of service of the employees of the Corporation,
- (e) Operation of the fund of the Corporation,
- (f) The procedures for and power to make contract or agreement to be made on behalf of the Corporation,
- (g) Procedures for using the seal of the Corporation,
- (h) Such other matters as may be necessary to carry out its activities by the Corporation in a systematic manner.