# FORM 1: TAX EXEMPTION SCHEME APPLICATION FORM

1. **Explanation Guide[[1]](#footnote-2)**
2. Please use this form to apply for approval of your business as an Approved Business for a qualifying activity between 1st January 2022 to 31st December 2026.
3. An Approved Business must be carrying out, or intend to carry out, any qualifying activity[[2]](#footnote-3) in the following High Priority Sectors:
4. Agriculture and Renewable Natural Resources (RNR);
5. Business Infrastructure Development;
6. Cooperatives;
7. Creative Industry;
8. Education (applicable to educational institutions with International Accreditation);
9. Energy (excluding hydroelectric projects); and
10. Tourism (applicable to hotels only).
11. The purpose of the Tax Exemption Scheme is to exempt from tax all qualifying income[[3]](#footnote-4) derived by an Approved Business for a period of up to 10 years as specified by the Ministry (“qualifying period”).
12. Please submit a recommendation letter from your sector agency[[4]](#footnote-5) together with this form.
13. The Ministry will only approve a business as an Approved Business for a qualifying activity if it is in the public interest to do so, subject to the conditions specified in the certificate of approval, which shall include:
    1. The business has not enjoyed any tax holiday under the Fiscal Incentives Act of Bhutan, 2017 or the Fiscal Incentives 2010 in respect of the qualifying income from the qualifying activity;
    2. Minimum qualifying capital expenditure to have been incurred by the business within the specified period prior to the date of application;
    3. Employment of a minimum number of Bhutanese nationals and a minimum total number of employees throughout the qualifying period;
    4. Minimum business spending to be incurred annually by the business during the qualifying period; and
    5. Such other conditions as the Ministry thinks fit.[[5]](#footnote-6)
14. **Application Form**
15. **Business Information**

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| 1. Name of Business |  |
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| 1. Tax Payer Number (TPN) |  |
|  |  |
| 1. Trade License Number and Issue Date |  |
|  |  |
| 1. Business Address |  |
|  |  |
| 1. Business Website |  |
|  |  |
| 1. Contact Tel/Fax |  |
|  |  |
| 1. Details of Contact Person (Name/Designation) |  |
|  |  |
| 1. Nature of business/trade sector |  |
|  |  |
| 1. Name of Proprietor (if unincorporated) or Managing Director (if incorporated) |  |

1. **Qualifying Activity**

|  |  |
| --- | --- |
| 1. High Priority Sector | Agriculture and Renewable Natural Resources (RNR) / Business Infrastructure Development / Cooperatives / Creative Industry / Education / Energy / Tourism  *(Please circle the High Priority Sector your business is in)* |
|  |  |
| 1. Qualifying Activity category[[6]](#footnote-7) |  |
|  |  |
| 1. Description of how the business is carrying out or intends to carry out the Qualifying Activity |  |

1. **Details on the Business**

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| --- | --- |
| 1. Details of business | *Please describe in detail (1) the business/trade activities (including any activities apart from the qualifying activity) and (2) how the business has developed and grown since commencing operations.* |
|  |  |
| 1. Date of commencement of commercial operation | *This refers to the date on which the business issues its first invoice for the sale of goods and services including goods and services sold during trial production for a consideration in money or money’s worth.* |
|  |  |
| 1. Historical financial information *(Please fill in for the latest 5 income years. If the business has operated for less than 5 years, please fill in all available years.)*    1. Revenue & expenses  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  | **Financial Periods** | | | | | | *E.g. 1 Jan 2017 – 31 Dec 2017* | *E.g. 1 Jan 2018 – 31 Dec 2018* | *E.g. 1 Jan 2019 – 31 Dec 2019* | *E.g. 1 Jan 2020 – 31 Dec 2020* | *E.g. 1 Jan 2021 – 31 Dec 2021* | | Revenue |  |  |  |  |  | | Operating expenses |  |  |  |  |  | | Net profit before tax |  |  |  |  |  | | Tax paid or payable |  |  |  |  |  | | Net profit after tax |  |  |  |  |  | | |
| * 1. Fixed asset investments *(Please fill in the amount of investment made each year into each type of fixed assets)*  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  | **Financial Periods** | | | | | | *E.g. 1 Jan 2017 – 31 Dec 2017* | *E.g. 1 Jan 2018 – 31 Dec 2018* | *E.g. 1 Jan 2019 – 31 Dec 2019* | *E.g. 1 Jan 2020 – 31 Dec 2020* | *E.g. 1 Jan 2021 – 31 Dec 2021* | | *E.g. Equipment and machinery* |  |  |  |  |  | |  |  |  |  |  |  | |  |  |  |  |  |  | |  |  |  |  |  |  | | **Total Fixed Asset Investments**  **Made** |  |  |  |  |  | | |
|  | |
| 1. Employees *(Please fill in the number of employees as at the end of the year)*  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  | **Financial Periods** | | | | | | *E.g. 1 Jan 2017 – 31 Dec 2017* | *E.g. 1 Jan 2018 – 31 Dec 2018* | *E.g. 1 Jan 2019 – 31 Dec 2019* | *E.g. 1 Jan 2020 – 31 Dec 2020* | *E.g. 1 Jan 2021 – 31 Dec 2021* | | No. of employees |  |  |  |  |  | | |

|  |  |
| --- | --- |
| 1. Future business plans | *Please provide us with details (both financial and non-financial) of how the business plans to expand in the short, medium and long term.* |
|  | |
| 1. Financial growth projection    1. Revenue & expenses: Fill in financial projections for the next 5 financial years.  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  | **Financial Periods**  [Please fill in the next 5 income years] | | | | | | *E.g. 1 Jan 2022 – 31 Dec 2022* | *E.g. 1 Jan 2023 – 31 Dec 2023* | *E.g. 1 Jan 2024 – 31 Dec 2024* | *E.g. 1 Jan 2025 – 31 Dec 2025* | *E.g. 1 Jan 2026 – 31 Dec 2026* | | Revenue |  |  |  |  |  | | Operating expenses |  |  |  |  |  | | Net profit before tax |  |  |  |  |  | | Tax paid or payable |  |  |  |  |  | | Net profit after tax |  |  |  |  |  |  * 1. Fixed asset investments: Fill in financial projections for the next 5 financial years.  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  | **Financial Periods**  [Please fill in the next 5 income years] | | | | | | *E.g. 1 Jan 2022 – 31 Dec 2022* | *E.g. 1 Jan 2023 – 31 Dec 2023* | *E.g. 1 Jan 2024 – 31 Dec 2024* | *E.g. 1 Jan 2025 – 31 Dec 2025* | *E.g. 1 Jan 2026 – 31 Dec 2026* | | *E.g. Equipment and machinery* |  |  |  |  |  | |  |  |  |  |  |  | |  |  |  |  |  |  | |  |  |  |  |  |  | | **Total Fixed Asset Investments to be Made** |  |  |  |  |  | | |

1. **Qualifying Conditions**
2. **Capital Expenditure**

**Instructions**

The business must provide satisfactory evidence of the **specified minimum Capital Expenditure**[[7]](#footnote-8) having been incurred within the relevant time frame:

* 1. For **Newly Established Businesses** whose date of commencement of commercial operation is no more than 24 months prior to the date of application: any time prior to application; or
  2. For **Existing Businesses** whose date of commencement of commercial operation is more than 24 months prior to the date of application: any time in the 12 months prior to the date of application.

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| --- | --- |
| 1. Please state the total qualifying Capital Expenditure your business incurred during the relevant time frame in (i) or (ii) above |  |
|  |  |
| 1. Please describe the nature of the expenditure (i.e. what it was incurred on) |  |

1. Please attach evidence of how the qualifying Capital Expenditure was incurred, as required in Section D.
2. **Employees**

**Instructions**

Please refer to the Annex for:

1. the **minimum number of additional Bhutanese nationals** which your business must employ within the first 12 months of the qualifying period;[[8]](#footnote-9) and
2. the **minimum total number of employees** which your business must reach by the end of the first 12 months of the qualifying period.[[9]](#footnote-10)

|  |  |  |  |
| --- | --- | --- | --- |
| 1. Please specify the number of employees your business currently has, and their corresponding roles | |  | |
|  |  | |
| 1. Please specify the number of **additional** Bhutanese employees your business is planning to employ in the next 12 months, and their corresponding roles. (With reference to the instructions above, please consider whether your business is required to hire more than the minimum number in item (i) in order to fulfil the minimum number in item (ii)) | |  | |

1. **Business Spending**

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| --- |
| **Instructions**  Please refer to the Annex for the **minimum Business Spending**[[10]](#footnote-11) which your business must incur during every 12-month period throughout the qualifying period. |

|  |  |
| --- | --- |
| 1. Please specify the main types of operating expenditure which your business is expected to incur annually, and their corresponding amounts |  |

1. **Declaration**
2. I declare that the business has not enjoyed any tax holiday under the Fiscal Incentives Act of Bhutan, 2017 or the Fiscal Incentives 2010 in respect of the qualifying income from the qualifying activity.
3. I declare that the information provided in this application form is true and complete.
4. I undertake that, if granted the incentive, the business shall comply with the following:
   * + - 1. By the end of the first twelve months of the qualifying period, the business shall have:

Employed the specified minimum number of Bhutanese nationals as additional employees as compared to the commencement of the qualifying period; and

At least the specified minimum total number of employees.

* + - * 1. Where the conditions in sub-paragraph (a) have been satisfied, the business shall continue to employ throughout the rest of the qualifying period the higher of:

The aggregate number of employees employed by the business after employing the specified minimum number of Bhutanese nationals as additional employees pursuant to sub-paragraph (a)(i); and

The specified minimum total number of employees,

Which in either case shall include the specified minimum number of Bhutanese nationals.

* + - * 1. The business shall incur the minimum Business Spending during each 12-month period within the qualifying period;
        2. The business shall maintain proper accounting records in accordance with the Income Tax Act of the Kingdom of Bhutan 2001;
        3. The business shall permit the Ministry to inspect the business’ premises and the business’ accounting records;
        4. The business shall carry out transactions with associated businesses on an arm’s length basis; and
        5. In the event the Approved Business ceases operations, ceases to carry out the qualifying activity, or is sold or transferred to another person, the business shall inform the Ministry in writing within one month.

Affix a legal stamp

Signature of Applicant

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Full Name / Designation / Contact Number

Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. **Documents to be submitted with Application Form**
2. Copy of Trade License/Permit issued by the concerned agency
3. Copy of Citizenship Identity Card of the proprietor
4. Company Registration Certificate/Co-operative Registration Certificate, whichever is relevant
5. Copy of first invoice issued to authenticate commercial operation date
6. Copy of Ownership Certificate
7. Copy of Lease Agreement if business is conducted in hired premises
8. Copies of Income Statements and Balance Sheets for the past 5 financial years
9. List of employees for the past 5 financial years
10. Detailed business plans
11. Detailed financial growth projection in the next 5 financial years
12. Recommendation letter from relevant sector agency which includes a certification of the principal activities of the business
13. Evidence of Capital Expenditure in the past 12 months/prior to application (e.g. Sales invoices)
14. Any other relevant supporting documents

*Note: Upon submission of this Application Form, Applicants may be required to submit additional supporting documents as the DRC deems necessary to facilitate the evaluation of the application. The application will only be processed provided that the complete relevant supporting documents are received.*

**Annex**

| **High Priority Sector** | **Qualifying activities** | **Sector agency to obtain Recommendation Letter from** | **Qualifying Conditions** | | |
| --- | --- | --- | --- | --- | --- |
| **Capital Expenditure Condition** | **Employment Condition** | **Business Spending Condition** |
| Agriculture and renewable natural resources | * + 1. Poultry production     2. Fishery operation     3. Piggery operation     4. Dairy production     5. Floriculture     6. Apiculture     7. Horticulture     8. Commercial farming     9. Organic farming | Ministry of Agriculture and Forests | Minimum capital expenditure of **Nu. 1,000,000** to have been incurred. | Employment of:   1. a minimum of **3** additional Bhutanese nationals; and 2. a minimum total of **5** employees   by the end of the first 12-month period. | Minimum business spending of **Nu. 1,000,000** to be incurred during each 12-month period within the qualifying period. |
| Business infrastructure development | Development of any of the following business infrastructure:   * 1. IT park   2. Warehousing   3. Cold storage   4. Data hub | Ministry of Information and Communication;  Ministry of Economic Affairs; or  Ministry of Agriculture and Forest | Minimum capital expenditure of **Nu. 1,500,000** to have been incurred. | Employment of:   1. a minimum of **1** additional Bhutanese national; and 2. a minimum total of **4** employees   by the end of the first 12-month period. | Minimum business spending of **Nu. 2,700,000** to be incurred during each 12-month period within the qualifying period. |
| Cooperatives | Operation of a farmer’s cooperative | Ministry of Agriculture and Forest | Minimum capital expenditure of **Nu. 2,600,000** to have been incurred. | Employment of:   1. a minimum of **1** additional Bhutanese national; and 2. a minimum total of **4** employees by the end of the first 12-month period. | Minimum business spending of **Nu. 2,000,000** to be incurred during each 12-month period within the qualifying period. |
| Creative industry | 1. Provision of the following audiovisual services:    1. film    2. television    3. radio 2. Provision of the following new media: 3. digitized content 4. software 5. video games (only content creation) 6. animations 7. Provision of the following creation services: 8. Advertising (only content creation) 9. creative R&D 10. creative event services | Ministry of Information and Communication | Minimum capital expenditure of **Nu. 2,000,000** to have been incurred. | Employment of:   1. a minimum of **5** additional Bhutanese nationals; and 2. a minimum total of **15** employees   by the end of the first 12-month period. | Minimum business spending of **Nu. 1,500,000** to be incurred during each 12-month period within the qualifying period. |
| Education | Operation of an educational institution which is internationally accredited in accordance with principles, processes and standards adopted by the Bhutan Accreditation Council | Ministry of Education; or  Royal University of Bhutan | Minimum capital expenditure of **Nu. 70,000,000** to have been incurred. | Employment of:   1. a minimum of **10** additional Bhutanese nationals; and 2. a minimum total of **40** employees by the end of the first 12-month period. | Minimum business spending of **Nu. 20,000,000** to be incurred during each 12-month period within the qualifying period. |
| Energy | * + 1. Production of solar energy     2. Production of biomass energy     3. Production of wind energy | Ministry of Economic Affairs; or  National Environment Commission | Minimum capital expenditure of **Nu. 700,000** to have been incurred. | Employment of:   1. a minimum of **3** additional Bhutanese nationals; and 2. a minimum total of **10** employees   by the end of the first 12-month period. | Minimum business spending of **Nu. 4,600,000** to be incurred during each 12-month period within the qualifying period. |
| Tourism | * 1. Operation of a hotel with a rating of 3 stars or above   2. Operation of a hotel categorised by the Tourism Council of Bhutan as Blue Poppy 2. | Tourism Council of Bhutan | Minimum capital expenditure of **Nu. 100,000,000** to have been incurred. | Employment of:   1. a minimum of **10** additional Bhutanese nationals; and 2. a minimum total of **60** employees   by the end of the first 12-month period. | Minimum business spending of **Nu. 40,000,000** to be incurred during each 12-month period within the qualifying period. |

1. The information in this application form is provided for your ease of reference. The terms of the Tax Exemption Scheme are subject to the Fiscal Incentives Act of Bhutan 2021 and the applicable rules. [↑](#footnote-ref-2)
2. “Qualifying activity” means a business activity in a High Priority Sector which is prescribed in the Rules on the Fiscal Incentives Act of Bhutan 2021. Please refer to the Annex for the list of qualifying activities under each High Priority Sector. [↑](#footnote-ref-3)
3. “Qualifying income” means the income derived by an Approved Business from the qualifying activity which it is approved for, subject to any restrictions as prescribed in the Rules or as specified in the certificate of approval. [↑](#footnote-ref-4)
4. Please refer to the Annex for the relevant sector agency for each High Priority Sector. The recommendation letter is one of the supporting documents required in Section D. [↑](#footnote-ref-5)
5. The Ministry may impose additional conditions where it is reasonable to do so, taking into account the scale and profitability of the business’ existing or proposed business activities. [↑](#footnote-ref-6)
6. Please refer to Annex for the list of Qualifying Activities under your High Priority Sector. [↑](#footnote-ref-7)
7. Capital Expenditure refers to expenditure incurred in acquiring, constructing or maintaining fixed assets located in Bhutan (excluding land) for the purpose of carrying out the qualifying activity. Please refer to Annex for the specified minimum Capital Expenditure that must be incurred for your High Priority Sector. [↑](#footnote-ref-8)
8. A person shall not be regarded as an additional employee if the person was employed by the business or an associated business at any time within the year before the commencement of the qualifying period. [↑](#footnote-ref-9)
9. Please refer to the Rules on the Fiscal Incentives Act of Bhutan 2021 for the ongoing employment condition to be maintained throughout the qualifying period. [↑](#footnote-ref-10)
10. Business Spending refers to operating expenditure of the business incurred in Bhutan, including but not limited to: (a) Employee remuneration; (b) Rental of land or building; (c) Interest on secured loan; (d) Royalties; (e) Utilities; (f) Insurance; (g) Fees and charges; (h) Publicity and advertisement; (i) Other legitimate expenses allowed as deductions under the Income Tax Act of the Kingdom of Bhutan. For the avoidance of doubt, depreciation is not regarded as business spending. Please refer to Annex for the minimum Business Spending that must be incurred for your High Priority Sector. [↑](#footnote-ref-11)