



Rules on the Fiscal Incentives Act of Bhutan 2021

Department of Revenue & Customs
Ministry of Finance
Thimphu



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དངུལ་རྩིས་ལྷན་ཁག།
ROYAL GOVERNMENT OF BHUTAN
Ministry of Finance
Tashichho Dzong
Thimphu



དངུལ་རྩིས་སློན་པ།
Finance Minister

MoF/DRC/TAX-M&E/FI/2022/1669

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FOREWORD

In exercise of the powers conferred by Section 61, Chapter 8 of the Fiscal Incentives Act of Bhutan 2021, enacted by the 6th Session of the Third Parliament of the Kingdom of Bhutan on 25th day of 10th month of the Female Iron Ox Year corresponding to the 29th Day of November 2021, the Ministry of Finance hereby promulgates the rules, namely the Rules on the Fiscal Incentives Act of Bhutan 2021.

The Ministry of Finance is pleased to issue the Rules on the Fiscal Incentives Act of Bhutan 2021 which shall extend to the whole of the Kingdom of Bhutan in order to stimulate economic growth, foster private sector development and generate employment. The Rules on the Fiscal Incentives Act of Bhutan 2021 shall, subject to Section 5 of the Fiscal Incentives Act of Bhutan 2021, supersede all the previous incentives and any rules thereof to the extent that these are inconsistent with the provisions of this rules.

The Rules have been framed, for the ease of cross referencing, in sequence of the Act bifurcating into three parts; Part I, Part II and Part III. The Part I which is in respect to Direct Tax Incentives is divided into Tax Exemption and Concessionary Tax Rate, Investment Allowance, and Other Incentives. The Part II which is in respect to Indirect Tax Incentives is divided into General Conditions for ST and CD exemptions, ST and CD Exemption to Business Under High Priority Sector, and Other Incentives. And Part III is regarding the general provisions applicable to both direct and indirect tax incentives.

This Rules shall come into force in accordance with Section 2 of the Fiscal Incentives Act of Bhutan 2021.

NAMGAY TSHERING
FINANCE MINISTER

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RULES ON THE FISCAL INCENTIVES ACT OF BHUTAN 2021

In order to stimulate economic growth, foster private sector development and generate employment, the Ministry of Finance, in exercise of the powers conferred under section 61 of the Fiscal Incentives Act of Bhutan 2021, hereby frames these Rules on the Fiscal Incentives Act of Bhutan 2021 (such Act being referred to in these Rules as “**the Act**”):

CHAPTER 1 PRELIMINARY

Title

1. These Rules are the Rules on the Fiscal Incentives Act of Bhutan 2021.

Commencement

2. These Rules come into force on 25th day of 10th month of the Female Iron Ox Year corresponding to the 29th Day of November 2021.

Extent

3. These Rules extend to the whole of the Kingdom of Bhutan.

Application of tax laws

4. Unless otherwise specified in the Act or these Rules, any business which has been granted any incentive under the Act (referred to in these Rules as an “**incentivised business**”) remains subject to all tax laws and any rules thereof.
5. For the avoidance of doubt, an incentivised business must file all applicable tax returns by the relevant due date.

Application of Chapter 8

6. Unless otherwise specified, the rules in Chapter 8 shall apply to all incentivised businesses.

PART 1
DIRECT TAX INCENTIVES

CHAPTER 2
TAX EXEMPTION AND CONCESSIONARY
TAX RATES FOR APPROVED BUSINESSES IN
HIGH PRIORITY SECTORS

Application

7. The rules in this Chapter apply to the grant of any incentive under Chapter 2 of the Act.

Approved Business (Exemption) (Section 8 of the Act)

8. For the purposes of Chapter 2 of the Act and these Rules, a business is an Approved Business (Exemption) if:
- (1) the business is engaged in or desires to engage in any qualifying activity referred to in section 8 of the Act; and
 - (2) the business has been issued a certificate of approval by the Ministry under section 12 of the Act exempting from tax any qualifying income derived from such qualifying activity.
9. An Approved Business (Exemption) refers to a business approved as any one of the following:
- (1) Approved Business (Agriculture and Renewable Natural Resources (RNR) – Exemption) as defined in **Annexure 1**;
 - (2) Approved Business (Business Infrastructure Development – Exemption) as defined in **Annexure 2**;
 - (3) Approved Business (Cooperatives – Exemption) as defined in **Annexure 3**;
 - (4) Approved Business (Creative Industry – Exemption) as defined in **Annexure 4**;
 - (5) Approved Business (Education – Exemption) as defined in **Annexure 5**;

- (6) Approved Business (Energy – Exemption) as defined in **Annexure 6**;
and
- (7) Approved Business (Tourism – Exemption) as defined in **Annexure 7**.

Approved Business (Concessionary Rate) (Section 9 of the Act)

10. For the purposes of Chapter 2 of the Act and these Rules, a business is an Approved Business (Concessionary Rate) if:
 - (1) the business is engaged in or desires to engage in any qualifying activity referred to in section 9 of the Act; and
 - (2) the business has been issued a certificate of approval by the Ministry under section 12 of the Act imposing a concessionary tax rate on any qualifying income derived from such qualifying activity.
11. An Approved Business (Concessionary Rate) refers to a business approved as any one of the following:
 - (1) Approved Business (Cottage and Small Industries (CSI) – Concessionary Rate) as defined in **Annexure 8**;
 - (2) Approved Business (Education – Concessionary Rate) as defined in **Annexure 9**;
 - (3) Approved Business (Information and Communication Technology (ICT) – Concessionary Rate) as defined in **Annexure 10**; and
 - (4) Approved Business (Waste Management and Recycling Industries – Concessionary Rate) as defined in **Annexure 11**.

Application for approval as an Approved Business (Sections 11 and 12 of the Act)

12. A business shall not be approved as an Approved Business unless the business:
 - (1) applies to the Ministry for approval by 31st December 2026;
 - (2) satisfies the qualifying conditions prescribed in the relevant Annexure referred to in rule 9 or rule 11; and

- (3) undertakes to fulfill all conditions prescribed in the certificate of approval issued by the Ministry under section 12 of the Act.
13. 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.
14. The prescribed form (*Form 1 for Tax Exemption and Form 2 for Concessionary Tax Rate*) for application to the Ministry for approval as an Approved Business shall be made available by the Ministry and may be amended from time to time.

Certificate of approval (Section 13 of the Act)

15. In addition to the items stated in section 13 of the Act, every certificate of approval issued to an Approved Business shall include:
 - (1) the specification of the part of the Approved Business' business activities which is regarded as a qualifying activity; and
 - (2) the qualifying conditions and any additional conditions to be satisfied by the Approved Business.

Amendment of certificate of approval

16. The Ministry may, upon the application by an Approved Business in accordance with rule 17, amend the certificate of approval by adding to, removing or substituting (as the case may be) any condition required to be specified in the certificate of approval under section 13 of the Act or rule 15.
17. If a business wishes to apply to the Ministry for an amendment to the certificate of approval, the business shall make the application in writing stating the grounds for making the application and attaching a recommendation letter from the relevant sector agency supporting the grounds for the application.
18. In relation to each qualifying activity which has been amended or added in the amended certificate of approval, the Ministry shall specify in such certificate the information referred to in section 13 of the Act and in rule 15.

Extension of qualifying period of Approved Business (Concessionary Rate) (Sections 10 and 14 of the Act)

19. An application under section 10 of the Act by an Approved Business (Concessionary Rate) for an extension of the qualifying period shall be submitted to the Ministry:
 - (1) in the prescribed form (*Form 3*) made available by the Ministry as may be amended from time to time; and
 - (2) within the qualifying period but no later than 30 days after the business has incurred the capital expenditure prescribed under the Extended Capital Expenditure Condition (as defined in the relevant Annexure).
20. Where the qualifying period of an Approved Business (Concessionary Rate) is extended by the Ministry under section 14 of the Act:
 - (1) the Ministry shall amend the business' certificate of approval to specify:
 - (a) the extended qualifying period; and
 - (b) the qualifying conditions to be satisfied for the extension of the qualifying period, which shall be in accordance with the relevant Annexure referred to in rule 11; and
 - (2) all references to “qualifying period” in Chapter 2 of the Act and in these Rules shall refer to such extended qualifying period.
21. The total qualifying period of an Approved Business (Concessionary Rate), including any extensions, shall not exceed 10 years.

Determination of qualifying income (Section 16(7) of the Act)

22. The qualifying income derived by an Approved Business from a qualifying activity shall be determined taking into account all deductions and losses in respect of the qualifying activity which are allowable under the Income Tax Act of the Kingdom of Bhutan 2001.

23. For the avoidance of doubt, any income derived by an Approved Business which is not qualifying income shall remain subject to tax under the Income Tax Act of the Kingdom of Bhutan 2001.

Carry forward and offset of losses

24. Notwithstanding anything contained in the Rules on the Income Tax Act of the Kingdom of Bhutan 2001, any unabsorbed balance of losses sustained by an Approved Business during the qualifying period in respect of a qualifying activity shall not be carried forward and adjusted after the end of the qualifying period.

Books of accounts

25. Where an Approved Business carries out more than one qualifying activity and/or any business activity apart from the qualifying activity or activities for which it has been granted a tax incentive under Chapter 2 of the Act, the business shall ensure that its books of accounts distinguish between each qualifying activity and each other business activity, in relation to:
- (1) the income derived from the activity;
 - (2) the expenses incurred for the activity; and
 - (3) all other information in the books of accounts, to the extent applicable.
26. Where the qualifying period of an Approved Business does not commence at the beginning of an income year, the business shall for that income year submit separate tax returns for the period within the qualifying period and outside the qualifying period.

Disqualification as Newly Established Business

27. No business shall be regarded as a Newly Established Business if:
- (1) the business was derived from an Existing Business including through splitting up or reconstruction of an Existing Business, or transfer of plant or machinery previously used for any purpose, or change of ownership; and

- (2) the business is determined by the Ministry to have been established for the main purpose of being treated as a Newly Established Business under Chapter 2 of the Act.

Obligation to notify Ministry

28. An Approved Business shall be obliged to inform the Ministry in writing within one month of the occurrence of any of the following events:
 - (1) the business ceases to carry out a qualifying activity for which it has been granted a tax incentive under Chapter 2 of the Act; or
 - (2) the business is sold or transferred to another person.

Regular tax compliance obligations apply

29. For the avoidance of doubt, Tax Clearance Certificate shall be issued to incentivised businesses under Chapter 2 of the Act only upon submission of annual accounts and settlement of tax dues.
30. For the avoidance of doubt, incentivised businesses under Chapter 2 of the Act remain required to deduct and deposit TDS from the suppliers and employees as per the TDS rate prescribed in the Income Tax Act and Rules.

CHAPTER 3 INVESTMENT ALLOWANCES

Application

31. The rules in this Chapter apply to the grant of any incentive under Chapter 3 of the Act.

Approved Project (Sections 18 and 19 of the Act)

32. A project shall not be approved by the Ministry as an Approved Project under section 19 of the Act unless the business:
- (1) obtains a recommendation letter from the relevant sector agency that the proposed project to be carried out in Bhutan meets any one of the objectives set out in section 18 of the Act;
 - (2) applies to the Ministry for approval by 31st December 2026; and
 - (3) undertakes to fulfill all conditions prescribed in the certificate of approval issued by the Ministry under section 19 of the Act.
33. The prescribed form (*Form 4*) for application to the Ministry for approval as an Approved Project shall be made available by the Ministry and may be amended from time to time.

Fixed capital expenditure

34. An investment allowance may be granted to a business by the Ministry under section 19 of the Act for all approved fixed capital expenditure incurred in Bhutan for an Approved Project during the qualifying period, including any item set out in **Annexure 12**.
35. For the avoidance of doubt, the fixed capital expenditure must be incurred in Bhutan by the business during the qualifying period specified in the certificate of approval.
36. The fixed capital expenditure incurred in Bhutan shall be used and kept in use for the Approved Project in Bhutan unless the business has obtained the written approval of the Ministry.

Certificate of approval (Section 19 of the Act)

37. In addition to the conditions stated in section 19 of the Act, every certificate of approval issued under Chapter 3 of the Act shall include:
- (1) the specification of the Approved Project; and
 - (2) the maximum amount of investment allowance that shall be granted for the fixed capital expenditure incurred for the Approved Project, where a maximum amount is imposed by the Ministry.
38. The Ministry may, upon the application by a business in accordance with rule 39, amend the certificate of approval by adding to, removing or substituting (as the case may be) any condition required to be specified in the certificate of approval under section 19 of the Act and rule 37.
39. If a business wishes to apply to the Ministry for an amendment to the certificate of approval, the business shall make the application in writing stating the grounds for making the application and attaching a recommendation letter from the relevant sector agency supporting the grounds for the application.
40. Any amendment in rule 38 shall take effect from the date of the amended certificate of approval or, if specified in the amended certificate of approval, the effective date of amendment.
41. Where any question arises as to whether a particular item of fixed capital expenditure qualifies as one of the items under section 25(2) of the Act, it shall be determined by the Ministry in consultation with the relevant sector agency whose decision shall be final.

Crediting of investment allowance

42. Where the business has incurred fixed capital expenditure, the business shall be given for that income year an investment allowance in respect of such amount of the fixed capital expenditure that qualifies for the investment allowance under the conditions of the certificate of approval.
43. Notwithstanding rule 42, where the fixed capital expenditure is incurred under a hire-purchase agreement, the amount of investment allowance given

shall not exceed the installment paid by the business under that hire-purchase agreement for the year.

44. Where any investment allowance is given to a business for an Approved Project, the business shall maintain proper records of the progress of the Approved Project, the fixed capital expenditure incurred, the investment allowance given and deducted from the profits of the business.
45. For the purpose of rule 44, the records that a business is required to maintain include the following:
 - (1) a copy of the sales and purchase agreement or hire-purchase agreement between the supplier and the business, where applicable;
 - (2) a copy of the invoice/bill of the fixed capital expenditure incurred, containing the following particulars:
 - (a) the name and address of the supplier;
 - (b) the date of issue of the invoice/bill;
 - (c) a description of the fixed capital expenditure incurred; and
 - (d) the total amount payable and the terms of payment.
 - (3) payment evidence showing payment of the fixed capital expenditure, including payment receipts issued by the supplier, bank statements;
 - (4) statement of investment allowance given and deducted from the profits of the business on an annual basis; and
 - (5) records of the progress of the Approved Project, such as feasibility studies, project contracts and agreements, management plans, implementation schedules, meeting minutes, costs and revenue estimates and similar progress reports.
46. The business must maintain the records referred to in rule 44 for at least 7 years from the income year in which the investment allowance was granted.

Recovery of tax on disposal of asset (Section 24 of the Act)

47. Where, within 7 years from the income year in which the investment allowance was granted, a business has sold, leased out, or otherwise disposed of any asset in which an investment allowance has been granted:
- (1) any unused investment allowance shall be disregarded; and
 - (2) an assessment or reassessment to recover any tax in respect of any income that was not subject to tax because of the investment allowance shall be made upon the business.
48. Where, at any time after 7 years from the income year in which the investment allowance was granted, a business has sold, leased out, or otherwise disposed of any asset in which an investment allowance has been granted, any unused investment allowance shall be disregarded unless the business has obtained the written approval of the Ministry.

Termination of Approved Project

49. In the event the Approved Project is terminated or aborted, or if the business ceases operations during the qualifying period:
- (1) the business shall be obliged to inform the Ministry in writing within one month;
 - (2) the Ministry has the right to revoke the investment allowance granted; and
 - (3) the Ministry shall be entitled to recover the investment allowance granted by way of an assessment or reassessment to recover any tax in respect of any income that was not subject to tax because of the investment allowance.

Investment allowances in addition to depreciation allowances

50. For avoidance of doubt, investment allowance shall be given in addition to the normal depreciation allowance provided under the Income Tax Act of the Kingdom of Bhutan 2001.

Definitions

51. For the purposes of Chapter 3 of the Act and these Rules, unless the context otherwise requires –
- (1) “**qualifying period**” means the period specified in the certificate of approval;
 - (2) “**fixed capital expenditure**” in relation to a building or structure means the price paid for the building or structure excluding the costs of the land and includes the following types of capital expenditure:
 - (a) costs of feasibility study on the layout of the building or structure;
 - (b) design fees of the building or structure;
 - (c) costs of preparing plans for approval for the building or structure;
 - (d) piling, construction and renovation costs;
 - (e) legal and professional fees in relation to the building or structure; and
 - (f) financing costs in relation to the acquisition.
 - (3) “**fixed capital expenditure**” in relation to the acquisition of know-how or patent rights means:
 - (a) costs of acquiring the know-how or patent rights;
 - (b) legal and professional fees relating to the acquisition of the know-how or patent rights; and
 - (c) financing costs in relation to the acquisition.
 - (4) “**fixed capital expenditure**” in relation to the acquisition of any new productive equipment, any second-hand productive equipment approved by the Ministry or any item prescribed in these Rules means:
 - (a) costs of acquiring the asset;
 - (b) costs of delivery and installation of the asset; and
 - (c) financing costs in relation to the acquisition.

CHAPTER 4 OTHER INCENTIVES

Tax exemption for small and micro businesses located in the rural areas (Section 26 of the Act)

52. The tax exemption under section 26 of the Act shall be applicable to any approved small business and any approved micro business, in both cases located in the rural areas.
53. The tax exemption shall expire on 31st December 2024.
54. The tax exemption shall be applicable to approved micro businesses, regardless of activity specification.
55. The tax exemption shall be applicable to approved small businesses which hold a trade license classified as “Trade” or “Service”, but excluding the following activities:
 - (1) Travel agents and ticketing business;
 - (2) Construction and hiring business;
 - (3) Goods and passenger transport business;
 - (4) Consultancy business;
 - (5) Cable operators and export business; and
 - (6) Supply of sand boulder and aggregates.
56. For the purposes of the Act and these Rules:
 - (1) **“approved micro business”** means any micro business that fulfills the following conditions:
 - (a) The micro business entity holds a micro registration certificate;
 - (b) The business is classified as a micro business in accordance with

the turnover range or investment range under Annexure 1 of the Rules on the Income Tax Act 2001. A business which is not classified as a micro business shall remain subject to tax;

- (c) The business entity's registered address is located within the rural areas defined in section 27 of the Act; and
 - (d) The exemption shall apply to Business Income Tax only. Businesses will be liable for other taxes such as Customs Duty, Sales Tax/GST, or any other levies or taxes that would otherwise be applicable.
- (2) **“approved small business”** means any small business that fulfills the following conditions:
- (a) The small business holds a trade license classified as “Trade” and “Service”, which excludes the activities specified under rule 55;
 - (b) The business is classified as a small business in accordance with the turnover range or investment range under Annexure 1 of the Rules on the Income Tax Act 2001. A business which is not classified as a small business shall remain subject to tax;
 - (c) The business entity's registered address is located within the rural areas defined in section 27 of the Act;
 - (d) Small businesses must continue to maintain and submit annual accounts to the RRCO even if the tax exemption is granted. If the small business fails to submit annual accounts, the failure shall entitle the Ministry to revoke the tax exemption granted; and
 - (e) The exemption shall apply to Business Income Tax only. Businesses will be liable for other taxes such as Customs Duty, Sales Tax/GST, or any other levies or taxes that would otherwise be applicable.

Tax exemption on interest income from preferential lending (Section 28 of the Act)

57. The tax exemption under section 28 of the Act shall be applicable to the interest income earned by approved financial institutions from approved preferential lending schemes.
58. The tax exemption shall expire on 31st December 2026.
59. The tax exemption shall be applicable if the following conditions are fulfilled:
- (1) The preferential lending scheme must be approved by the Royal Monetary Authority of Bhutan for purposes including (but not limited to) education, skills development and overseas employment;
 - (2) The financial institution must lend at a preferential rate to any individual who has a letter of recommendation from:
 - (a) MoLHR for the purpose of education, skills development and/or overseas employment; or
 - (b) the relevant sector agency for any other purpose approved by the Royal Monetary Authority of Bhutan.
 - (3) The preferential lending rate must be lower than the commercial borrowing rate;
 - (4) The interest income must be declared separately by the financial institution in the books of accounts in the year the interest income is earned; and
 - (5) The financial institution must seek a recommendation letter from the Royal Monetary Authority of Bhutan and apply to the Ministry for approval of the incentive in the year the interest income is earned.

Concessionary tax rate of 10% for businesses in the border towns of Gelephu, Phuentsholing, Samtse and Samdrup Jongkhar (Section 31 of the Act)

60. The tax incentive under section 31 of the Act shall be applicable to approved small, cottage and micro businesses, regardless of activity specification.

61. The tax incentive shall be applicable for the income year 2021 only.
62. The tax incentive shall be applicable if the following conditions are fulfilled:
 - (1) The micro business entity holds a micro registration certificate;
 - (2) The cottage or small business holds a trade license;
 - (3) The business entity's registered address is located within the border towns of Gelephu, Phuentsholing, Samtse and Samdrup Jongkhar;
 - (4) The business must be classified as a small, cottage or micro business in accordance with the turnover range or investment range under Annexure 1 of the Rules on the Income Tax Act 2001. A business which is not classified as a small, cottage or micro business shall remain subject to tax;
 - (5) The business must apply to the Ministry by the end of the income year 2021 for approval of the tax incentive; and
 - (6) Small businesses maintaining accounts must continue to maintain and submit annual accounts to the RRCO. If the small business fails to submit annual accounts, the failure shall entitle the Ministry to revoke the tax exemption granted.

Additional deduction for employment of additional Bhutanese national (Section 32 of the Act)

63. A business approved under section 32 of the Act shall be entitled to 100% additional tax deduction on the relevant emoluments paid to the relevant employee in the year it is incurred if the business satisfies the conditions in section 32, 33 and 34 of the Act.
64. The additional tax deduction shall be available only in respect of emoluments paid up to and including 31st December 2026.
65. The tax incentive shall be applicable if the following conditions are fulfilled:
 - (1) The relevant employee is duly certified by MoLHR;

- (2) The business must apply to the Ministry by 31st December 2026 for approval of the tax incentive; and
- (3) The incentive is available for first three years only for the relevant employee's employment provided the relevant employee is retained for at least one year.

Additional deduction for locally manufactured construction materials (Section 36 of the Act)

66. A business approved under section 36 of the Act which carries out any construction project using locally manufactured construction materials (as certified by the competent authority) shall be entitled to 30% additional tax deduction on the cost incurred in respect of such materials in the year it is incurred.
67. The additional tax deduction shall be available only in respect of costs incurred up to and including 31st December 2026.
68. The tax incentive shall be applicable if the following conditions are fulfilled:
 - (1) The business must apply to the Ministry by 31st December 2026 for approval of the tax incentive;
 - (2) The construction materials used by the business is certified by the competent authority as locally manufactured but excluding the following:
 - (a) Timber;
 - (b) Cement;
 - (c) Sand; and
 - (d) Stone chips & aggregate.

Tax Deducted at Source exemption for domestic airline company (Section 38 of the Act)

69. Domestic airline companies approved under section 38 of the Act shall be entitled to exemption of 3 percent withholding tax on aircraft lease payments made by the company.

70. The tax exemption shall expire on 31st December 2026.
71. The tax incentive shall be applicable if the following conditions are fulfilled:
- (1) The unit must be a licensed business entity;
 - (2) The airline business must be incorporated under the Companies Act of Bhutan 2016; and
 - (3) The airline company must apply to the Ministry by 31st December 2026 for approval of the tax incentive.

PART 2
INDIRECT TAX INCENTIVES

CHAPTER 5
GENERAL CONDITIONS FOR ST & CD INCENTIVES

Effective period

72. Subject to the specific conditions provided under these Rules, ST & CD incentives shall be granted until their expiry in accordance with section 40 of the Act.
73. For the avoidance of doubt, ST & CD incentives shall be granted only if the item is imported into Bhutan prior to the expiry of the ST & CD incentives under section 40 of the Act.

Incentivised items

74. Subject to the specific conditions provided under this Part 2, the incentives under Chapters 6 and 7 of the Act shall be available for items prescribed in the Schedule of items issued by way of notification by the Ministry as may be amended from time to time.

ST & CD exemption for plant & machinery (Sections 43, 44, 46, 48, 50, 51, 52, 55 and 56(5) of the Act)

75. Where ST & CD exemption on plant & machinery is granted to a business under sections 43, 44, 46, 48, 50, 51, 52, 55 and 56(5) of the Act, the following conditions must be fulfilled:
 - (1) For a newly established business, ST & CD exemption is granted on all plant and machinery acquired by the business up to and including the date of commencement of commercial operation or the expiry of the ST & CD incentives, whichever is earlier;
 - (2) For an existing business, ST & CD exemption is granted on plant and machinery required for expansion, up-gradation and augmentation of the existing business;
 - (3) To avail the incentives, the following conditions must be fulfilled:

- (a) The importer is a licensed unit; and
 - (b) In case of rule 75(2), there must be a recommendation letter by the relevant sector agency.
- (4) Spares and accessories shall continue to be taxable;
- (5) Category of goods for civil, electrical, and plumbing works, and other materials used for installation or housing the plant and machinery including support structures, platforms, railings, laboratory and testing equipment, electronic goods, cold storage, home appliances, consumables, tools, kits, office equipment, furniture and vehicles, irrespective of the nature of business, shall not be eligible for ST & CD exemption; and
- (6) Businesses involved in trading/resale of plant & machinery shall not be eligible for ST & CD exemption.

ST & CD exemption for raw materials and packaging material (Sections 45, 46, 51, 56(1) of the Act)

76. Where ST & CD exemption on permissible raw materials and primary packaging materials is granted to a business under sections 45, 46, 51 and 56(1) of the Act, the following conditions must be fulfilled:

- (1) The importer must be a licensed unit;
- (2) The raw materials and packaging materials are directly related to the business activities in the license issued by authorized agency;
- (3) The final product meets the value addition criteria prescribed by the relevant sector agency; and
- (4) Raw materials and packaging materials are included in the list approved by DRC, HQ for a particular industry.

General application procedure for ST & CD incentives

77. To avail the incentives under Chapters 6 and 7 of the Act, all eligible applicants must submit the following documents to DRC, HQ for ST & CD exemption before the expiry of the incentives under section 40 of the Act:
- (1) Application form (*Form 5*) as per the prescribed format;
 - (2) A letter of undertaking (*Letter of Undertaking 1*) as per the prescribed format, affixed with legal stamp;
 - (3) A copy of the pro-forma invoice/bills for the goods to be imported;
 - (4) A copy of the import license/permit/technical clearance/import authorization/license issued by authorized agency, where applicable;
 - (5) A copy of the project documents, agreement, justification in terms of usage of items, etc. where applicable; and
 - (6) Any other relevant documents, if required.
78. In addition to the documents stated in rule 77, for ST & CD exemption on permissible raw materials and primary packaging materials under sections 45, 46, 51 and 56(1) of the Act, the applicant must submit the following documents to the concerned RRCO:
- (1) List of raw materials and primary packaging materials approved for ST & CD exemption by concerned RRCO for the relevant year;
 - (2) Certificate of Origin issued by the authority concerned; and
 - (3) A certificate of fulfillment of value addition criteria prescribed by MoEA.

Import on behalf of exempt party

79. Where an import is made on behalf of an exempt party, ST & CD shall be paid at the point of entry and refunded to the exempt party.

Audit, assessment and reassessment powers

80. Where, within the specified life span, a business has sold, disposed of or misused any item in respect of which ST and/or CD incentive has been granted, the exempted tax shall be recovered by way of post clearance audit or re-assessment along with penalties.
81. All incentivised goods shall be subject to post clearance audit, assessment and reassessment at any point of time.
82. Incentivised businesses under Chapters 6 and 7 of the Act must maintain a stock register of exempted goods and other books of accounts for verification, post clearance audit, assessment and reassessment purpose.

CHAPTER 6
SALES TAX AND CUSTOMS DUTY EXEMPTIONS
TO BUSINESS UNDER HIGH PRIORITY SECTORS

Agriculture and RNR sector (Section 43 of the Act)

83. For the Agriculture and R&R sector, ST & CD exemption on plant & machinery, seed & seedling and equipment & tools shall be granted if the following conditions are met:
- (1) The conditions referred to in rule 75 for plant & machinery shall apply; and
 - (2) There must be a recommendation letter issued by the concerned Agriculture and RNR sector agency.

Construction sector (Section 44 of the Act)

84. For the Construction sector, ST & CD exemption on machinery, equipment & tools shall be granted if the following conditions are met:
- (1) The conditions referred to in rule 75 for plant & machinery shall apply.
 - (2) The importer must be a licensed business entity;
 - (3) The construction unit must be registered with CDB; and
 - (4) Spares and accessories shall continue to be taxable.
85. For the Construction sector, ST & CD exemption on specified building materials shall be granted if the following conditions are met:
- (1) The importer must be a licensed construction entity registered with CDB; and
 - (2) There must be a recommendation letter issued by NECS.

Creative sector (Section 45 of the Act)

86. For the Creative sector, ST & CD exemption on specific professional equipment and raw material shall be granted if the following conditions are met:

- (1) The conditions referred to in rule 76 for raw material shall apply;
- (2) The business unit must be a licensed business entity;
- (3) The professional equipment must be directly related to the business activity specification provided for in the license; and
- (4) There must be a recommendation letter issued by MoIC.

CSI and Cooperative sector (Section 46 of the Act)

87. For the CSI and Cooperative sector, ST & CD exemption on plant and machinery, equipment & tools, raw materials and packaging materials shall be granted if the following conditions are met:

- (1) The conditions referred to in rule 75 for plant & machinery shall apply;
- (2) The conditions referred to in rule 76 for raw material and packaging material shall apply; and
- (3) Co-operatives must be those established as per the Co-operatives Act of Bhutan (Amendment) 2009.

Education sector (Section 47 of the Act)

88. For the Education sector, ST & CD exemption on specialized furniture, equipment and teaching aid material shall be granted if the following conditions are met:

- (1) Consumables such as test tubes, chemicals, litmus paper, etc meant for laboratory use shall continue to be taxable;
- (2) The educational institute must be either a licensed business entity or government colleges/schools/vocational institutes; and
- (3) There must be a recommendation from MoE/MoLHR/RUB, where applicable.

Energy sector (Section 48 of the Act)

89. For the Energy sector, ST & CD exemption on specific material, equipment and plant & machinery shall be granted if the conditions referred to in rule 75 are met.

Health sector (Section 49 of the Act)

90. For the Health sector, ST & CD exemption on medicine, medical supply and equipment shall be granted if the following conditions are met:

- (1) It shall be applicable to the imports made by:
 - (a) Government agencies and hospitals;
 - (b) Selective health service; and
 - (c) Entities for indigenous & traditional medicines.
- (2) To avail the incentives, the following conditions must be fulfilled:
 - (a) Selective health service must be approved by MoH;
 - (b) There must be a recommendation letter from MoH;
 - (c) Goods for civil, electrical and plumbing works, office equipment, furniture and vehicles shall continue to be taxable; and
 - (d) Private pharmaceutical shops and clinics involved in trading business and any other trading businesses shall not be eligible for ST & CD exemption.

ICT sector (Section 50 of the Act)

91. For the ICT sector, ST & CD exemption on plant & machinery, construction material, ICT tools and equipment shall be granted if the following conditions are met:

- (1) The conditions referred to in rule 75 for plant & machinery shall apply;
- (2) It shall not be applicable to telecommunications businesses;
- (3) It shall be applicable to IT service provider such as software development entities, BPO, MSO, Cable Operators and any other IT service providers:
 - (a) The ITES provider must be a licensed business entity;
 - (b) There must be a recommendation letter issued by MoIC;

- (c) The items should be directly related to the business activity specification provided in the license;
 - (d) It shall be declared like any other normal goods with DRC;
 - (e) IT service provider engaged in resale/trading of goods including any other trading business unit shall continue to be taxable; and
 - (f) Spares and accessories shall continue to be taxable.
92. ST & CD exemption shall be granted to IT park developer if the following conditions are met:
- (1) It shall be applicable to the following:
 - (a) Plant and machineries required for the development of the IT Park/infrastructure;
 - (b) Construction materials forming direct inputs for the IT park development; and
 - (c) Capital goods forming direct inputs for the IT/ITES companies in the IT park such as air conditioner, firefighting equipment etc.
 - (2) To avail the incentives, the following conditions must be fulfilled:
 - (a) There must be a recommendation letter issued by MoIC; and
 - (b) A copy of bill of quantities (BOQs) and other relevant information of the IT Park shall be submitted to DRC, if required.

Manufacturing sector (Section 51 of the Act)

93. For the Manufacturing sector, ST & CD exemption on plant & machinery shall be granted if the following conditions are met:
- (1) The conditions referred to in rule 75 for plant & machinery shall apply; and

- (2) For the purposes of rule 75(3)(b), the relevant sector agency for the issuance of the recommendation letter shall be MoEA.
94. For the Manufacturing sector, ST & CD exemption on raw material and packaging material shall be granted if the conditions referred to in rule 76 for raw materials and packaging materials are met.
 95. For the Manufacturing sector, ST & CD exemption on proprietary raw materials (concentrate/formula) for manufacturing industries shall be granted if the following conditions are met:
 - (1) The conditions referred to in rule 76 for raw materials and packaging materials shall apply;
 - (2) It shall be applicable to manufacturing industries where franchise agreement has been approved by MoEA; and
 - (3) Manufacturing industries must be incorporated under Companies Act of Bhutan 2016.

Mining sector (Section 52 of the Act)

96. For the Mining sector, ST & CD exemption on equipment and machinery shall be granted if the following conditions are met:
 - (1) The conditions referred to in rule 75 for machinery shall apply;
 - (2) The mining unit must be licensed business entity registered with DGM;
 - (3) The mining equipment and machineries should be directly related to the activity specification provided in the license; and
 - (4) Spares and accessories shall continue to be taxable.

Tourism sector (Section 53 of the Act)

97. For the Tourism sector, ST & CD exemption on buses shall be granted if the following conditions are met:

- (1) The number of buses permitted shall be one for unincorporated business and two for incorporated companies;
 - (2) The term “buses” shall mean approved buses of at least 10-seater capacity and above;
 - (3) The tour operator has not imported any buses which enjoyed ST & CD exemption within the last seven years;
 - (4) Notwithstanding rule 97(3), where the tour operator has imported buses which enjoyed ST & CD exemption within the last seven years, the number of buses imported by the tour operator which enjoyed ST & CD exemption is lower than the number permitted under rule 97(1);
 - (5) The tour operator has handled at least 100 international dollar paying tourists in total during the last two operating income year preceding the date of application for exemption;
 - (6) The tour operator must be registered with TCB;
 - (7) There must be a recommendation letter issued by TCB;
 - (8) The tour operator is operational at the time of application;
 - (9) A business shall not sell or dispose of the vehicle in respect of which ST & CD exemption has been granted within seven years; and
 - (10) The tour operator shall sign and submit an undertaking (*Letter of Undertaking 2*) as per the terms and conditions provided by DRC/ TCB.
98. For the purpose of rule 97(9), where a vehicle is sold or disposed of within seven years from the date of registration, the business entity shall be liable for all the taxes and duties.
99. For the purpose of levying applicable taxes and duties under rule 98, the value of the vehicle is the invoice value, provided that where the business is not able to present the invoice value, the department shall consider the prevailing CIF value.
100. For the Tourism sector, ST & CD exemption on outdoor or adventure recreation equipment shall be granted if the following conditions are met:

- (1) The tour operator and service provider must be a licensed business entity and registered with TCB;
 - (2) The tour operator and service provider must be operational at the time of application;
 - (3) The tour operator has handled at least 100 international dollar paying tourists in total during the last two operating income years preceding the date of application for exemption;
 - (4) There must be a recommendation letter issued by TCB; and
 - (5) The tour operator and service provider shall sign and submit an undertaking (*Letter of Undertaking 2*) as per the terms and conditions provided by DRC/ TCB.
101. For the Tourism sector, ST & CD exemption on furniture & fixture, electrical fitting, equipment, cutlery & crockery, mattress & linen, sanitary ware shall be granted if the following conditions are met:
- (1) The hotel must be a licensed business entity registered with TCB as tourist standard accommodation (regardless of whether the entity is new, existing, upgrading or renovating);
 - (2) There must be a recommendation letter issued by TCB;
 - (3) The hotel must be registered as a sales tax collecting agent with DRC;
 - (4) The hotel shall use a computerized billing system; and
 - (5) The hotel concerned shall sign and submit an undertaking (*Letter of Undertaking 3*) as per the terms and conditions provided by DRC/ TCB.
102. For the Tourism sector, all applications for exemption must be submitted online through the website tax.tashel.gov.bt.

Transport sector (Section 54 of the Act)

103. For the Transport sector, ST & CD exemption on passenger bus and truck shall be granted if the following conditions are met:
- (1) It shall be applicable to buses and trucks used by passenger transport entities;
 - (2) For the purpose of these rules, “buses” means buses of at least 20-seater capacity and above;
 - (3) The number of buses permitted shall not exceed the number of bus routes authorised to be operated by RSTA;
 - (4) The unit must be a licensed business entity;
 - (5) There must be a recommendation letter from RSTA;
 - (6) A business shall not sell or dispose of the vehicle in respect of which ST & CD exemption has been granted within seven years; and
 - (7) Spares and accessories shall continue to be taxable.
104. For the purpose of rule 103(6), where a vehicle is sold or disposed of within seven years from the date of registration, the business entity shall be liable for all the taxes and duties.
105. For the purpose of levying applicable taxes and duties under rule 104, the value of the vehicle is the invoice value, provided that where the business is not able to present the invoice value, the department shall consider the prevailing CIF value.

Waste Management and Recycling sector (Section 55 of the Act)

106. For the Waste Management and Recycling Sector, ST & CD exemption on plant and machinery and equipment shall be granted if the following conditions are met:
- (1) The conditions referred to in rule 75 for plant & machinery shall apply;
 - (2) Plant and machinery must be directly related to the waste management and recycling activities specified in the license; and
 - (3) There must be a recommendation letter from NECS.

CHAPTER 7 OTHER INCENTIVES

ST & CD exemption on electronic cash register and Point of Sale (PoS) machine for business entity and Automated Teller Machine (ATM) for financial institution (Section 56(2) of the Act)

107. ST & CD exemption on electronic cash register and Point of Sale (PoS) machine for business entity shall be granted if the following conditions are met:

- (1) It shall be available to all the business entities including authorized dealers of cash registers and PoS machines;
- (2) The importer must be a licensed business entity; and
- (3) The business must be operational at the time of application.

108. ST & CD exemption on ATMs for financial institutions shall be granted if the following conditions are met:

- (1) The importer must be a licensed business entity; and
- (2) The business must be operational at the time of application.

ST & CD exemption on R&D equipment for government recommended R&D proposal (Section 56(3) of the Act)

109. ST & CD exemption on R&D equipment for government recommended R&D proposal shall be granted if the following conditions are met:

- (1) It shall be granted until the date of completion of R&D project or the expiry of the ST & CD incentives, whichever is earlier;
- (2) To avail the incentives, the following conditions must be fulfilled:
 - (a) It must be supported by R&D proposal duly recommended by relevant government agencies; and
 - (b) The equipment must be directly related to the R&D activities specified in the R&D proposal.

- (3) Category of goods for civil, electrical and plumbing works, and other materials used for installation or housing the equipment, including support structures, platforms, railings, spares, accessories, electronic goods, cold storage, home appliances, consumables, tools, kits, office equipment, furniture, vehicles, irrespective of the nature the R&D project, shall not be eligible for ST & CD exemption.

ST & CD exemption on games and sports equipment (Section 56(4) of the Act)

110. ST & CD exemption on games & sports equipment shall be granted if the following conditions are met:

- (1) It shall be applicable to games and sports equipment imported by:
 - (a) BOC and its federations;
 - (b) Government agencies and CSO;
 - (c) Registered sporting clubs; and
 - (d) Licensed business entity providing games and sports services;
- (2) Games and sports equipment shall be limited to those equipment that are essentially and directly needed to undertake or perform a game or sports;
- (3) Registered sporting clubs must obtain recommendation letter from concerned federation; and
- (4) Games and sports equipment meant for resale/trading purpose shall not be eligible for ST & CD exemption.

ST & CD exemption on plant and machinery for service industry (Section 56(5) of the Act)

111. ST & CD exemption on plant and machinery for the service industry shall be granted if the following conditions are met:

- (1) The conditions referred to in rule 75 for plant & machinery shall apply;
- (2) It shall be applicable to Printing and Publishing Houses only;
- (3) For the purposes of rule 75(3)(b), the relevant sector agency for the issuance of the recommendation letter shall be MoEA or MoIC; and
- (4) The importer must be a licensed service unit.

PART 3
GENERAL PROVISIONS

CHAPTER 8
GENERAL CONDITIONS FOR ALL INCENTIVES

General conditions

112. To avail the tax incentives under the Act, businesses must comply with the following general conditions (in addition to the specific conditions applicable to each incentive):
- (1) register with the RRCO concerned within 90 days from the date of obtaining a license from the authorized government agency, if they are newly established;
 - (2) register as Sales Tax Collecting Agent, if applicable;
 - (3) maintain its registration with the DRC with a valid taxpayer number;
 - (4) settle outstanding taxes and duties against their name or their sister concern(s);
 - (5) submit annual tax returns and monthly TDS returns either online or manually before the due date;
 - (6) submit monthly sales tax return either online or manually before the due date – where sales tax return has not been submitted by the due date, the business entity shall not be eligible for any tax incentives under these Rules until the tax returns are submitted;
 - (7) maintain proper accounting records in accordance with the Income Tax Act of the Kingdom of Bhutan 2001 and the rules thereof;
 - (8) permit the Ministry to inspect the business' premises and the business' accounting records; and
 - (9) carry out any transactions with associated businesses on an arms-length basis.

Sale or transfer of business

113. When a business (including all assets and liabilities) is sold or transferred to another person, the business shall remain eligible to claim the benefit of any tax incentives awarded under the Act for the remaining period of the tax incentives, provided that all specific conditions of the incentive are complied with under the new owner.

Establishment of Panel

114. The Ministry shall establish a panel (referred to in these Rules as the “**Panel**”) to review and update the list of items for incentives in Chapters 3, 6 and 7 from time to time.

Definitions

115. In these Rules, unless the context otherwise requires:

- (1) “**Date of commencement of commercial operation**”, in relation to a business, shall have the meaning in Chapter 2 of the Act, i.e. 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.
- (2) “**Incentivised business**” shall have the meaning given in rule 4.
- (3) “**Panel**” shall have the meaning given in rule 114.

ANNEXURE 1
APPROVED BUSINESS (AGRICULTURE AND RENEWABLE
NATURAL RESOURCES (RNR) - EXEMPTION)

General conditions

1. A business may apply to the Ministry for approval as an Approved Business (Agriculture and Renewable Natural Resources (RNR) – Exemption) where it satisfies the conditions in this Annexure and undertakes to fulfill all conditions prescribed in the certificate of approval issued by the Ministry under section 12 of the Act.

2. The principal activities of the business must comprise one or more of the following qualifying activities:
 - (1) Poultry production;
 - (2) Fishery operation;
 - (3) Piggery operation;
 - (4) Dairy production;
 - (5) Floriculture;
 - (6) Apiculture;
 - (7) Horticulture;
 - (8) Commercial farming; and
 - (9) Organic farming.

3. The business must have obtained a recommendation letter from the Ministry of Agriculture and Forests which must include a certification of the principal activities of the business.

4. The business must fulfill all qualifying conditions prescribed by the Ministry in the certificate of approval issued to the business, which shall be no less than the following:
 - (1) Capital Expenditure Condition which is subject to paragraph 6: Minimum capital expenditure of Nu. 1,000,000 to have been incurred

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| (2) Employment Condition which is subject to paragraph 7: | Employment of (i) a minimum of 3 additional Bhutanese nationals and (ii) a minimum total of 5 employees by the end of the first 12-month period |
| (3) Business Spending Condition which is subject to paragraph 8: | Minimum business spending of Nu. 1,000,000 to be incurred during each 12-month period within the qualifying period |
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.

Detailed conditions

6. In relation to the Capital Expenditure Condition in paragraph 4(1), the following conditions shall apply:
- (1) 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;
 - (2) The business must provide evidence satisfactory to the Ministry of the capital expenditure having been incurred prior to its application for the incentive under section 11 of the Act; and
 - (3) For Existing Businesses, the capital expenditure must have been incurred within 12 months prior to the date of the application for the incentive under section 11 of the Act.
7. In relation to the Employment Condition in paragraph 4(2), the following conditions shall apply:
- (1) The business must, at the time of application, provide an undertaking to fulfill this condition by the end of the first twelve months of the qualifying period;
 - (2) By the end of the first twelve months of the qualifying period, the business must have:

- (a) Employed the specified minimum number of Bhutanese nationals as additional employees as compared to the commencement of the qualifying period; and
 - (b) At least the specified minimum total number of employees.
- (3) Where the conditions in sub-paragraph (2) have been satisfied, the business must continue to employ throughout the rest of the qualifying period the higher of:
- (a) 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 (2)(a); and
 - (b) The specified minimum total number of employees,
- Which in either case must include the specified minimum number of Bhutanese nationals.
- (4) 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.
8. In relation to the Business Spending Condition in paragraph 4(3), the following conditions shall apply:
- (1) The business must, at the time of application, provide an undertaking to fulfill this condition throughout the qualifying period;
 - (2) Business spending refers to operating expenditure incurred in Bhutan during the relevant twelve-month period, 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; and

- (i) Other legitimate expenses allowed as deductions under the Income Tax Act of the Kingdom of Bhutan 2001.
- (3) For the avoidance of doubt, depreciation shall not be regarded as business spending.

Non-compliance with conditions

- 9. A business which does not fulfill the Employment Condition or Business Spending Condition for any income year shall not enjoy the benefit of the tax incentive for that income year.
- 10. The disqualification in paragraph 9 shall not impact the business' tax incentive for any other income year.

ANNEXURE 2
APPROVED BUSINESS (BUSINESS INFRASTRUCTURE
DEVELOPMENT - EXEMPTION)

General conditions

1. A business may apply to the Ministry for approval as an Approved Business (Business Infrastructure Development – Exemption) where it satisfies the conditions in this Annexure and undertakes to fulfill all conditions prescribed in the certificate of approval issued by the Ministry under section 12 of the Act.
2. The principal activities of the business must comprise the qualifying activity of the development of any of the following business infrastructure:
 - (1) IT park;
 - (2) Warehousing;
 - (3) Cold storage; and
 - (4) Data hub.
3. The business must have obtained a recommendation letter from the relevant sector agency, being the Ministry of Information and Communication, Ministry of Economic Affairs or the Ministry of Agriculture and Forest, which must include a certification of the principal activities of the business.
4. The business must fulfill all qualifying conditions prescribed by the Ministry in the certificate of approval issued to the business, which shall be no less than the following:

(1) Capital Expenditure Condition which is subject to paragraph 6:	Minimum capital expenditure of Nu. 1,500,000 to have been incurred
(2) Employment Condition which is subject to paragraph 7:	Employment of (i) a minimum of 1 additional Bhutanese national and (ii) a minimum total of 4 employees by the end of the first 12-month period

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| (3) Business Spending Condition which is subject to paragraph 8: | Minimum business spending of Nu. 2,700,000 to be incurred during each 12-month period within the qualifying period |
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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.

Detailed conditions

6. In relation to the Capital Expenditure Condition in paragraph 4(1), the following conditions shall apply:
- (1) 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;
 - (2) The business must provide evidence satisfactory to the Ministry of the capital expenditure having been incurred prior to its application for the incentive under section 11 of the Act; and
 - (3) For Existing Businesses, the capital expenditure must have been incurred within 12 months prior to the date of the application for the incentive under section 11 of the Act.
7. In relation to the Employment Condition in paragraph 4(2), the following conditions shall apply:
- (1) The business must, at the time of application, provide an undertaking to fulfill this condition by the end of the first twelve months of the qualifying period;
 - (2) By the end of the first twelve months of the qualifying period, the business must have:
 - (a) Employed the specified minimum number of Bhutanese nationals as additional employees as compared to the commencement of the qualifying period; and

- (b) At least the specified minimum total number of employees.
- (3) Where the conditions in sub-paragraph (2) have been satisfied, the business must continue to employ throughout the rest of the qualifying period the higher of:
- (a) 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 (2) (a); and
 - (b) The specified minimum total number of employees,

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

- (4) 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.
8. In relation to the Business Spending Condition in paragraph 4(3), the following conditions shall apply:
- (1) The business must, at the time of application, provide an undertaking to fulfill this condition throughout the qualifying period;
 - (2) Business spending refers to operating expenditure incurred in Bhutan during the relevant twelve-month period, 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; and
 - (i) Other legitimate expenses allowed as deductions under the Income Tax Act of the Kingdom of Bhutan 2001.

- (3) For the avoidance of doubt, depreciation shall not be regarded as business spending.

Non-compliance with conditions

9. A business which does not fulfill the Employment Condition or Business Spending Condition for any income year shall not enjoy the benefit of the tax incentive for that income year.
10. The disqualification in paragraph 9 shall not impact the business' tax incentive for any other income year.

ANNEXURE 3

APPROVED BUSINESS (COOPERATIVES - EXEMPTION)

General conditions

1. A business may apply to the Ministry for approval as an Approved Business (Cooperatives – Exemption) where it satisfies the conditions in this Annexure and undertakes to fulfill all conditions prescribed in the certificate of approval issued by the Ministry under section 12 of the Act.
2. The principal activities of the business must comprise the qualifying activity of the operation of a farmer’s cooperative.
3. The business must have obtained a recommendation letter from the Ministry of Agriculture and Forest which must include a certification of the principal activities of the business.
4. The business must fulfill all qualifying conditions prescribed by the Ministry in the certificate of approval issued to the business, which shall be no less than the following:

(1) Capital Expenditure Condition which is subject to paragraph 6:	Minimum capital expenditure of Nu. 2,600,000 to have been incurred
(2) Employment Condition which is subject to paragraph 7:	Employment of (i) a minimum of 1 additional Bhutanese national and (ii) a minimum total of 4 employees by the end of the first 12-month period
(3) Business Spending Condition which is subject to paragraph 8:	Minimum business spending of Nu. 2,000,000 to be incurred during each 12-month period within the qualifying period
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.

Detailed conditions

6. In relation to the Capital Expenditure Condition in paragraph 4(1), the following conditions shall apply:
 - (1) 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;
 - (2) The business must provide evidence satisfactory to the Ministry of the capital expenditure having been incurred prior to its application for the incentive under section 11 of the Act; and
 - (3) For Existing Businesses, the capital expenditure must have been incurred within 12 months prior to the date of the application for the incentive under section 11 of the Act.

7. In relation to the Employment Condition in paragraph 4(2), the following conditions shall apply:
 - (1) The business must, at the time of application, provide an undertaking to fulfill this condition by the end of the first twelve months of the qualifying period;
 - (2) By the end of the first twelve months of the qualifying period, the business must have:
 - (a) Employed the specified minimum number of Bhutanese nationals as additional employees as compared to the commencement of the qualifying period; and
 - (b) At least the specified minimum total number of employees.
 - (3) Where the conditions in sub-paragraph (2) have been satisfied, the business must continue to employ throughout the rest of the qualifying period the higher of:
 - (a) 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 (2) (a); and

(b) The specified minimum total number of employees,

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

(4) 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.

8. In relation to the Business Spending Condition in paragraph 4(3), the following conditions shall apply:

(1) The business must, at the time of application, provide an undertaking to fulfill this condition throughout the qualifying period;

(2) Business spending refers to operating expenditure incurred in Bhutan during the relevant twelve-month period, 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; and

(i) Other legitimate expenses allowed as deductions under the Income Tax Act of the Kingdom of Bhutan 2001.

(3) For the avoidance of doubt, depreciation shall not be regarded as business spending.

Non-compliance with conditions

9. A business which does not fulfill the Employment Condition or Business Spending Condition for any income year shall not enjoy the benefit of the tax incentive for that income year.

10. The disqualification in paragraph 9 shall not impact the business' tax incentive for any other income year.

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| (2) Employment Condition which is subject to paragraph 7: | Employment of (i) a minimum of 5 additional Bhutanese nationals and (ii) a minimum total of 15 employees by the end of the first 12-month period |
| (3) Business Spending Condition which is subject to paragraph 8: | Minimum business spending of Nu. 1,500,000 to be incurred during each 12-month period within the qualifying period |
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.

Detailed conditions

6. In relation to the Capital Expenditure Condition in paragraph 4(1), the following conditions shall apply:
- (1) 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;
 - (2) The business must provide evidence satisfactory to the Ministry of the capital expenditure having been incurred prior to its application for the incentive under section 11 of the Act; and
 - (3) For Existing Businesses, the capital expenditure must have been incurred within 12 months prior to the date of the application for the incentive under section 11 of the Act.
7. In relation to the Employment Condition in paragraph 4(2), the following conditions shall apply:
- (1) The business must, at the time of application, provide an undertaking to fulfill this condition by the end of the first twelve months of the qualifying period;

- (2) By the end of the first twelve months of the qualifying period, the business must have:
 - (a) Employed the specified minimum number of Bhutanese nationals as additional employees as compared to the commencement of the qualifying period; and
 - (b) At least the specified minimum total number of employees.
 - (3) Where the conditions in sub-paragraph (2) have been satisfied, the business must continue to employ throughout the rest of the qualifying period the higher of:
 - (a) 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 (2) (a); and
 - (b) The specified minimum total number of employees,

Which in either case must include the specified minimum number of Bhutanese nationals.
 - (4) 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.
8. In relation to the Business Spending Condition in paragraph 4(3), the following conditions shall apply:
- (1) The business must, at the time of application, provide an undertaking to fulfill this condition throughout the qualifying period;
 - (2) Business spending refers to operating expenditure incurred in Bhutan during the relevant twelve-month period, 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; and
- (i) Other legitimate expenses allowed as deductions under the Income Tax Act of the Kingdom of Bhutan 2001.

(3) For the avoidance of doubt, depreciation shall not be regarded as business spending.

Non-compliance with conditions

- 9. A business which does not fulfill the Employment Condition or Business Spending Condition for any income year shall not enjoy the benefit of the tax incentive for that income year.
- 10. The disqualification in paragraph 9 shall not impact the business' tax incentive for any other income year.

ANNEXURE 5

APPROVED BUSINESS (EDUCATION - EXEMPTION)

General conditions

1. A business may apply to the Ministry for approval as an Approved Business (Education – Exemption) where it satisfies the conditions in this Annexure and undertakes to fulfill all conditions prescribed in the certificate of approval issued by the Ministry under section 12 of the Act.
2. The principal activities of the business must comprise the qualifying activity of the operation of an educational institution which is internationally accredited in accordance with principles, processes and standards adopted by the Bhutan Accreditation Council.
3. The business must have obtained a recommendation letter from the relevant sector agency, being the Ministry of Education or the Royal University of Bhutan, which must include a certification of the principal activities of the business.
4. The business must fulfill all qualifying conditions prescribed by the Ministry in the certificate of approval issued to the business, which shall be no less than the following:

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|---|---|
| (1) Capital Expenditure
Condition which is subject to paragraph 6: | Minimum capital expenditure of Nu. 70,000,000 to have been incurred |
| (2) Employment Condition
which is subject to paragraph 7: | Employment of (i) a minimum of 10 additional Bhutanese nationals and (ii) a minimum total of 40 employees by the end of the first 12-month period |
| (3) Business Spending
Condition which is subject to paragraph 8: | Minimum business spending of Nu. 20,000,000 to be incurred during each 12-month period within the qualifying period |

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.

Detailed conditions

6. In relation to the Capital Expenditure Condition in paragraph 4(1), the following conditions shall apply:
 - (1) 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;
 - (2) The business must provide evidence satisfactory to the Ministry of the capital expenditure having been incurred prior to its application for the incentive under section 11 of the Act; and
 - (3) For Existing Businesses, the capital expenditure must have been incurred within 12 months prior to the date of the application for the incentive under section 11 of the Act.
7. In relation to the Employment Condition in paragraph 4(2), the following conditions shall apply:
 - (1) The business must, at the time of application, provide an undertaking to fulfill this condition by the end of the first twelve months of the qualifying period;
 - (2) By the end of the first twelve months of the qualifying period, the business must have:
 - (a) Employed the specified minimum number of Bhutanese nationals as additional employees as compared to the commencement of the qualifying period; and
 - (b) At least the specified minimum total number of employees.
 - (3) Where the conditions in sub-paragraph (2) have been satisfied, the business must continue to employ throughout the rest of the qualifying period the higher of:

- (a) 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 (2) (a); and
- (b) The specified minimum total number of employees,

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

- (4) 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.

8. In relation to the Business Spending Condition in paragraph 4(3), the following conditions shall apply:

- (1) The business must, at the time of application, provide an undertaking to fulfill this condition throughout the qualifying period;
- (2) Business spending refers to operating expenditure incurred in Bhutan during the relevant twelve-month period, 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; and
 - (i) Other legitimate expenses allowed as deductions under the Income Tax Act of the Kingdom of Bhutan 2001.
- (3) For the avoidance of doubt, depreciation shall not be regarded as business spending.

Non-compliance with conditions

9. A business which does not fulfill the Employment Condition or Business Spending Condition for any income year shall not enjoy the benefit of the tax incentive for that income year.
10. The disqualification in paragraph 9 shall not impact the business' tax incentive for any other income year.

ANNEXURE 6 APPROVED BUSINESS (ENERGY - EXEMPTION)

General conditions

1. A business may apply to the Ministry for approval as an Approved Business (Energy – Exemption) where it satisfies the conditions in this Annexure and undertakes to fulfill all conditions prescribed in the certificate of approval issued by the Ministry under section 12 of the Act.
2. The principal activities of the business must comprise one or more of the following qualifying activities:
 - (1) Production of solar energy;
 - (2) Production of biomass energy; and
 - (3) Production of wind energy.
3. The business must have obtained a recommendation letter from the relevant sector agency, being the Ministry of Economic Affairs or the National Environment Commission, which must include a certification of the principal activities of the business.
4. The business must fulfill all qualifying conditions prescribed by the Ministry in the certificate of approval issued to the business, which shall be no less than the following:

(1) Capital Expenditure Condition which is subject to paragraph 6:	Minimum capital expenditure of Nu. 700,000 to have been incurred
(2) Employment Condition which is subject to paragraph 7:	Employment of (i) a minimum of 3 additional Bhutanese nationals and (ii) a minimum total of 10 employees by the end of the first 12-month period
(3) Business Spending Condition which is subject to paragraph 8:	Minimum business spending of Nu. 4,600,000 to be incurred during each 12-month period within the qualifying period

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.

Detailed conditions

6. In relation to the Capital Expenditure Condition in paragraph 4(1), the following conditions shall apply:
 - (1) 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;
 - (2) The business must provide evidence satisfactory to the Ministry of the capital expenditure having been incurred prior to its application for the incentive under section 11 of the Act; and
 - (3) For Existing Businesses, the capital expenditure must have been incurred within 12 months prior to the date of the application for the incentive under section 11 of the Act.
7. In relation to the Employment Condition in paragraph 4(2), the following conditions shall apply:
 - (1) The business must, at the time of application, provide an undertaking to fulfill this condition by the end of the first twelve months of the qualifying period;
 - (2) By the end of the first twelve months of the qualifying period, the business must have:
 - (a) Employed the specified minimum number of Bhutanese nationals as additional employees as compared to the commencement of the qualifying period; and
 - (b) At least the specified minimum total number of employees.
 - (3) Where the conditions in sub-paragraph (2) have been satisfied, the business must continue to employ throughout the rest of the qualifying period the higher of:

- (a) 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 (2) (a); and
- (b) The specified minimum total number of employees,

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

- (4) 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.

8. In relation to the Business Spending Condition in paragraph 4(3), the following conditions shall apply:

- (1) The business must, at the time of application, provide an undertaking to fulfill this condition throughout the qualifying period;
- (2) Business spending refers to operating expenditure incurred in Bhutan during the relevant twelve-month period, 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; and
 - (i) Other legitimate expenses allowed as deductions under the Income Tax Act of the Kingdom of Bhutan 2001.
- (3) For the avoidance of doubt, depreciation shall not be regarded as business spending.

Non-compliance with conditions

9. A business which does not fulfill the Employment Condition or Business Spending Condition for any income year shall not enjoy the benefit of the tax incentive for that income year.
10. The disqualification in paragraph 9 shall not impact the business' tax incentive for any other income year.

ANNEXURE 7
APPROVED BUSINESS (TOURISM - EXEMPTION)

General conditions

1. A business may apply to the Ministry for approval as an Approved Business (Tourism – Exemption) where it satisfies the conditions in this Annexure and undertakes to fulfill all conditions prescribed in the certificate of approval issued by the Ministry under section 12 of the Act.
2. The principal activities of the business must comprise one or more of the following qualifying activities:
 - (1) Operation of a hotel with a rating of 3 stars or above; and
 - (2) Operation of a hotel categorized by the Tourism Council of Bhutan as Blue Poppy II.
3. The business must have obtained a recommendation letter from the Tourism Council of Bhutan which must include a certification of the principal activities of the business.
4. The business must fulfill all qualifying conditions prescribed by the Ministry in the certificate of approval issued to the business, which shall be no less than the following:
 - (1) Capital Expenditure Condition which is subject to paragraph 6: Minimum capital expenditure of Nu. 100,000,000 to have been incurred
 - (2) Employment Condition which is subject to paragraph 7: Employment of (i) a minimum of 10 additional Bhutanese nationals and (ii) a minimum total of 60 employees by the end of the first 12-month period
 - (3) Business Spending Condition which is subject to paragraph 8: Minimum business spending of Nu. 40,000,000 to be incurred during each 12-month period within the qualifying period

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.

Detailed conditions

6. In relation to the Capital Expenditure Condition in paragraph 4(1), the following conditions shall apply:
 - (1) 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;
 - (2) The business must provide evidence satisfactory to the Ministry of the capital expenditure having been incurred prior to its application for the incentive under section 11 of the Act; and
 - (3) For Existing Businesses, the capital expenditure must have been incurred within 12 months prior to the date of the application for the incentive under section 11 of the Act.
7. In relation to the Employment Condition in paragraph 4(2), the following conditions shall apply:
 - (1) The business must, at the time of application, provide an undertaking to fulfill this condition by the end of the first twelve months of the qualifying period;
 - (2) By the end of the first twelve months of the qualifying period, the business must have:
 - (a) Employed the specified minimum number of Bhutanese nationals as additional employees as compared to the commencement of the qualifying period; and
 - (b) At least the specified minimum total number of employees.
 - (3) Where the conditions in sub-paragraph (2) have been satisfied, the business must continue to employ throughout the rest of the qualifying period the higher of:

- (a) 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 (2) (a); and
- (b) The specified minimum total number of employees,

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

- (4) 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.
8. In relation to the Business Spending Condition in paragraph 4(3), the following conditions shall apply:
- (1) The business must, at the time of application, provide an undertaking to fulfill this condition throughout the qualifying period;
 - (2) Business spending refers to operating expenditure incurred in Bhutan during the relevant twelve-month period, 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; and
 - (i) Other legitimate expenses allowed as deductions under the Income Tax Act of the Kingdom of Bhutan 2001.
 - (3) For the avoidance of doubt, depreciation shall not be regarded as business spending.
9. For the avoidance of doubt, the qualifying income of an Approved Business (Tourism – Exemption) excludes income derived from activities other than

hotel operations, such as handicraft, spa, gym, and rental income from the leasing of ground floor units etc.. Any such non-qualifying income remains subject to tax.

Non-compliance with conditions

10. A business which does not fulfill the Employment Condition or Business Spending Condition for any income year shall not enjoy the benefit of the tax incentive for that income year.
11. The disqualification in paragraph 10 shall not impact the business' tax incentive for any other income year.

ANNEXURE 8
APPROVED BUSINESS (COTTAGE AND SMALL INDUSTRIES (CSI)
– CONCESSIONARY RATE)

General conditions

1. A business may apply to the Ministry for approval as an Approved Business (Cottage and Small Industries (CSI) – Concessionary Rate) where it satisfies the conditions in this Annexure and undertakes to fulfill all conditions prescribed in the certificate of approval issued by the Ministry under section 12 of the Act.
2. The principal activities of the business must comprise the qualifying activity of manufacturing as specified in the business’ trade license issued by the Department of Cottage and Small Industries.
3. The business must have obtained a recommendation letter from the Ministry of Economic Affairs which must include a certification of the principal activities of the business.
4. The business must fulfill all qualifying conditions prescribed by the Ministry in the certificate of approval issued to the business, which shall be no less than the following:

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| (1) Capital Expenditure Condition which is subject to paragraph 6: | For Newly Established Businesses:
Minimum capital expenditure of Nu. 1,200,000 to have been incurred |
| | For Existing Businesses: Minimum capital expenditure of Nu. 600,000 to have been incurred |
| (2) Employment Condition which is subject to paragraph 7: | For Newly Established Businesses:
Employment of (i) a minimum of 3 additional Bhutanese nationals and (ii) a minimum total of 6 employees by the end of the first 12-month period |
| | For Existing Businesses: Employment of (i) a minimum of 3 additional Bhutanese |

nationals and (ii) a minimum total of 12 employees by the end of the first 12-month period

- (3) Business Spending Condition which is subject to paragraph 8: Minimum business spending of Nu. 7,000,000 to be incurred during each 12-month period within the qualifying period

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.

Detailed conditions

6. In relation to the Capital Expenditure Condition in paragraph 4(1), the following conditions shall apply:

- (1) 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;
- (2) The business must provide evidence satisfactory to the Ministry of the capital expenditure having been incurred prior to its application for the incentive under section 11 of the Act; and
- (3) For Existing Businesses, the capital expenditure must have been incurred within 12 months prior to the date of the application for the incentive under section 11 of the Act.

7. In relation to the Employment Condition in paragraph 4(2), the following conditions shall apply:

- (1) The business must, at the time of application, provide an undertaking to fulfill this condition by the end of the first twelve months of the qualifying period;
- (2) By the end of the first twelve months of the qualifying period, the business must have:

- (a) Employed the specified minimum number of Bhutanese nationals as additional employees as compared to the commencement of the qualifying period; and
 - (b) At least the specified minimum total number of employees.
- (3) Where the conditions in sub-paragraph (2) have been satisfied, the business must continue to employ throughout the rest of the qualifying period the higher of:
- (a) 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 (2) (a); and
 - (b) The specified minimum total number of employees,

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

- (4) 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.

8. In relation to the Business Spending Condition in paragraph 4(3), the following conditions shall apply:

- (1) The business must, at the time of application, provide an undertaking to fulfill this condition throughout the qualifying period;
- (2) Business spending refers to operating expenditure incurred in Bhutan during the relevant twelve-month period, 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; and
- (i) Other legitimate expenses allowed as deductions under the Income Tax Act of the Kingdom of Bhutan 2001.

(3) For the avoidance of doubt, depreciation shall not be regarded as business spending.

Extension of qualifying period

9. At any time before the expiry of the qualifying period, an Approved Business (Cottage and Small Industries (CSI) – Concessionary Rate) may apply to the Ministry for an extension of its qualifying period in accordance with the Act and these Rules, provided that the business must fulfill all qualifying conditions to be specified by the Ministry in the certificate of approval amended under rule 20(1)(b), which shall be no less than the following:

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| (1) Extended Capital Expenditure Condition which is subject to paragraph 12: | Minimum capital expenditure of Nu. 300,000 to have been incurred |
| (2) Extended Employment Condition which is subject to paragraph 13: | <p>For Newly Established Businesses: Employment of (i) a minimum of 1 additional Bhutanese national and (ii) a minimum total of 7 employees by the end of the first 12-month period</p> <p>For Existing Businesses: Employment of (i) a minimum of 1 additional Bhutanese national and (ii) a minimum total of 13 employees by the end of the first 12-month period</p> |
| (3) Extended Business Spending Condition which is subject to paragraph 14: | Minimum business spending of Nu. 7,000,000 to be incurred during each 12-month period |

10. 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.
11. The business' qualifying period prior to amendment of the certificate of approval shall be referred to as the “**original qualifying period**” and the additional period granted under the amendment of the certificate of approval shall be referred to as the “**additional qualifying period**”.

Detailed conditions for extension of qualifying period

12. In relation to the Extended Capital Expenditure Condition in paragraph 9(1), the following conditions shall apply:
 - (1) 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; and
 - (2) The business must provide evidence satisfactory to the Ministry of the capital expenditure having been incurred during the business' original qualifying period.
13. In relation to the Extended Employment Condition in paragraph 9(2), the following conditions shall apply:
 - (1) The business must, at the time of application, provide an undertaking to fulfill this condition by the end of the first twelve months of the additional qualifying period;
 - (2) By the end of the first twelve months of the additional qualifying period, the business must have:
 - (a) Employed the specified minimum number of Bhutanese nationals as additional employees as compared to the commencement of the additional qualifying period; and
 - (b) At least the specified minimum total number of employees.

(3) Where the conditions in sub-paragraph (2) have been satisfied, the business must continue to employ throughout the rest of the additional qualifying period the higher of:

(a) 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 (2) (a); and

(b) The specified minimum total number of employees,

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

(4) 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 additional qualifying period.

14. In relation to the Extended Business Spending Condition in paragraph 9(3), the following conditions shall apply:

(1) The business must, at the time of application, provide an undertaking to fulfill this condition throughout the additional qualifying period;

(2) Business spending refers to operating expenditure incurred in Bhutan during the twelve-month period within the additional qualifying period, 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; and

(i) Other legitimate expenses allowed as deductions under the Income Tax Act of the Kingdom of Bhutan 2001.

- (3) For the avoidance of doubt, depreciation shall not be regarded as business spending.

Non-compliance with conditions

15. A business shall not enjoy the benefit of the tax incentive for any income year if it does not fulfill any of the following conditions for that income year:
 - (1) the Employment Condition;
 - (2) the Extended Employment Condition;
 - (3) the Business Spending Condition; or
 - (4) the Extended Business Spending Condition .
16. The disqualification in paragraph 15 shall not impact the business' tax incentive for any other income year.
17. For the avoidance of doubt, where the Ministry imposes additional conditions under paragraph 5 or paragraph 10, the Ministry may also specify the consequences of non-compliance with such conditions.

ANNEXURE 9

APPROVED BUSINESS (EDUCATION – CONCESSIONARY RATE)

General conditions

1. A business may apply to the Ministry for approval as an Approved Business (Education – Concessionary Rate) where it satisfies the conditions in this Annexure and undertakes to fulfill all conditions prescribed in the certificate of approval issued by the Ministry under section 12 of the Act.
2. The principal activities of the business must comprise one or more of the following qualifying activities:
 - (1) Provision of higher education in professional / vocational areas;
 - (2) Provision of higher education in engineering / other technical areas;
 - (3) Provision of higher education in medical / biotechnology areas; and
 - (4) Operation of higher secondary schools and above with science, technology, engineering and mathematics (STEM) subjects, provided that the school maintains a minimum enrolment of 20 students studying the STEM subjects.
3. The business must have obtained a recommendation letter from the relevant sector agency, being the Ministry of Education or the Ministry of Labour and Human Resources, which must include a certification of the principal activities of the business.
4. The business must fulfill all qualifying conditions prescribed by the Ministry in the certificate of approval issued to the business, which shall be no less than the following:
 - (1) Capital Expenditure Condition which is subject to paragraph 6:

For Newly Established Businesses: Minimum capital expenditure of Nu. 28,000,000 to have been incurred
For Existing Businesses: Minimum capital expenditure of Nu. 14,000,000 to have been incurred

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| (2) Employment Condition which is subject to paragraph 7: | <p>For Newly Established Businesses:
Employment of (i) a minimum of 10 additional Bhutanese nationals and (ii) a minimum total of 30 employees by the end of the first 12-month period</p> <p>For Existing Businesses: Employment of (i) a minimum of 10 additional Bhutanese nationals and (ii) a minimum total of 40 employees by the end of the first 12-month period</p> |
| (3) Business Spending Condition which is subject to paragraph 8: | Minimum business spending of Nu. 15,000,000 to be incurred during each 12-month period within the qualifying period |
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.

Detailed conditions

6. In relation to the Capital Expenditure Condition in paragraph 4(1), the following conditions shall apply:
- (1) 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;
 - (2) The business must provide evidence satisfactory to the Ministry of the capital expenditure having been incurred prior to its application for the incentive under section 11 of the Act; and
 - (3) For Existing Businesses, the capital expenditure must have been incurred within 12 months prior to the date of the application for the incentive under section 11 of the Act.
7. In relation to the Employment Condition in paragraph 4(2), the following conditions shall apply:

- (1) The business must, at the time of application, provide an undertaking to fulfill this condition by the end of the first twelve months of the qualifying period.
 - (2) By the end of the first twelve months of the qualifying period, the business must have:
 - (a) Employed the specified minimum number of Bhutanese nationals as additional employees as compared to the commencement of the qualifying period; and
 - (b) At least the specified minimum total number of employees.
 - (3) Where the conditions in sub-paragraph (2) have been satisfied, the business must continue to employ throughout the rest of the qualifying period the higher of:
 - (a) 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 (2) (a); and
 - (b) The specified minimum total number of employees,

Which in either case must include the specified minimum number of Bhutanese nationals.
 - (4) 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.
8. In relation to the Business Spending Condition in paragraph 4(3), the following conditions shall apply:
- (1) The business must, at the time of application, provide an undertaking to fulfill this condition throughout the qualifying period;
 - (2) Business spending refers to operating expenditure incurred in Bhutan during the relevant twelve-month period, 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; and
- (i) Other legitimate expenses allowed as deductions under the Income Tax Act of the Kingdom of Bhutan 2001.

- (3) For the avoidance of doubt, depreciation shall not be regarded as business spending.

Extension of qualifying period

9. At any time before the expiry of the qualifying period, an Approved Business (Education – Concessionary Rate) may apply to the Ministry for an extension of its qualifying period in accordance with the Act and these Rules, provided that the business must fulfill all qualifying conditions to be specified by the Ministry in the certificate of approval amended under rule 20(1)(b), which shall be no less than the following:

- | | |
|--|--|
| (1) Extended Capital Expenditure Condition which is subject to paragraph 12: | Minimum capital expenditure of Nu. 7,000,000 to have been incurred |
| (2) Extended Employment Condition which is subject to paragraph 13: | <p>For Newly Established Businesses: Employment of (i) a minimum of 6 additional Bhutanese nationals and (ii) a minimum total of 36 employees by the end of the first 12-month period</p> <p>For Existing Businesses: Employment of (i) a minimum of 4 additional Bhutanese nationals and (ii) a minimum total of 44 employees by the end of the first 12-month period</p> |

(3) Extended Business Spending Condition which is subject to paragraph 14:	Minimum business spending of Nu. 15,000,000 to be incurred during each 12-month period
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10. 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.
11. The business' qualifying period prior to amendment of the certificate of approval shall be referred to as the “**original qualifying period**” and the additional period granted under the amendment of the certificate of approval shall be referred to as the “**additional qualifying period**”.

Detailed conditions for extension of qualifying period

12. In relation to the Extended Capital Expenditure Condition in paragraph 9(1), the following conditions shall apply:
 - (1) 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; and
 - (2) The business must provide evidence satisfactory to the Ministry of the capital expenditure having been incurred during the business' original qualifying period.
13. In relation to the Extended Employment Condition in paragraph 9(2), the following conditions shall apply:
 - (1) The business must, at the time of application, provide an undertaking to fulfill this condition by the end of the first twelve months of the additional qualifying period;
 - (2) By the end of the first twelve months of the additional qualifying period, the business must have:

- (a) Employed the specified minimum number of Bhutanese nationals as additional employees as compared to the commencement of the additional qualifying period; and
 - (b) At least the specified minimum total number of employees.
- (3) Where the conditions in sub-paragraph (2) have been satisfied, the business must continue to employ throughout the rest of the additional qualifying period the higher of:
- (a) 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 (2) (a); and
 - (b) The specified minimum total number of employees,

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

- (4) 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 additional qualifying period.

14. In relation to the Extended Business Spending Condition in paragraph 9(3), the following conditions shall apply:

- (1) The business must, at the time of application, provide an undertaking to fulfill this condition throughout the additional qualifying period;
- (2) Business spending refers to operating expenditure incurred in Bhutan during the twelve-month period within the additional qualifying period, 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; and
- (i) Other legitimate expenses allowed as deductions under the Income Tax Act of the Kingdom of Bhutan 2001.

- (3) For the avoidance of doubt, depreciation shall not be regarded as business spending.

Non-compliance with conditions

- 15. A business shall not enjoy the benefit of the tax incentive for any income year if it does not fulfill any of the following conditions for that income year:
 - (1) the Employment Condition;
 - (2) the Extended Employment Condition;
 - (3) the Business Spending Condition; or
 - (4) the Extended Business Spending Condition .
- 16. The disqualification in paragraph 15 shall not impact the business' tax incentive for any other income year.
- 17. For the avoidance of doubt, where the Ministry imposes additional conditions under paragraph 5 or paragraph 10, the Ministry may also specify the consequences of non-compliance with such conditions.

ANNEXURE 10
APPROVED BUSINESS (INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) – CONCESSIONARY RATE)

General conditions

1. A business may apply to the Ministry for approval as an Approved Business (Information and Communication Technology (ICT) – Concessionary Rate) where it satisfies the conditions in this Annexure and undertakes to fulfill all conditions prescribed in the certificate of approval issued by the Ministry under section 12 of the Act.
2. The principal activities of the business must comprise the qualifying activity of operation as an IT-enabled service provider engaged in any of the following activities:
 - (1) Computer programming;
 - (2) Data processing;
 - (3) Hosting and related activities; and
 - (4) Software publishing.
3. The business must have obtained a recommendation letter from the Ministry of Information and Communication which must include a certification of the principal activities of the business.
4. The business must fulfill all qualifying conditions prescribed by the Ministry in the certificate of approval issued to the business, which shall be no less than the following
 - (1) Capital Expenditure Condition which is subject to paragraph 6:

For Newly Established Businesses:
Minimum capital expenditure of Nu. 1,000,000 to have been incurred
For Existing Businesses: Minimum capital expenditure of Nu. 500,000 to have been incurred

- | | |
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| (2) Employment Condition which is subject to paragraph 7: | <p>For Newly Established Businesses:
Employment of (i) a minimum of 10 additional Bhutanese nationals and (ii) a minimum total of 20 employees by the end of the first 12-month period</p> <p>For Existing Businesses: Employment of (i) a minimum of 10 additional Bhutanese nationals and (ii) a minimum total of 40 employees by the end of the first 12-month period</p> |
| (3) Business Spending Condition which is subject to paragraph 8: | Minimum business spending of Nu. 2,000,000 to be incurred during each 12-month period |
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.

Detailed conditions

6. In relation to the Capital Expenditure Condition in paragraph 4(1), the following conditions shall apply:
- (1) 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;
 - (2) The business must provide evidence satisfactory to the Ministry of the capital expenditure having been incurred prior to its application for the incentive under section 11 of the Act; and
 - (3) For Existing Businesses, the capital expenditure must have been incurred within 12 months prior to the date of the application for the incentive under section 11 of the Act.
7. In relation to the Employment Condition in paragraph 4(2), the following conditions shall apply:

- (1) The business must, at the time of application, provide an undertaking to fulfill this condition by the end of the first twelve months of the qualifying period; and
 - (2) By the end of the first twelve months of the qualifying period, the business must have:
 - (a) Employed the specified minimum number of Bhutanese nationals as additional employees as compared to the commencement of the qualifying period; and
 - (b) At least the specified minimum total number of employees.
 - (3) Where the conditions in sub-paragraph (2) have been satisfied, the business must continue to employ throughout the rest of the qualifying period the higher of:
 - (a) 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 (2) (a); and
 - (b) The specified minimum total number of employees,

Which in either case must include the specified minimum number of Bhutanese nationals.
 - (4) 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.
8. In relation to the Business Spending Condition in paragraph 4(3), the following conditions shall apply:
- (1) The business must, at the time of application, provide an undertaking to fulfill this condition throughout the qualifying period;
 - (2) Business spending refers to operating expenditure incurred in Bhutan during the relevant twelve-month period, 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; and
- (i) Other legitimate expenses allowed as deductions under the Income Tax Act of the Kingdom of Bhutan 2001.

- (3) For the avoidance of doubt, depreciation shall not be regarded as business spending.

Extension of qualifying period

9. At any time before the expiry of the qualifying period, an Approved Business (Information and Communication Technology (ICT) – Concessionary Rate) may apply to the Ministry for an extension of its qualifying period in accordance with the Act and these Rules, provided that the business must fulfill all qualifying conditions to be specified by the Ministry in the certificate of approval amended under rule 20(1)(b), which shall be no less than the following:

- | | |
|--|--|
| (1) Extended Capital Expenditure Condition which is subject to paragraph 12: | Minimum capital expenditure of Nu. 250,000 to have been incurred |
| (2) Extended Employment Condition which is subject to paragraph 13: | <p>For Newly Established Businesses: Employment of (i) a minimum of 4 additional Bhutanese nationals and (ii) a minimum total of 24 employees by the end of the first 12-month period</p> <p>For Existing Businesses: Employment of (i) a minimum of 4 additional Bhutanese nationals and (ii) a minimum total of 44 employees by the end of the first 12-month period</p> |

- | | |
|--|---|
| (3) Extended Business Spending Condition which is subject to paragraph 14: | Minimum business spending of Nu. 2,000,000 to be incurred during each 12-month period |
|--|---|

10. 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.
11. The business' qualifying period prior to amendment of the certificate of approval shall be referred to as the “**original qualifying period**” and the additional period granted under the amendment of the certificate of approval shall be referred to as the “**additional qualifying period**”.

Detailed conditions for extension of qualifying period

12. In relation to the Extended Capital Expenditure Condition in paragraph 9(1), the following conditions shall apply:
 - (1) 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; and
 - (2) The business must provide evidence satisfactory to the Ministry of the capital expenditure having been incurred during the business' original qualifying period.
13. In relation to the Extended Employment Condition in paragraph 9(2), the following conditions shall apply:
 - (1) The business must, at the time of application, provide an undertaking to fulfill this condition by the end of the first twelve months of the additional qualifying period; and
 - (2) By the end of the first twelve months of the additional qualifying period, the business must have:

- (a) Employed the specified minimum number of Bhutanese nationals as additional employees as compared to the commencement of the additional qualifying period; and
 - (b) At least the specified minimum total number of employees.
- (3) Where the conditions in sub-paragraph (2) have been satisfied, the business must continue to employ throughout the rest of the additional qualifying period the higher of:
- (a) 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 (2) (a); and
 - (b) The specified minimum total number of employees,

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

- (4) 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 additional qualifying period.

14. In relation to the Extended Business Spending Condition in paragraph 9(3), the following conditions shall apply:

- (1) The business must, at the time of application, provide an undertaking to fulfill this condition throughout the additional qualifying period;
- (2) Business spending refers to operating expenditure incurred in Bhutan during the twelve-month period within the additional qualifying period, 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; and
- (i) Other legitimate expenses allowed as deductions under the Income Tax Act of the Kingdom of Bhutan 2001.

- (3) For the avoidance of doubt, depreciation shall not be regarded as business spending.

Non-compliance with conditions

- 15. A business shall not enjoy the benefit of the tax incentive for any income year if it does not fulfill any of the following conditions for that income year:
 - (1) the Employment Condition;
 - (2) the Extended Employment Condition;
 - (3) the Business Spending Condition; or
 - (4) the Extended Business Spending Condition .
- 16. The disqualification in paragraph 15 shall not impact the business' tax incentive for any other income year.
- 17. For the avoidance of doubt, where the Ministry imposes additional conditions under paragraph 5 or paragraph 10, the Ministry may also specify the consequences of non-compliance with such conditions.

ANNEXURE 11
APPROVED BUSINESS (WASTE MANAGEMENT AND RECYCLING
INDUSTRIES – CONCESSIONARY RATE)

General conditions

1. A business may apply to the Ministry for approval as an Approved Business (Waste Management and Recycling Industries – Concessionary Rate) where it satisfies the conditions in this Annexure and undertakes to fulfill all conditions prescribed in the certificate of approval issued by the Ministry under section 12 of the Act.
2. The principal activities of the business must comprise one or more the following qualifying activities:
 - (1) Garbage collection, transportation and disposal;
 - (2) Recycling of non-metal waste and scrap; and
 - (3) Recycling of metal waste and scrap.
3. The business must have obtained a recommendation letter from the National Environment Commission which must include a certification of the principal activities of the business.
4. The business must fulfill all qualifying conditions prescribed by the Ministry in the certificate of approval issued to the business, which shall be no less than the following:
 - (1) Capital Expenditure Condition which is subject to paragraph 6:

For Newly Established Businesses: Minimum capital expenditure of Nu. 1,600,000 to have been incurred
For Existing Businesses: Minimum capital expenditure of Nu. 800,000 to have been incurred
 - (2) Employment Condition which is subject to paragraph 7:

For Newly Established Businesses: Employment of (i) a minimum of 5 additional Bhutanese nationals and (ii) a minimum total of 8 employees by the end of the first 12-month period

For Existing Businesses: Employment of (i) a minimum of 5 additional Bhutanese nationals and (ii) a minimum total of 15 employees by the end of the first 12-month period

- (3) Business Spending Condition which is subject to paragraph 8: Minimum business spending of Nu. 1,000,000 to be incurred during each 12-month period within the qualifying period

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.

Detailed conditions

6. In relation to the Capital Expenditure Condition in paragraph 4(1), the following conditions shall apply:

(1) 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;

(2) The business must provide evidence satisfactory to the Ministry of the capital expenditure having been incurred prior to its application for the incentive under section 11 of the Act; and

(3) For Existing Businesses, the capital expenditure must have been incurred within 12 months prior to the date of the application for the incentive under section 11 of the Act.

7. In relation to the Employment Condition in paragraph 4(2), the following conditions shall apply:

(1) The business must, at the time of application, provide an undertaking to fulfill this condition by the end of the first twelve months of the qualifying period;

(2) By the end of the first twelve months of the qualifying period, the business must have:

- (a) Employed the specified minimum number of Bhutanese nationals as additional employees as compared to the commencement of the qualifying period; and
 - (b) At least the specified minimum total number of employees.
- (3) Where the conditions in sub-paragraph (2) have been satisfied, the business must continue to employ throughout the rest of the qualifying period the higher of:
- (a) 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 (2) (a); and
 - (b) The specified minimum total number of employees,

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

- (4) 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.
8. In relation to the Business Spending Condition in paragraph 4(3), the following conditions shall apply:
- (1) The business must, at the time of application, provide an undertaking to fulfill this condition throughout the qualifying period;
 - (2) Business spending refers to operating expenditure incurred in Bhutan during the relevant twelve-month period, 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; and
- (i) Other legitimate expenses allowed as deductions under the Income Tax Act of the Kingdom of Bhutan 2001.

(3) For the avoidance of doubt, depreciation shall not be regarded as business spending.

Extension of qualifying period

9. At any time before the expiry of the qualifying period, an Approved Business (Waste Management and Recycling Industries – Concessionary Rate) may apply to the Ministry for an extension of its qualifying period in accordance with the Act and these Rules, provided that the business must fulfill all qualifying conditions to be specified by the Ministry in the certificate of approval amended under rule 20(1)(b), which shall be no less than the following:

- | | |
|--|--|
| (1) Extended Capital Expenditure Condition which is subject to paragraph 12: | Minimum capital expenditure of Nu. 400,000 to have been incurred |
| (2) Extended Employment Condition which is subject to paragraph 13: | <p>For Newly Established Businesses:
Employment of (i) a minimum of 2 additional Bhutanese nationals and (ii) a minimum total of 10 employees by the end of the first 12-month period</p> <p>For Existing Businesses: Employment of (i) a minimum of 2 additional Bhutanese nationals and (ii) a minimum total of 17 employees by the end of the first 12-month period</p> |
| (3) Extended Business Spending Condition which is subject to paragraph 14: | Minimum business spending of Nu. 1,000,000 to be incurred during each 12-month period |

10. 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.
11. The business' qualifying period prior to amendment of the certificate of approval shall be referred to as the “**original qualifying period**” and the additional period granted under the amendment of the certificate of approval shall be referred to as the “**additional qualifying period**”.

Detailed conditions for extension of qualifying period

12. In relation to the Extended Capital Expenditure Condition in paragraph 9(1), the following conditions shall apply:
 - (1) 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; and
 - (2) The business must provide evidence satisfactory to the Ministry of the capital expenditure having been incurred during the business' original qualifying period.
13. In relation to the Extended Employment Condition in paragraph 9(2), the following conditions shall apply:
 - (1) The business must, at the time of application, provide an undertaking to fulfill this condition by the end of the first twelve months of the additional qualifying period;
 - (2) By the end of the first twelve months of the additional qualifying period, the business must have:
 - (a) Employed the specified minimum number of Bhutanese nationals as additional employees as compared to the commencement of the additional qualifying period; and
 - (b) At least the specified minimum total number of employees.

(3) Where the conditions in sub-paragraph (2) have been satisfied, the business must continue to employ throughout the rest of the additional qualifying period the higher of:

(a) 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 (2) (a); and

(b) The specified minimum total number of employees,

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

(4) 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 additional qualifying period.

14. In relation to the Extended Business Spending Condition in paragraph 9(3), the following conditions shall apply:

(1) The business must, at the time of application, provide an undertaking to fulfill this condition throughout the additional qualifying period;

(2) Business spending refers to operating expenditure incurred in Bhutan during the twelve-month period within the additional qualifying period, 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; and

(i) Other legitimate expenses allowed as deductions under the Income Tax Act of the Kingdom of Bhutan 2001.

- (3) For the avoidance of doubt, depreciation shall not be regarded as business spending.

Non-compliance with conditions

15. A business shall not enjoy the benefit of the tax incentive for any income year if it does not fulfill any of the following conditions for that income year:
 - (1) the Employment Condition;
 - (2) the Extended Employment Condition;
 - (3) the Business Spending Condition; or
 - (4) the Extended Business Spending Condition .
16. The disqualification in paragraph 15 shall not impact the business' tax incentive for any other income year.
17. For the avoidance of doubt, where the Ministry imposes additional conditions under paragraph 5 or paragraph 10, the Ministry may also specify the consequences of non-compliance with such conditions.

ANNEXURE 12 INVESTMENT ALLOWANCE

List of items qualifying for investment allowance under section 25 of the Act

A. Agriculture and RNR & Cooperatives

1. Plant and machinery, equipment, tools and other fixed capital items which is required for any of the following activities:
 - (1) commercial and organic farming;
 - (2) establishment of smart agriculture technology for sustainable food production;
 - (3) floriculture, apiculture and horticulture;
 - (4) livestock;
 - (5) dairy production;
 - (6) poultry production;
 - (7) piggery production;
 - (8) fishery operation;
 - (9) animal feed production; and
 - (10) wood based industries.
2. Veterinary equipment, instruments and other fixed capital items which is required for animal health activities.
3. Plant and machinery, equipment, special vehicles, tools and other fixed capital items which is required for agricultural marketing and cooperatives activities.

B. Business Infrastructure Development

4. Plant and machinery, equipment, tools and other fixed capital items which is required for business infrastructure development industry activities.

C. Construction

5. Plant and machinery, equipment, tools and other fixed capital items which is required for construction industry activities.

D. Creative Industry

6. Plant and machinery, equipment, tools and other fixed capital items which is required for creative industry activities.

E. Cottage & Small Industries

7. Plant and machinery, equipment, tools and other fixed capital items which is required for cottage & small industry activities.

F. Education

8. Classroom and Laboratory equipment, furniture, teaching aid equipment and other fixed capital items which is required for education industry activities.

G. Energy, excluding hydroelectric projects

9. Plant and machinery, equipment, tools and other fixed capital items which is required for energy industry activities, excluding hydroelectric projects.

H. Health

10. Plant and machinery, equipment, tools and other fixed capital items which is required for any of the following activities:
 - (1) diagnostic centers;
 - (2) laboratories;
 - (3) dermatology (skin care clinic); and
 - (4) ophthalmology.

I. ICT, excluding telecommunications

11. Plant and machinery, equipment, tools and other fixed capital items which is required for ICT industry, excluding telecommunications.

J. Manufacturing

12. Plant and machinery, equipment, tools and other fixed capital items which is required for manufacturing activities.

K. Mining

13. Plant and machinery, equipment, tools and other fixed capital items which is required for mining activities.

L. Tourism

14. Plant and machinery, equipment, hybrid or electrically operated tourist buses, tools and other fixed capital items which is required by tour operators and hotels.

M. Transport

15. Hybrid and electric vehicles and other fixed capital items which is required by transport operators.

N. Waste Management and Recycling Industries

16. Plant and machinery, equipment, refuse collection vehicles and other fixed capital items which is required for waste collection activities.

O. Others

17. Such item as approved by the Panel and set out in the Schedule of items issued by way of notification by the Ministry as may be amended from time to time.

FORMS

FORM 1: TAX EXEMPTION SCHEME APPLICATION FORM

A. Explanation Guide¹

1. 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.
2. An Approved Business must be carrying out, or intend to carry out, any qualifying activity² in the following High Priority Sectors:
 - (a) Agriculture and Renewable Natural Resources (RNR);
 - (b) Business Infrastructure Development;
 - (c) Cooperatives;
 - (d) Creative Industry;
 - (e) Education (applicable to educational institutions with International Accreditation);
 - (f) Energy (excluding hydroelectric projects); and
 - (g) Tourism (applicable to hotels only).
3. The purpose of the Tax Exemption Scheme is to exempt from tax all qualifying income³ derived by an Approved Business for a period of up to 10 years as specified by the Ministry (“qualifying period”).
4. Please submit a recommendation letter from your sector agency⁴ together with this form.
5. 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 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.

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.

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.

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.

- (a) 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;
- (b) Minimum qualifying capital expenditure to have been incurred by the business within the specified period prior to the date of application;
- (c) Employment of a minimum number of Bhutanese nationals and a minimum total number of employees throughout the qualifying period;
- (d) Minimum business spending to be incurred annually by the business during the qualifying period; and
- (e) Such other conditions as the Ministry thinks fit.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.

B. Application Form

I. Business Information	
1. Name of Business	<input type="text"/>
2. Tax Payer Number (TPN)	<input type="text"/>
3. Trade License Number and Issue Date	<input type="text"/>
4. Business Address	<input type="text"/>
5. Business Website	<input type="text"/>
6. Contact Tel/Fax	<input type="text"/>
7. Details of Contact Person (Name/Designation)	<input type="text"/>
8. Nature of business/trade sector	<input type="text"/>
9. Name of Proprietor (if unincorporated) or Managing Director (if incorporated)	<input type="text"/>

II. 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)

2. Qualifying Activity category⁶

3. Description of how the business is carrying out or intends to carry out the Qualifying Activity

III. Details on the Business

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.

2. Date of commencement commercial operation

This refers to the date on which the business of 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.

⁶ Please refer to Annex for the list of Qualifying Activities under your High Priority Sector.

3. 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.*)

a. Revenue & expenses

	Financial Periods				
	<i>E.g. 1 Jan 2017 – 31 Dec 2017</i>	<i>E.g. 1 Jan 2018 – 31 Dec 2018</i>	<i>E.g. 1 Jan 2019 – 31 Dec 2019</i>	<i>E.g. 1 Jan 2020 – 31 Dec 2020</i>	<i>E.g. 1 Jan 2021 – 31 Dec 2021</i>
Revenue					
Operating expenses					
Net profit before tax					
Tax paid or payable					
Net profit after tax					

b. Fixed asset investments (Please fill in the amount of investment made each year into each type of fixed assets)

	Financial Periods				
	<i>E.g. 1 Jan 2017 – 31 Dec 2017</i>	<i>E.g. 1 Jan 2018 – 31 Dec 2018</i>	<i>E.g. 1 Jan 2019 – 31 Dec 2019</i>	<i>E.g. 1 Jan 2020 – 31 Dec 2020</i>	<i>E.g. 1 Jan 2021 – 31 Dec 2021</i>
<i>E.g. Equipment and machinery</i>					
Total Fixed Asset Investments Made					

4. Employees *(Please fill in the number of employees as at the end of the year)*

	Financial Periods				
	<i>E.g. 1 Jan 2017 – 31 Dec 2017</i>	<i>E.g. 1 Jan 2018 – 31 Dec 2018</i>	<i>E.g. 1 Jan 2019 – 31 Dec 2019</i>	<i>E.g. 1 Jan 2020 – 31 Dec 2020</i>	<i>E.g. 1 Jan 2021 – 31 Dec 2021</i>
No. of employees					

5. 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.

6. Financial growth projection

- a. Revenue & expenses: Fill in financial projections for the next 5 financial years.

	Financial Periods				
	[Please fill in the next 5 income years]				
	<i>E.g. 1 Jan 2022 – 31 Dec 2022</i>	<i>E.g. 1 Jan 2023 – 31 Dec 2023</i>	<i>E.g. 1 Jan 2024 – 31 Dec 2024</i>	<i>E.g. 1 Jan 2025 – 31 Dec 2025</i>	<i>E.g. 1 Jan 2026 – 31 Dec 2026</i>
Revenue					
Operating expenses					
Net profit before tax					
Tax paid or payable					
Net profit after tax					

- b. Fixed asset investments: Fill in financial projections for the next 5 financial years.

	Financial Periods				
	[Please fill in the next 5 income years]				
	<i>E.g. 1 Jan 2022 – 31 Dec 2022</i>	<i>E.g. 1 Jan 2023 – 31 Dec 2023</i>	<i>E.g. 1 Jan 2024 – 31 Dec 2024</i>	<i>E.g. 1 Jan 2025 – 31 Dec 2025</i>	<i>E.g. 1 Jan 2026 – 31 Dec 2026</i>
<i>E.g. Equipment and machinery</i>					
Total Fixed Asset Investments to be Made					

IV. Qualifying Conditions

1. Capital Expenditure

Instructions

The business must provide satisfactory evidence of the **specified minimum Capital Expenditure**⁷ having been incurred within the relevant time frame:

- i. 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
- ii. 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.

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.

1. Please state the total qualifying Capital Expenditure your business incurred during the relevant time frame in (i) or (ii) above

2. Please describe the nature of the expenditure (i.e. what it was incurred on).

3. 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:

- (i) the **minimum number of additional Bhutanese nationals** which your business must employ within the first 12 months of the qualifying period;⁸ and
- (ii) the **minimum total number of employees** which your business must reach by the end of the first 12 months of the qualifying period.⁹

1. Please specify the number of employees your business currently has, and their corresponding roles.

2. 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 fulfill the minimum number in item (ii).)

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.

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.

3. Business Spending

Instructions

Please refer to the Annex for the **minimum Business Spending**¹⁰ 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.

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C. Declaration

1. 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.
2. I declare that the information provided in this application form is true and complete.
3. I undertake that, if granted the incentive, the business shall comply with the following:
 - (a) By the end of the first twelve months of the qualifying period, the business shall have:
 - (i) Employed the specified minimum number of Bhutanese nationals as additional employees as compared to the commencement of the qualifying period; and
 - (ii) At least the specified minimum total number of employees.

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.

- (b) 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:
- (i) 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
 - (ii) The specified minimum total number of employees,

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

- (c) The business shall incur the minimum Business Spending during each 12-month period within the qualifying period;
- (d) The business shall maintain proper accounting records in accordance with the Income Tax Act of the Kingdom of Bhutan 2001;
- (e) The business shall permit the Ministry to inspect the business' premises and the business' accounting records;
- (f) The business shall carry out transactions with associated businesses on an arm's length basis; and
- (g) 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: _____

D. Documents to be submitted with Application Form

1. Copy of Trade License/Permit issued by the concerned agency
2. Copy of Citizenship Identity Card of the proprietor
3. Company Registration Certificate/Co-operative Registration Certificate, whichever is relevant
4. Copy of first invoice issued to authenticate commercial operation date
5. Copy of Ownership Certificate
6. Copy of Lease Agreement if business is conducted in hired premises
7. Copies of Income Statements and Balance Sheets for the past 5 financial years
8. List of employees for the past 5 financial years
9. Detailed business plans
10. Detailed financial growth projection in the next 5 financial years
11. Recommendation letter from relevant sector agency which includes a certification of the principal activities of the business
12. Evidence of Capital Expenditure in the past 12 months/prior to application (e.g. Sales invoices)
13. 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			Business Spending Condition
			Capital Expenditure Condition	Employment Condition	Business Spending Condition	
Agriculture and renewable natural resources	(a) Poultry production (b) Fishery operation (c) Piggery operation (d) Dairy production (e) Floriculture (f) Apiculture (g) Horticulture (h) Commercial farming (i) Organic farming	Ministry of Agriculture and Forests	Minimum capital expenditure of Nu. 1,000,000 to have been incurred.	Employment of: (a) a minimum of 3 additional Bhutanese nationals; and (b) 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: (a) IT park (b) Warehousing (c) Cold storage (d) 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: (a) a minimum of 1 additional Bhutanese national; and (b) 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.	

High Priority Sector	Qualifying activities	Sector agency to obtain Recommendation Letter from	Qualifying Conditions		
			Capital Expenditure Condition	Employment Condition	Business Spending Condition
Cooperatives	Operation of a farmer's cooperative	Ministry of Agriculture and Forest	Minimum capital expenditure of <u>Nu. 2,600,000</u> to have been incurred.	Employment of: (a) a minimum of <u>1</u> additional Bhutanese national; and (b) a minimum total of <u>4</u> employees by the end of the first 12-month period.	Minimum business spending of <u>Nu. 2,000,000</u> to be incurred during each 12-month period within the qualifying period.
Creative industry	(a) Provision of the following audiovisual services: (i) film (ii) television (iii) radio (b) Provision of the following new media: (i) digitized content (ii) software (iii) video games (only content creation) (iv) animations	Ministry of Information and Communication	Minimum capital expenditure of <u>Nu. 2,000,000</u> to have been incurred.	Employment of: (a) a minimum of <u>5</u> additional Bhutanese nationals; and (b) a minimum total of <u>15</u> employees by the end of the first 12-month period.	Minimum business spending of <u>Nu. 1,500,000</u> to be incurred during each 12-month period within the qualifying period.

High Priority Sector	Qualifying activities	Sector agency to obtain Recommendation Letter from	Qualifying Conditions		
			Capital Expenditure Condition	Employment Condition	Business Spending Condition
Creative industry	(c) Provision of the following creation services: (i) Advertising (only content creation) (ii) creative R&D (iii) creative event services				
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 <u>Nu. 70,000,000</u> to have been incurred.	Employment of: (a) a minimum of 10 additional Bhutanese nationals; and (b) a minimum total of 40 employees by the end of the first 12-month period.	Minimum business spending of <u>Nu. 20,000,000</u> to be incurred during each 12-month period within the qualifying period.
Energy	(a) Production of solar energy (b) Production of biomass energy (c) Production of wind energy	Ministry of Economic Affairs; or National Environment Commission	Minimum capital expenditure of <u>Nu. 700,000</u> to have been incurred.	Employment of: (a) a minimum of 3 additional Bhutanese nationals; and (b) a minimum total of 10 employees by the end of the first 12-month period.	Minimum business spending of <u>Nu. 4,600,000</u> to be incurred during each 12-month period within the qualifying period.

High Priority Sector	Qualifying activities	Sector agency to obtain Recommendation Letter from	Qualifying Conditions		
			Capital Expenditure Condition	Employment Condition	Business Spending Condition
Tourism	<p>(a) Operation of a hotel with a rating of 3 stars or above</p> <p>(b) Operation of a hotel categorised by the Tourism Council of Bhutan as Blue Poppy II.</p>	Tourism Council of Bhutan	<p>Minimum capital expenditure of Nu. 100,000,000 to have been incurred.</p>	<p>Employment of:</p> <p>(a) a minimum of 10 additional Bhutanese nationals; and</p> <p>(b) a minimum total of 60 employees</p> <p>by the end of the first 12-month period.</p>	<p>Minimum business spending of Nu. 40,000,000 to be incurred during each 12-month period within the qualifying period.</p>

FORM 2: CONCESSIONARY TAX RATES SCHEME APPLICATION FORM

A. Explanation Guide¹¹

1. 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.
2. An Approved Business must be carrying out, or intend to carry out, any qualifying activity¹² in the following High Priority Sectors:
 - (a) Cottage and Small Industries (CSI);
 - (b) Education, applicable to:
 - (i) Technical & Vocational Education and Training (TVET) schools; and
 - (ii) Higher secondary schools and above with science, technology, engineering and mathematics (STEM) subjects;
 - (c) Information and Communication Technology (ICT); and
 - (d) Waste Management and Recycling Industries.
3. The purpose of the Concessionary Tax Rates Scheme is for qualifying income¹³ derived by an Approved Business to enjoy a concessionary rate for a period of up to 5 years as specified by the Ministry (“qualifying period”).
4. Under the incentive, Newly Established Businesses¹⁴ will enjoy a concessionary tax rate of 5%, while Existing Businesses¹⁵ will enjoy a concessionary tax rate of 15%, during the qualifying period.

¹¹ The information in this application form is provided for your ease of reference. The terms of the Concessionary Tax Rates Scheme are subject to the Fiscal Incentives Act of Bhutan 2021 and the applicable rules.

¹² “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.

¹³ “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.

¹⁴ “Newly Established Business” means a business whose date of commencement of commercial operation is no more than 24 months prior to the date of this application.

¹⁵ “Existing Business” means a business whose date of commencement of commercial operation is more than 24 months prior to the date of this application.

5. Please submit a recommendation letter from your sector agency¹⁶ together with this form.
6. 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:
 - a. 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;
 - b. Minimum qualifying capital expenditure to have been incurred by the business within the specified period prior to the date of application;
 - c. Employment of a minimum number of Bhutanese nationals and a minimum total number of employees throughout the qualifying period;
 - d. Minimum business spending to be incurred annually by the business during the qualifying period; and
 - e. Such other conditions as the Ministry thinks fit.¹⁷

¹⁶ 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.

¹⁷ 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.

B. Application Form

I. Business Information

1. Name of Business

2. Tax Payer Number (TPN)

3. Trade License Number and Issue Date

4. Business Address

5. Business Website

6. Contact Tel/Fax

7. Details of Contact Person (Name/Designation)

8. Nature of business/trade sector

9. Name of Proprietor (if unincorporated) or Managing Director (if incorporated)

II. Qualifying Activity

1. High Priority Sector
- Cottage and Small Industries (CSI) /
Education / Information and Communication
Technology (ICT) / Waste Management and
Recycling Industries

*(Please circle the High Priority Sector your
business is in)*

2. Qualifying Activity category¹⁸

3. Description of how the business
is carrying out or intends to carry
out the Qualifying Activity

III. Details on the Business

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.*

2. 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.*

¹⁸ Please refer to Annex for the list of Qualifying Activities under your High Priority Sector.

3. 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.)

a. Revenue & expenses

	Financial Periods				
	<i>E.g. 1 Jan 2017 – 31 Dec 2017</i>	<i>E.g. 1 Jan 2018 – 31 Dec 2018</i>	<i>E.g. 1 Jan 2019 – 31 Dec 2019</i>	<i>E.g. 1 Jan 2020 – 31 Dec 2020</i>	<i>E.g. 1 Jan 2021 – 31 Dec 2021</i>
	Revenue				
Operating expenses					
Net profit before tax					
Tax paid or payable					
Net profit after tax					

b. Fixed asset investments (Please fill in the amount of investment made each year into each type of fixed assets.)

	Financial Periods				
	<i>E.g. 1 Jan 2017 – 31 Dec 2017</i>	<i>E.g. 1 Jan 2018 – 31 Dec 2018</i>	<i>E.g. 1 Jan 2019 – 31 Dec 2019</i>	<i>E.g. 1 Jan 2020 – 31 Dec 2020</i>	<i>E.g. 1 Jan 2021 – 31 Dec 2021</i>
	<i>E.g. Equipment and machinery</i>				
Total Fixed Asset Investments Made					

4. Employees (Please fill in the number of employees as at the end of each of the latest 5 income years. If the business has operated for less than 5 years, please fill in all available years.)

	Financial Periods				
	<i>E.g. 1 Jan 2017 – 31 Dec 2017</i>	<i>E.g. 1 Jan 2018 – 31 Dec 2018</i>	<i>E.g. 1 Jan 2019 – 31 Dec 2019</i>	<i>E.g. 1 Jan 2020 – 31 Dec 2020</i>	<i>E.g. 1 Jan 2021 – 31 Dec 2021</i>
	No. of employees				

5. 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.

6. Financial growth projection

- a. Revenue & expenses: Fill in financial projections for the next 5 financial years.

	Financial Periods				
	[Please fill in the next 5 income years]				
	<i>E.g. 1 Jan 2022 – 31 Dec 2022</i>	<i>E.g. 1 Jan 2023 – 31 Dec 2023</i>	<i>E.g. 1 Jan 2024 – 31 Dec 2024</i>	<i>E.g. 1 Jan 2025 – 31 Dec 2025</i>	<i>E.g. 1 Jan 2026 – 31 Dec 2026</i>
Revenue					
Operating expenses					
Net profit before tax					
Tax paid or payable					
Net profit after tax					

- b. Fixed asset investments: Fill in financial projections for the next 5 financial years.

	Financial Periods [Please fill in the next 5 income years]				
	<i>E.g. 1 Jan 2022 – 31 Dec 2022</i>	<i>E.g. 1 Jan 2023 – 31 Dec 2023</i>	<i>E.g. 1 Jan 2024 – 31 Dec 2024</i>	<i>E.g. 1 Jan 2025 – 31 Dec 2025</i>	<i>E.g. 1 Jan 2026 – 31 Dec 2026</i>
<i>E.g. Equipment and machinery</i>					
Total Fixed Asset Investments Made					

IV. Qualifying Conditions

1. Capital Expenditure

Instructions

The business must provide satisfactory evidence of the **specified minimum Capital Expenditure**¹⁹ having been incurred within the relevant time frame:

- (i) 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
- (ii) 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.

¹⁹ 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. Please also note that there are different requirements for Newly Established Businesses and Existing Businesses.

1. Please state the total qualifying Capital Expenditure your business incurred during the relevant time frame in (i) or (ii) above

2. Please describe the nature of the expenditure (i.e. what it was incurred on).

3. 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:

- (i) the **minimum number of additional Bhutanese nationals** which your business must employ within the first 12 months of the qualifying period;²⁰ and
- (ii) the **minimum total number of employees** which your business must reach by the end of the first 12 months of the qualifying period.²¹

²⁰ 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.

²¹ 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.

1. Please specify the number of employees your business currently has, and their corresponding roles.

2. 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 fulfill the minimum number in item (ii).)

3. Business Spending

Instructions
Please refer to the Annex for the **minimum Business Spending²²** 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.

²² 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.

C. Declaration

1. 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.
2. I declare that the information provided in this application form is true and complete.
3. I undertake that, if granted the incentive, the business shall comply with the following:
 - (a) By the end of the first twelve months of the qualifying period, the business shall have:
 - (i) Employed the specified minimum number of Bhutanese nationals as additional employees as compared to the commencement of the qualifying period; and
 - (ii) At least the specified minimum total number of employees.
 - (b) 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:
 - (i) 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
 - (ii) The specified minimum total number of employees,

Which in either case shall include the specified minimum number of Bhutanese nationals.
 - (c) The business shall incur the minimum Business Spending during each 12-month period within the qualifying period,

- (d) The business shall maintain proper accounting records in accordance with the Income Tax Act of the Kingdom of Bhutan 2001;
- (e) The business shall permit the Ministry to inspect the business' premises and the business' accounting records;
- (f) The business shall carry out transactions with associated businesses on an arm's length basis; and
- (g) 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: _____

D. Documents to be submitted with Application Form

1. Copy of Trade License/Permit issued by the concerned agency
2. Copy of Citizenship Identity Card of the proprietor
3. Company Registration Certificate/Co-operative Registration Certificate, whichever is relevant
4. Copy of first invoice issued to authenticate commercial operation date
5. Copy of Ownership Certificate
6. Copy of Lease Agreement if business is conducted in hired premises
7. Copies of Income Statements and Balance Sheets for the past 5 financial years
8. List of employees for the past 5 financial years
9. Detailed business plans
10. Detailed financial growth projection in the next 5 financial years
11. Recommendation letter from relevant sector agency which includes a certification of the principal activities of the business
12. Evidence of Capital Expenditure in the past 12 months/prior to application (e.g. Sales invoices)
13. 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
Cottage and Small Industries (CSI)	Manufacturing as specified in the business trade license issued by the Department of Cottage and Small Industries	Ministry of Economic Affairs	<p>For Newly Established Businesses: Minimum capital expenditure of <u>Nu. 1,200,000</u> to have been incurred.</p> <p>For Existing Businesses: Minimum capital expenditure of <u>Nu. 600,000</u> to have been incurred.</p>	<p>For Newly Established Businesses: Employment of: (a) a minimum of 3 additional Bhutanese nationals; and (b) a minimum total of 6 employees by the end of the first 12-month period.</p> <p>For Existing Businesses: Employment of: (a) a minimum of 3 additional Bhutanese nationals; and (b) a minimum total of 12 employees by the end of the first 12-month period.</p>	<p>Minimum business spending of <u>Nu. 7,000,000</u> to be incurred during each 12-month period within the qualifying period.</p>

High Priority Sector	Qualifying activities	Sector agency to obtain Recommendation Letter from	Qualifying Conditions		
			Capital Expenditure Condition	Employment Condition	Business Spending Condition
Education	<p>(a) Provision of higher education in professional/vocational areas</p> <p>(b) Provision of higher education in engineering/other technical areas</p> <p>(c) Provision of higher education in medical/biotechnology areas</p> <p>(d) Operation of higher secondary schools and above with science, technology, engineering and mathematics (STEM) subjects, provided that the school maintains a minimum enrolment of 20 students studying the STEM subjects</p>	<p>Ministry of Education; or</p> <p>Ministry of Labour and Human Resources</p>	<p>For Newly Established Businesses: Minimum capital expenditure of <u>Nu. 28,000,000</u> to have been incurred.</p> <p>For Existing Businesses: Minimum capital expenditure of <u>Nu. 14,000,000</u> to have been incurred.</p>	<p>For Newly Established Businesses: Employment of: (a) a minimum of <u>10</u> additional Bhutanese national; and (b) a minimum total of <u>30</u> employees by the end of the first 12-month period.</p> <p>For Existing Businesses: Employment of: (a) a minimum of <u>10</u> additional Bhutanese national; and (b) a minimum total of <u>40</u> employees by the end of the first 12-month period.</p>	<p>Minimum business spending of <u>Nu. 15,000,000</u> to be incurred during each 12-month period within the qualifying period.</p>

		Qualifying Conditions			Business Spending Condition
High Priority Sector	Qualifying activities	Sector agency to obtain Recommendation Letter from	Capital Expenditure Condition	Employment Condition	
Information and Communication Technology (ICT)	<p>Operation as an IT-enabled service provider engaged in any of the following activities:</p> <ul style="list-style-type: none"> (a) Computer programming (b) Data processing (c) Hosting and related activities (d) Software publishing 	Ministry of Information and Communication	<p>For Newly Established Businesses: Minimum capital expenditure of <u>Nu. 1,000,000</u> to have been incurred.</p> <p>For Existing Businesses: Minimum capital expenditure of <u>Nu. 500,000</u> to have been incurred.</p>	<p>For Newly Established Businesses: Employment of: (a) a minimum of <u>10</u> additional Bhutanese national; and (b) a minimum total of <u>20</u> employees by the end of the first 12-month period.</p> <p>For Existing Businesses: Employment of: (a) a minimum of <u>10</u> additional Bhutanese national; and (b) a minimum total of <u>40</u> employees by the end of the first 12-month period.</p>	<p>Minimum business spending of <u>Nu. 2,000,000</u> to be incurred during each 12-month period within the qualifying period.</p>

High Priority Sector	Qualifying activities	Sector agency to obtain Recommendation Letter from	Qualifying Conditions		
			Capital Expenditure Condition	Employment Condition	Business Spending Condition
Waste Management and Recycling Business	(a) Garbage collection, transportation and disposal (b) Recycling of non-metal waste and scrap (c) Recycling of metal waste and scrap	National Environment Commission	<p>For Newly Established Businesses: Minimum capital expenditure of <u>Nu. 1,600,000</u> to have been incurred.</p> <p>For Existing Businesses: Minimum capital expenditure of <u>Nu. 800,000</u> to have been incurred.</p>	<p>For Newly Established Businesses: Employment of: (a) a minimum of <u>5</u> additional Bhutanese nationals; and (b) a minimum total of <u>8</u> employees by the end of the first 12-month period.</p> <p>For Existing Businesses: Employment of: (a) a minimum of <u>5</u> additional Bhutanese nationals; and (b) a minimum total of <u>15</u> employees by the end of the first 12-month period.</p>	<p>Minimum business spending of <u>Nu. 1,000,000</u> to be incurred during each 12-month period within the qualifying period.</p>

FORM 3: CONCESSIONARY TAX RATES SCHEME APPLICATION FORM FOR EXTENSION OF QUALIFYING PERIOD

A. Explanation Guide²³

1. Please use this form to apply between 1st January 2022 to 31st December 2026 for an extension of the qualifying period (the additional period granted referred to as the “additional qualifying period”) for which your Approved Business will be subject to the concessionary tax rate.
2. An Approved Business is only eligible to apply for an extension **when it has fulfilled all the qualifying conditions set out in its Certificate of Approval.**
3. The Ministry will only approve the extension if it is in the public interest to do so. It will extend the qualifying period specified in the Certificate of Approval by a period not exceeding 5 years, subject to conditions that the Ministry thinks fit. The concessionary tax rate applicable during the period of extension is 15%.

²³ The information in this application form is provided for your ease of reference. The terms of the Concessionary Tax Rates Scheme are subject to the Fiscal Incentives Act of Bhutan 2021 and the applicable rules.

B. Application Form

I. Business Information

1. Name of Business

2. Tax Payer Number (TPN)

3. Trade License Number and Issue Date

4. Business Address

5. Business Website

6. Contact Tel/Fax

7. Details of Contact Person (Name/Designation)

8. High Priority Sector

9. Qualifying Activities

10. Certificate of Approval Ref. No.

11. Certificate of Approval issuance date

II. Fulfillment of Qualifying Conditions during Qualifying Period

1. Employees

1. Please state the number of additional Bhutanese nationals your business was required to employ by the end of the first 12 months of the qualifying period and thereafter maintain throughout the qualifying period.²⁴

2. Please attach evidence of the employment of the required number of additional Bhutanese nationals throughout the qualifying period (e.g. Employment Contract and payroll records, etc.).

3. Please state the minimum total number of employees your business was required to employ by the end of the first 12 months of the qualifying period.²⁵

4. Please state the minimum total number of employees your business was required to maintain after the first 12 months of the qualifying period.²⁶

5. Please attach evidence of the total employee headcount in your business throughout the qualifying period (e.g. List of Employees and payroll records, etc.).

²⁴ As reflected on the Certificate of Approval.

²⁵ As reflected on the Certificate of Approval.

²⁶ This is the higher of: (i) the aggregate number of employees employed by the business after employing the specified minimum number of Bhutanese nationals as additional employees by the end of the first twelve months of the qualifying period; and (ii) the specified minimum total number of employees to be fulfilled by the end of the first twelve months of the qualifying period.

2. Business Spending

1. Please state the annual Business Spending that your business *was required to* incur during the qualifying period.²⁷

2. Please provide the *actual business spending* that your business incurred for each 12-month period during the qualifying period.

Period	Actual Business Spending
<i>e.g. 1 Jun 2022 to 31 May 2023</i>	<i>e.g. Nu. 2,500,000</i>

3. Please attach evidence of the actual Business Spending per period at the back of this application (e.g. income statement, etc.).

3. Other Conditions

1. Please state any other condition stated on the Certificate of Approval.

2. Please provide evidence of fulfillment of these conditions.

²⁷ As reflected on the Certificate of Approval.

III. Qualifying Conditions for Extended Qualifying Period

1. Capital Expenditure

Instructions
The business must provide satisfactory evidence of the **specified minimum Capital Expenditure**²⁸ having been incurred during the original qualifying period.

1. Please state the total qualifying Capital Expenditure your business incurred during the original qualifying period

2. Please describe the nature of the expenditure (i.e. what it was incurred on).

3. Please attach evidence of how the qualifying Capital Expenditure was incurred, as required in Section D.

²⁸ 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.
Please also note that there are different requirements for Newly Established Businesses and Existing Businesses.
“Newly Established Businesses” refer to those which date of commencement of commercial operation is no more than 24 months prior to the date of application for the Concessionary Tax Rates Scheme.
“Existing Businesses” refer to those which date of commencement of commercial operation is more than 24 months prior to the date of application for the Concessionary Tax Rates Scheme.

Employees

Instructions

Please refer to the Annex for:

- (i) the **minimum number of additional Bhutanese nationals** which your business must employ within the first 12 months of the additional qualifying period;²⁹ and
- (ii) the **minimum total number of employees** which your business must reach by the end of the first 12 months of the additional qualifying period.³⁰

1. Please specify the number of employees your business currently has, and their corresponding roles.

2. 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 fulfill the minimum number in item (ii).)

²⁹ 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 additional qualifying period.

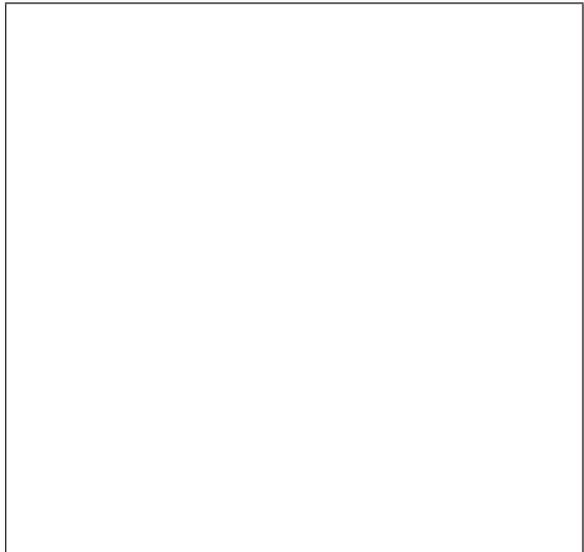
³⁰ Please refer to the Rules on the Fiscal Incentives Act of Bhutan 2021 for the ongoing employment condition to be maintained throughout the additional qualifying period.

3. Business Spending

Instructions

Please refer to the Annex for the **minimum Business Spending**³¹ which your business must incur during every 12-month period throughout the additional qualifying period.

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



³¹ Business Spending refers to operating expenditure 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.

C. Declaration

1. I declare that the information provided in this application form is true and complete.
2. I undertake that, should approval be granted for the extension of the qualifying period, the business shall comply with the following:
 - (a) By the end of the first twelve months of the additional qualifying period, the business shall have:
 - (i) Employed the specified minimum number of Bhutanese nationals as additional employees as compared to the commencement of the additional qualifying period; and
 - (ii) At least the specified minimum total number of employees.
 - (b) Where the conditions in sub-paragraph (a) have been satisfied, the business shall continue to employ throughout the rest of the additional qualifying period the higher of:
 - (i) 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
 - (ii) The specified minimum total number of employees,Which in either case shall include the specified minimum number of Bhutanese nationals.
 - (c) The business shall incur the minimum Business Spending during each 12-month period within the additional qualifying period.

Affix a legal
stamp

Signature of
Applicant

Full Name / Designation / Contact Number

Date: _____

D. Documents to be submitted with Application Form

1. Copy of Application Form for Concessionary Tax Rates Scheme
2. Copy of Certificate of Approval and Letter of Acceptance for Concessionary Tax Rates Scheme
3. Evidence of the employment of additional Bhutanese nationals by the end of the first 12 months and throughout the qualifying period (e.g. Employment Contract and payroll records, etc.)
4. Evidence of the total employee headcount by the end of the first 12 months and throughout the qualifying period (e.g. List of Employees and payroll records, etc.)
5. Evidence of the actual Business Spending per period (e.g. Income statement, List of Operating Expenses, etc.)
6. Supporting evidence of fulfillment of additional conditions in Certificate of Approval
7. Evidence of Capital Expenditure during the original qualifying period (e.g. Sales invoices)
8. 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

Approved Business Sector	Extended Capital Expenditure Condition	Extended Employment Condition	Extended Business Spending Condition
Cottage and Small Industries (CSI)	Minimum capital expenditure of <u>Nu. 300,000</u> to have been incurred.	<p>For Newly Established Businesses: Employment of:</p> <p>(a) a minimum of <u>1</u> additional Bhutanese national; and</p> <p>(b) a minimum total of <u>7</u> employees by the end of the first 12-month period.</p> <p>For Existing Businesses: Employment of:</p> <p>(a) a minimum of <u>1</u> additional Bhutanese national; and</p> <p>(b) a minimum total of <u>13</u> employees by the end of the first 12-month period.</p>	Minimum business spending of <u>Nu. 7,000,000</u> to be incurred during each 12-month period.
Education	Minimum capital expenditure of <u>Nu. 7,000,000</u> to have been incurred.	<p>For Newly Established Businesses: Employment of:</p> <p>(a) a minimum of <u>6</u> additional Bhutanese nationals; and</p> <p>(b) a minimum total of <u>36</u> employees by the end of the first 12-month period.</p>	Minimum business spending of <u>Nu. 15,000,000</u> to be incurred during each 12-month period.

Approved Business Sector	Extended Capital Expenditure Condition	Extended Employment Condition	Extended Business Spending Condition
		<p>For Existing Businesses: Employment of: (c) a minimum of 4 additional Bhutanese nationals; and (d) a minimum total of 44 employees by the end of the first 12-month period.</p>	
Information and Communication Technology	Minimum capital expenditure of <u>Nu.</u> 250,000 to have been incurred.	<p>For Newly Established Businesses: Employment of: (a) a minimum of 4 additional Bhutanese nationals; and (b) a minimum total of 24 employees by the end of the first 12-month period.</p> <p>For Existing Businesses: Employment of: (c) a minimum of 4 additional Bhutanese nationals; and (d) a minimum total of 44 employees by the end of the first 12-month period.</p>	Minimum business spending of <u>Nu.</u> 2,000,000 to be incurred during each 12-month period.

Approved Business Sector	Extended Capital Expenditure Condition	Extended Employment Condition	Extended Business Spending Condition
Waste Management and Recycling Business	Minimum capital expenditure of <u>Nu. 400,000</u> to have been incurred.	<p>For Newly Established Businesses: Employment of:</p> <p>(a) a minimum of <u>2</u> additional Bhutanese nationals; and</p> <p>(b) a minimum total of <u>10</u> employees by the end of the first 12-month period.</p> <p>For Existing Businesses: Employment of:</p> <p>(c) a minimum of <u>2</u> additional Bhutanese nationals; and</p> <p>(d) a minimum total of <u>17</u> employees by the end of the first 12-month period.</p>	Minimum business spending of <u>Nu. 1,000,000</u> to be incurred during each 12-month period.

Ref. No.:

Date:

**CERTIFICATE OF APPROVAL FOR TAX EXEMPTION SCHEME
UNDER SECTIONS 8 AND 12 OF THE
FISCAL INCENTIVES ACT OF BHUTAN 2021**

Dear Sir/Madam,

1. We refer to your application dated _____ for the status of an Approved Business under the Tax Exemption Scheme.
2. We are pleased to inform you that the Ministry of Finance has approved (name of business) as an Approved Business under section 12 read with section 8 of the Fiscal Incentives Act of Bhutan 2021, subject to the fulfillment of and/or compliance with all of the terms and conditions in this certificate. The terms of the approval are as follows:

Qualifying activity	
Qualifying income	
Tax rate applicable to qualifying income	
Length of qualifying period	
Commencement date of qualifying period	
Cessation date of qualifying period	

3. The approval in paragraph 2 is subject to the Approved Business fulfilling and/or complying with the following terms and conditions:

(a) The business shall employ:

- (i) ___ Bhutanese nationals as additional employees as compared to the commencement of the qualifying period,³² and

³² 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.

- (ii) At least a total of ___ employees
 - by the first 12 months of the qualifying period.
 - (b) 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:
 - (i) 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
 - (ii) The specified minimum total number of employees,which in either case shall include the specified minimum number of Bhutanese nationals.
 - (c) The business shall incur a minimum of ___ as business spending³³ during each 12-month period within the qualifying period;
 - (d) The business shall comply with all terms and conditions of the incentive stated at the **Annex**; and
 - (e) Any other conditions imposed by the Ministry.
4. In the event that the Approved Business fails to fulfill any of the conditions in paragraphs 3(a), (b) or (c) for any income year, it shall not enjoy the tax exemption for that income year.
 5. However, such disqualification in paragraph 4 shall not impact the business' tax exemption incentive in any other income year.
 6. If you wish to accept the incentive, please sign the attached acceptance letter and return it to the Department of Revenue and Customs within 30 days from the date of this letter, failing which this offer shall lapse and the business will be required to re-submit its application should it wish to proceed. Please also note

³³ Business spending refers to operating expenditure incurred in Bhutan during the relevant 12-month period. It includes: (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; and (i) Other legitimate expenses allowed as deductions under the Income Tax Act of the Kingdom of Bhutan 2001. For the avoidance of doubt, depreciation is not regarded as business spending.

that the incentive is valid only upon full acceptance of the terms and conditions stated above.

Yours Faithfully,

Authorized Signatory

Annex – Terms and Conditions of the Tax Exemption Scheme

1. The business shall maintain proper accounting records in accordance with the Income Tax Act of the Kingdom of Bhutan 2001.
2. The business shall maintain all necessary records to enable the Ministry to verify the fulfillment of the conditions in the certificate of approval. The records that a business is required to maintain include the following:
 - (a) Copies of employment contracts of the additional Bhutanese nationals employed within the first 12 months of the qualifying period;
 - (b) Payroll records and list of all the employees employed by the business at the end of every 12-month period during the qualifying period; and
 - (c) List of business expenses and the supporting invoices for each 12-month period during the qualifying period.
3. Where the business carries out more than one qualifying activity and/or any business activity apart from its approved qualifying activity or activities, the business shall ensure that its books of accounts distinguish between each qualifying activity and each other business activity, in relation to:
 - (a) The income derived from the activity;
 - (b) The expenses incurred for the activity; and
 - (c) All other information in the books of accounts, to the extent applicable.
4. Where the business' qualifying period does not commence at the beginning of an income year, the business shall for that income year submit separate tax returns for the period within the qualifying period and outside the qualifying period.
5. The business shall inform the Ministry in writing within one month of the occurrence of any of the following events:
 - (a) The business ceases to carry out any of its approved qualifying activities;or

- (b) The business is sold or transferred to another person.
6. The business shall permit the Ministry to inspect the business' premises and the business' accounting records.
 7. The business shall carry out transactions with associated businesses on an arm's length basis.
 8. The grant of the incentive is approved on the basis of the accuracy and completeness of all information submitted in the application. Should any information be found to be inaccurate or incomplete, the Ministry may exercise its power under section 59 of the Fiscal Incentives Act of Bhutan 2021 to revoke the incentive.
 9. The grant of the incentive is subject to the fulfillment of all applicable provisions under Chapters 2 and 8 of the Fiscal Incentives Act of Bhutan 2021, as well as Chapters 2 and 8 of the Rules on the Fiscal Incentives Act of Bhutan 2021.
 10. The terms and conditions of the incentive shall be kept confidential by the business and shall not be disclosed to any third party, including but not limited to the general public and the press unless the business has obtained the written approval of the Ministry.
 11. The Ministry reserves the right to amend the terms and conditions of the incentive where such amendment is necessitated by the amendment, repeal or supersession of any legislation which governs or impacts the administration of the incentive. Notwithstanding the foregoing, the Ministry is prepared to discuss the proposed amendments with the business before exercising this right of amendment.

Ref. No.:

Date:

**CERTIFICATE OF APPROVAL FOR CONCESSIONARY TAX RATES
SCHEME UNDER SECTIONS 9 AND 12 OF
THE FISCAL INCENTIVES ACT OF BHUTAN 2021**

Dear Sir/Madam,

1. We refer to your application dated ___ for the status of an Approved Business under the Concessionary Tax Rates Scheme.
2. We are pleased to inform you that the Ministry of Finance has approved (name of business) as an Approved Business under section 12 read with section 9 of the Fiscal Incentives Act of Bhutan 2021, subject to the fulfillment of and/or compliance with all of the terms and conditions in this certificate. The terms of the approval are as follows:

Qualifying activity	
Qualifying income	
Tax rate applicable to qualifying income	
Length of qualifying period	
Commencement date of qualifying period	
Cessation date of qualifying period	

3. The approval in paragraph 2 is subject to the Approved Business fulfilling and/or complying with the following terms and conditions:
 - (a) The business shall employ:
 - (i) ___ Bhutanese nationals as additional employees as compared to the commencement of the qualifying period;³⁴ and

³⁴ 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.

- (ii) At least a total of ___ employees
by the first 12 months of the qualifying period.
 - (b) 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:
 - (i) 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
 - (ii) The specified minimum total number of employees,

which in either case shall include the specified minimum number of Bhutanese nationals.
 - (c) The business shall incur a minimum of ___ as business spending³⁵ during each 12-month period within the qualifying period;
 - (d) The business shall comply with all terms and conditions of the incentive stated at the Annex; and
 - (e) Any other conditions imposed by the Ministry.
4. In the event that the Approved Business fails to fulfill any of the conditions in paragraphs 3(a), (b) or (c) for any income year, it shall not enjoy the concessionary tax rate for that income year.
5. However, such disqualification in paragraph 4 shall not impact the business' concessionary tax rate incentive in any other income year.
6. If you wish to accept the incentive, please sign the attached acceptance letter and return it to the Department of Revenue and Customs within 30 days from the date of this letter, failing which this offer shall lapse and the business will be required to re-submit its application should it wish to proceed. Please also note

³⁵ Business spending refers to operating expenditure incurred in Bhutan during the relevant 12-month period. It includes: (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; and (i) Other legitimate expenses allowed as deductions under the Income Tax Act of the Kingdom of Bhutan 2001. For the avoidance of doubt, depreciation is not regarded as business spending.

that the incentive is valid only upon full acceptance of the terms and conditions stated above.

Yours Faithfully,

Authorized Signatory

Annex – Terms and Conditions of the Concessionary Tax Rate Scheme

1. The business shall maintain proper accounting records in accordance with the Income Tax Act of the Kingdom of Bhutan 2001.
2. The business shall maintain all necessary records to enable the Ministry to verify the fulfillment of the conditions in the certificate of approval. The records that a business is required to maintain include the following:
 - (a) Copies of employment contracts of the additional Bhutanese nationals employed within the first 12 months of the qualifying period;
 - (b) Payroll records and list of all the employees employed by the business at the end of every 12-month period during the qualifying period; and
 - (c) List of business expenses and the supporting invoices for each 12-month period during the qualifying period.
3. Where the business carries out more than one qualifying activity and/or any business activity apart from its approved qualifying activity or activities, the business shall ensure that its books of accounts distinguish between each qualifying activity and each other business activity, in relation to:
 - (a) The income derived from the activity;
 - (b) The expenses incurred for the activity; and
 - (c) All other information in the books of accounts, to the extent applicable.
4. Where the business' qualifying period does not commence at the beginning of an income year, the business shall for that income year submit separate tax returns for the period within the qualifying period and outside the qualifying period.
5. The business shall inform the Ministry in writing within one month of the occurrence of any of the following events:
 - (a) The business ceases to carry out any of its approved qualifying activities;or

- (b) The business is sold or transferred to another person.
6. The business shall permit the Ministry to inspect the business' premises and the business' accounting records.
 7. The business shall carry out transactions with associated businesses on an arm's length basis.
 8. The grant of the incentive is approved on the basis of the accuracy and completeness of all information submitted in the application. Should any information be found to be inaccurate or incomplete, the Ministry may exercise its power under section 59 of the Fiscal Incentives Act of Bhutan 2021 to revoke the incentive.
 9. The grant of the incentive is subject to the fulfillment of all applicable provisions under Chapters 2 and 8 of the Fiscal Incentives Act of Bhutan 2021, as well as Chapters 2 and 8 of the Rules on the Fiscal Incentives Act of Bhutan 2021.
 10. The terms and conditions of the incentive shall be kept confidential by the business and shall not be disclosed to any third party, including but not limited to the general public and the press unless the business has obtained the written approval of the Ministry.
 11. The Ministry reserves the right to amend the terms and conditions of the incentive where such amendment is necessitated by the amendment, repeal or supersession of any legislation which governs or impacts the administration of the incentive. Notwithstanding the foregoing, the Ministry is prepared to discuss the proposed amendments with the business before exercising this right of amendment.

**ACCEPTANCE OF INCENTIVE UNDER
[TAX EXEMPTION SCHEME / CONCESSIONARY TAX RATES
SCHEME]**

1. We refer to the Certificate of Approval in your letter dated - _____.
2. We confirm that we are, or will be, engaging in the qualifying activity specified in the Certificate of Approval.
3. We accept the incentive under the [**Tax Exemption Scheme / Concessionary Tax Rates Scheme**] in full, and undertake to fulfill and/or comply with all of the terms and conditions stated in your letter dated _____.

Affix a legal
stamp

Signature of
Applicant

Full Name / Designation / Contact Number

Date: _____

FORM 4: INVESTMENT ALLOWANCE INCENTIVE APPLICATION FORM

A. Explanation Guide³⁶

1. Please use this form to apply for approval of your project as an Approved Project between 1st January 2022 to 31st December 2026.
2. The project should meet the objective of (a) the promotion and development of a High Priority Sector³⁷ or (b) the improvement of the production efficiency of the business activity of a High Priority Sector or (c) a specified project purpose³⁸.
3. Please submit a recommendation letter from your sector agency³⁹ together with this form.
4. Where the Ministry considers it in the public interest, having regard to the economic, technical and other merits of the project to be carried out in Bhutan, the Ministry may approve the project as an Approved Project subject to the conditions specified in the certificate of approval which shall include the following:
 - (a) The specification of the Approved Project;
 - (b) The items of fixed capital expenditure incurred in Bhutan for the Approved Project which shall qualify for the investment allowance;
 - (c) The percentage of the amount of the fixed capital expenditure that shall be granted the investment allowance;

³⁶ The information in this application form is provided for your ease of reference. The terms of the investment allowance are subject to the Fiscal Incentives Act of Bhutan 2021 and the applicable rules.

³⁷ The High Priority Sectors are: (a) Agriculture and RNR; (b) Business Infrastructure Development; (c) Construction; (d) Cooperatives; (e) Creative Industry; (f) CSI; (g) Education; (h) Energy, excluding hydroelectric projects; (i) Health; (j) ICT, excluding telecommunications; (k) Manufacturing; (l) Mining; (m) Tourism; (n) Transport; and (o) Waste Management and Recycling Industries.

³⁸ The Specified Project Purposes are: (a) a project for research and development; (b) a project for improving energy efficiency; (c) a project for developing and improving domestic and international digital services, excluding telecommunications.

³⁹ 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.

- (d) The maximum amount of investment allowance that shall be granted for the fixed capital expenditure incurred for the Approved Project, where a maximum is imposed by the Ministry;
 - (e) The qualifying period, which shall not exceed five years, within which the fixed capital expenditure must be incurred to qualify for the investment allowance; and
 - (f) Such other conditions as the Ministry thinks fit.
5. The fixed capital expenditure qualifying for investment allowance refers to:
- (a) Any building or structure specially designed for carrying out the project;
 - (b) The acquisition of any know-how or patent rights;
 - (c) Any new productive equipment (and, subject to the approval of the Ministry, any second-hand productive equipment) to be used in Bhutan; and
 - (d) Any item prescribed in the Rules.

B. Application Form

I. Business Information

1. Name of Business

2. Tax Payer Number (TPN)

3. Trade License Number and Issue Date

4. Business Address

5. Business Website

6. Contact Tel/Fax

7. Details of Contact Person (Name/Designation)

8. Nature of business/trade sector

9. Name of Proprietor (if unincorporated) or Managing Director (if incorporated)

10. Number of employees

II. Details on the Business

1. Details of business activities

Please describe in detail the business/trade activities

2. 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.)

a. Revenue & expenses

	Financial Periods				
	<i>E.g. 1 Jan 2017 – 31 Dec 2017</i>	<i>E.g. 1 Jan 2018 – 31 Dec 2018</i>	<i>E.g. 1 Jan 2019 – 31 Dec 2019</i>	<i>E.g. 1 Jan 2020 – 31 Dec 2020</i>	<i>E.g. 1 Jan 2021 – 31 Dec 2021</i>
Revenue					
Operating expenses					
Net profit before tax					
Tax paid or payable					
Net profit after tax					

b. Fixed asset investments (*Please fill in the amount of investment made each year into each type of fixed assets*)

	Financial Periods				
	<i>E.g. 1 Jan 2017 – 31 Dec 2017</i>	<i>E.g. 1 Jan 2018 – 31 Dec 2018</i>	<i>E.g. 1 Jan 2019 – 31 Dec 2019</i>	<i>E.g. 1 Jan 2020 – 31 Dec 2020</i>	<i>E.g. 1 Jan 2021 – 31 Dec 2021</i>
<i>E.g. Equipment and machinery</i>					
Total Fixed Asset Investments Made					

III. Proposed Project

1. Name of Project

2. Project Location

3. Commencement date

4. Completion or expected completion date

5. Please state which High Priority Sector or specified project purpose this project relates to

IV. Project Details

Please describe the following in detail:

1. Objective of the project⁴⁰

Describe the background, scope and intended outcome of the project. Your write up should cover how your project will meet the objective of (a) the promotion and development of a High Priority Sector or (b) the improvement of the production efficiency of the business activity of a High Priority Sector or (c) a specified project purpose.

2. Project timeline and Key milestones of the project

Provide a project plan describing the key milestones of your project, such as (a) acquisition of key assets; (b) recruitment of manpower; (c) commencement of operations.

⁴⁰ Please ensure that the Project has been discussed with the relevant sector agency and has received the sector agency's endorsement in their letter of recommendation to be submitted together with this application.

3. Total projected capital expenditure to be incurred for the proposed project (details to be given in S/N 7 below)

4. Source of funds for the project

5. Fixed capital expenditure for the Project⁴¹ (Please describe the fixed capital assets required – for each asset, please submit the required documents in Section D)

S/N	Description of the capital asset (Description, name of supplier, brand model, no.)	Number of units	Whether asset is new or second hand	Intended use of the asset (Explanation of how the capital asset will be deployed in the proposed Project to achieve the prescribed objectives.)	Projected useful life	Acquisition date	Vendor and vendor's details ⁴²	Whether asset to be paid in full or by hire purchase agreement	Amount of capital expenditure
Total amount of capital expenditure									

⁴¹ Please only include capital expenditure items (such as (a) any building or structure specially designed for carrying out the project; (b) the acquisition of any know-how or patent rights; (c) any new productive equipment (and, subject to the approval of the Ministry, any second-hand productive equipment) to be used in Bhutan; and (d) any item prescribed in the Rules) incurred for the Project by the applicant. For the avoidance of doubt, capital assets not acquired for exclusive use in the Project and stock-in-trade shall not qualify for IA. Please also refer to the Schedule of Items published by the Ministry for a detailed list of items that would be considered for IA.

⁴² Please note that the capital expenditure must be incurred in Bhutan for the Project by the applicant. This means that the assets should be acquired from a registered business in Bhutan with its principal place of business in Bhutan. Applications for assets to be acquired from a business outside Bhutan would be considered on a case-by-case basis, and approval may be subject to further conditions imposed by the Ministry.

6. Projected revenue & expenses post-completion of Project (Please fill in financial projections for the next 5 financial years)

	Financial Periods				
	[Please fill in the next 5 income years]				
	<i>E.g. 1 Jan 2022 – 31 Dec 2022</i>	<i>E.g. 1 Jan 2023 – 31 Dec 2023</i>	<i>E.g. 1 Jan 2024 – 31 Dec 2024</i>	<i>E.g. 1 Jan 2025 – 31 Dec 2025</i>	<i>E.g. 1 Jan 2026 – 31 Dec 2026</i>
Revenue					
Operating expenses ⁴³					
Net profit before tax					
Tax paid or payable					
Net profit after tax					

C. Declaration

1. I declare that the business has not applied for or been given any other direct tax incentive under Chapter 2 of the Fiscal Incentives Act 2021.
2. I declare that the information provided in this application form is true and complete.
3. I undertake that, if granted the incentive, the business shall comply with the following:
 - (a) The business shall maintain proper accounting records in accordance with the Income Tax Act of the Kingdom of Bhutan 2001;
 - (b) The business shall keep records on the fixed capital expenditure incurred and the progress of the Approved Project for at least 7 years from the commencement of the qualifying period stated on the certificate of approval;

⁴³ Please also include any interest expenses or other financing costs that may be incurred in relation to the proposed Project.

- (c) The business shall permit the Ministry to inspect the business' premises and the business' accounting records;
- (d) The business shall carry out transactions with associated businesses on an arm's length basis;
- (e) The business shall not, without the written approval of the Ministry, sell, lease out or otherwise dispose of any asset in respect of which an investment allowance has been given within 7 years from the commencement of the qualifying period stated on the certificate of approval; and
- (f) In the event the Approved Project is terminated or aborted, or if the business ceases operations during the qualifying period the business shall inform the Ministry in writing within one month; and the Ministry has the right to revoke the investment allowance granted; and be entitled to recover the investment allowance granted by way of an assessment or reassessment to recover any tax in respect of any income that was not subject to tax because of the investment allowance.

Affix a legal stamp
Signature of Applicant

Full Name / Designation / Contact Number

Date _____

D. Documents to be submitted with Application Form

1. Copy of Trade License/Permit issued by the concerned agency.
2. Copy of Citizenship Identity Card of the proprietor.
3. Company Registration Certificate/Co-operative Registration Certificate, whichever is relevant.
4. Copy of Ownership Certificate.
5. Copy of Lease Agreement if business is conducted in hired premises.
6. Recommendation Letter issued by the concerned agency.
7. For each of the items of fixed capital expenditure to be bought:
 - a. Information on the asset showing (i) description; (ii) name of supplier; (iii) brand and model; (iv) function and efficiency; (v) price. (E.g. Brochures, Screenshots of retail website, etc.).
 - b. Quotations / Pro-forma invoice from suppliers.
8. 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	Sector agency to obtain Recommendation Letter from
Agriculture and renewable natural resources	Ministry of Agriculture and Forests
Business infrastructure development	Ministry of Information and Communication; Ministry of Economic Affairs; or Ministry of Agriculture and Forest
Construction	Ministry of Works and Human Settlement Construction Development Board National Environment Commission
Cooperatives	Ministry of Agriculture and Forest
Creative industry	Ministry of Information and Communication
Cottage and Small Industries (CSI)	Ministry of Economic Affairs
Education	Ministry of Education; or Royal University of Bhutan
Energy, excluding hydroelectric projects	Ministry of Economic Affairs; or National Environment Commission
Health	Ministry of Health
ICT, excluding telecommunications	Ministry of Information and Communication
Manufacturing	Ministry of Economic Affairs
Mining	Ministry of Economic Affairs
Tourism	Tourism Council of Bhutan
Transport	Ministry of Information and Communication
Waste Management and Recycling Industries	National Environment Commission
Specified Projects	Sector agency to obtain Recommendation Letter from
Project for research and development	Relevant Agency
Project for improving energy efficiency	Relevant Agency including National Environment Commission

Specified Projects	Sector agency to obtain Recommendation Letter from
Project for developing and improving domestic and international digital services, excluding telecommunications	Relevant Agency including Ministry of Information and Communication

Ref No.

Date:

**CERTIFICATE OF APPROVAL FOR INVESTMENT ALLOWANCE
INCENTIVE UNDER SECTION 19 OF THE FISCAL INCENTIVES
ACT OF BHUTAN 2021**

Dear Sir/Madam,

1. We refer to your application for the status of an Approved Project dated _____.
2. We are pleased to inform you that the Ministry of Finance has approved your proposed project as an Approved Project under section 19 of the Fiscal Incentives Act of Bhutan 2021, subject to the fulfillment of and/or compliance with all of the terms and conditions in this certificate. The terms of the approval are as follows:

- (a) **Specification of the Approved Project.** The business shall implement the project as stated below:

Specification of the Approved Project

- (b) **Investment Allowance.** Investment allowance shall be granted at the specified percentage (*IA Percentage*) in respect of the following items of fixed capital expenditure to be incurred in Bhutan for the Approved Project:

S/N	Item of fixed capital expenditure	Projected capital expenditure amount	IA Percentage ⁴⁴	IA Amount

⁴⁴ Under section 17 of the Fiscal Incentives Act 2021, an investment allowance may be granted to a business by the Ministry at a specified percentage not exceeding 100% of the amount of the fixed capital expenditure incurred for an Approved Project.

- (c) The qualifying period shall be for (duration), commencing on (date) and ending on (date);
 - (d) The fixed capital expenditure shall be incurred in Bhutan by the business for the Approved Project during the qualifying period;
 - (e) The fixed capital expenditure incurred in Bhutan shall be used and kept in use for the Approved Project in Bhutan unless the business has obtained the written approval of the Ministry;
 - (f) The maximum amount of investment allowance that shall be granted for the Approved Project is capped at _____. If the actual expenditure amount exceeds the projected expenditure amount due to exceptional circumstances, you may submit an application to the Ministry (with reasons and supporting evidence) to appeal for an increase in the maximum amount of investment allowance;
 - (g) The business shall comply with all terms and conditions of the incentive stated at the **Annex**; and
 - (h) Any other conditions imposed by the Ministry.
3. If you wish to accept the incentive, please sign the attached acceptance letter and return it to the Department of Revenue and Customs within [30] days from the date of this letter, failing which this offer shall lapse and the business will be required to re-submit its application should it wish to proceed. Please also note that the incentive is valid only upon full acceptance of the terms and conditions stated above.

Yours Faithfully,

Authorized Signatory

Annex – Terms and Conditions of the Investment Allowance Incentive

1. The business shall maintain proper accounting records in accordance with the Income Tax Act of the Kingdom of Bhutan 2001.
2. The business shall keep records on the fixed capital expenditure incurred and the progress of the Approved Project for at least 7 years from the commencement of the qualifying period stated on the certificate of approval. The records that a business is required to maintain include the following:
 - (a) A copy of the sales and purchase agreement or hire-purchase agreement between the supplier and the business, where applicable;
 - (b) A copy of the invoice/bill of the fixed capital expenditure incurred, containing the following particulars:
 - (i) the name and address of the supplier;
 - (ii) the date of issue of the invoice/bill;
 - (iii) a description of the fixed capital expenditure incurred; and
 - (iv) the total amount payable and the terms of payment.
 - (c) Payment evidence showing payment of the fixed capital expenditure, including payment receipts issued by the supplier, bank statements;
 - (d) Statement of investment allowance given and deducted from the profits of the business on an annual basis; and
 - (e) Records of the progress of the Approved Project, such as feasibility studies, project contracts and agreements, management plans, implementation schedules, meeting minutes, costs and revenue estimates and similar progress reports.
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.
5. The business shall not, without the written approval of the Ministry, sell, lease out or otherwise dispose of any asset in respect of which an investment allowance has been given within 7 years from the commencement of the qualifying period stated on the certificate of approval. Where, within 7 years from the income year in which the investment allowance was granted, the business has sold, leased out, or otherwise disposed of any asset in respect of which an investment allowance has been granted:
 - (a) any unused investment allowance shall be disregarded; and
 - (b) an assessment or reassessment to recover any tax in respect of any income that was not subject to tax because of the investment allowance shall be made upon the business.
6. Where, at any time after 7 years from the income year in which the investment allowance was granted, the business has sold, leased out, or otherwise disposed of any asset in which an investment allowance has been granted, any unused investment allowance shall be disregarded unless the business has obtained the written approval of the Ministry.
7. In the event the Approved Project is terminated or aborted, or if the business ceases operations during the qualifying period the business shall inform the Ministry in writing within one month; and the Ministry has the right to revoke the investment allowance granted; and be entitled to recover the investment allowance granted by way of an assessment or reassessment to recover any tax in respect of any income that was not subject to tax because of the investment allowance.
8. The grant of the incentive is approved on the basis of the accuracy and completeness of all information submitted in the application. Should any information be found to be inaccurate or incomplete, the Ministry may exercise its power under section 59 of the Fiscal Incentives Act of Bhutan 2021 to revoke the incentive.
9. The grant of the incentive is subject to the fulfillment of all applicable conditions under Chapters 3 and 8 of the Fiscal Incentives Act of Bhutan 2021, as well as Chapters 3 and 8 of the Rules on the Fiscal Incentives Act of Bhutan 2021.

10. The terms and conditions of the incentive shall be kept confidential by the business and shall not be disclosed to any third party, including but not limited to the general public and the press unless the business has obtained the written approval of the Ministry.
11. The Ministry reserves the right to amend the terms and conditions of the incentive where such amendment is necessitated by the amendment, repeal or supersession of any legislation which governs or impacts the administration of the incentive. Notwithstanding the foregoing, the Ministry is prepared to discuss the proposed amendments with the business before exercising this right of amendment.

Ref No.

Date:

ACCEPTANCE OF INVESTMENT ALLOWANCE INCENTIVE

Dear Sir/Madam,

1. We refer to the Certificate of Approval in your letter dated _____.
2. We confirm that we will be implementing the project as stated in the Specification of the Approved Project.
3. We accept the investment allowance incentive in full, and undertake to fulfill and/or comply with all of the terms and conditions stated in your letter dated _____.

Affix a legal stamp
Signature of Applicant

Full Name / Designation / Contact Number

Date: _____

FORM 5: APPLICATION FOR SALES TAX AND CUSTOMS DUTY EXEMPTION ON GOODS AND COMMODITIES

Ref.no.: Date:

<p>1. Applicant Details</p> <p>Name: _____</p> <p>TPN/CID No. : _____</p> <p>Address : _____</p> <p>Contact No. : _____</p>	<p>2. Details of exempt organization/ projects</p> <p>Name : _____</p> <p>TPN/CID No. : _____</p> <p>Address : _____</p> <p>Source of funding. : _____</p>
<p>3. Type of import/purchase (Please tick)</p> <p><input type="checkbox"/> Plant & Machinery</p> <p><input type="checkbox"/> Equipment</p> <p><input type="checkbox"/> Motor Vehicle</p> <p><input type="checkbox"/> Raw Materials</p> <p><input type="checkbox"/> General Goods & Commodities</p> <p><input type="checkbox"/> Personal Effects</p> <p><input type="checkbox"/> Others</p>	<p>4. Purpose of import/purchase (Please tick)</p> <p><input type="checkbox"/> Bhutanese Organisation/Agency</p> <p><input type="checkbox"/> Foreign Diplomatic Mission</p> <p><input type="checkbox"/> International organization</p> <p><input type="checkbox"/> Privileged personal/individual</p> <p><input type="checkbox"/> Project</p> <p><input type="checkbox"/> Manufacturing unit</p> <p><input type="checkbox"/> Service unit</p>
<p>5. Country of origin of goods (Please tick)</p> <p><input type="checkbox"/> Bhutan</p> <p><input type="checkbox"/> India</p> <p><input type="checkbox"/> Third Country</p> <p><input type="checkbox"/> Entry Point to Bhutan</p>	<p>6. Supplier's Details</p> <p>Name : _____</p> <p>Address. : _____</p> <p>InvoiceNo.: _____</p> <p>Invoice Date : _____</p>

7. Import/Purchase Details

SL. No.	BTC Code	Commodity Description	Unit	Quantity	Currency	Value

Note:

- i. Details of import/purchase must be entered as per Performa invoice/bills
- ii. Following documents must be enclosed and should bear ref.no., date of application, name/signature of the applicant.
 - a. Letter of Undertaking 1 affixed with legal stamp
 - b. Signature declaration form affixed with legal stamp
 - c. Authorization letter affixed with legal stamp in case of third-party applicant
 - d. Bill of Quantity (BOQ) in case of project related import/purchase

(Signature of Applicant)

Date:

SIGNATURE DECLARATION

I/we, (Proprietor/MD/GM/CEO) of _____ (Name of the Establishment/Company) do hereby declare that the below signed specimen signature is the authentic signature signed by me for the application for Sales Tax Exemption, Customs Duty Exemption and Undertaking.

I do hereby declare that the signature furnished below will be used as my authentic signature for the application for Sales Tax Exemption, Customs Duty Exemption and Undertaking purpose and hence for any incorrectness/ false information leading to unlawful consequences, I/we would be liable for consequences of non-compliance or abuse as per Section 59, Chapter 8 of the Fiscal Incentives Act of Bhutan 2021.

SPECIMEN SIGNATURE

SPECIMEN SIGNATURE

Affix a legal
stamp

Signature of
Applicant

Name (in Block letters): _____

Place: _____

Date: _____

Date:

AUTHORIZED PERSONAL SIGNATURE

I/we,(Proprietor/MD/GM/CEO)of _____(Name of the establishment/Company)do hereby authorize Mr/Ms/Mrs _____ holding Citizenship Identity Card Number _____ whose signature as attested below for the application for Sales Tax Exemption, Customs Duty Exemption and Undertaking of my above stated establishment/Company.

I hereby declare that the below signed specimen signature is the authentic signature signed by Mr/Ms/Mrs _____ in my presence.

Also, I do hereby declare that any incorrectness/ false information leading to unlawful consequences, I/we would be liable for consequences of non-compliance or abuse as per Section 59, Chapter 8 of the Fiscal Incentives Act of Bhutan 2021.

Authorized Personal specimen signature
[Authorized Personal Name]

Authorized Personal specimen signature
[Authorized Personal Name]

Affix a legal stamp
Signature of Applicant

Name (in Block letters): _____

Place: _____

Date: _____

Date:

LETTER OF UNDERTAKING 1

I/We _____ (name of the applicant/organization/business), hereby confirm that the IDEC (Import Duty Exemption Certificate), STEC (Sales Tax Exemption Certificate) applied for the goods mentioned in the application form submitted vide letter No. _____ dated _____ are meant exclusively for the purpose stated and not for any other uses. In case the declaration is found to be untrue & incorrect, I/we would be liable for consequences of non-compliance or abuse as per Section 59, Chapter 8 of the Fiscal Incentives Act of Bhutan 2021.

Affix a legal
stamp

Signature of
Applicant

(Name and Designation)

Date: _____

Full Address

LETTER OF UNDERTAKING 2

I/we _____ (name of the tour operator)
hereby confirm that:

1. The information submitted vide **online application no** _____ **dated** _____ is true to the best of my/our knowledge. In case the information is found to be untrue, I/We shall be liable for fines and penalties as per the Sales Tax, Customs & Excise Act of the Kingdom of Bhutan, 2000, Customs Act of Bhutan 2017 and amendments thereof.
2. The exemptions applied for the goods mentioned in this application forms are meant for the purpose(s) of my business and not for any other use. In case the same is found to be otherwise, I/we shall be liable for fines & penalties in addition to the amount of Sales Tax and/or Customs Duty as per the Sales Tax, Customs and Excise Act of the Kingdom of Bhutan, 2000, Customs Act of Bhutan 2017 and amendments thereof. Further, it shall result in withdrawal of the exemptions facilities.
3. I/We shall maintain & submit proper books of accounts for tax purpose as per the Income Tax Act & Rules of the Kingdom of Bhutan, 2001 and amendments thereof upon availing these exemptions. In case of non-maintenance of proper books of accounts, I/we shall be liable for fines & penalties as per the Sales Tax, Customs & Excise Act of the Kingdom of Bhutan, 2000, Customs Act of Bhutan 2017 and amendments thereof. Further, it shall result in withdrawal of the exemptions facilities until the proper books of accounts for the following income year is submitted for tax purpose.
4. I/We shall maintain stock register/inventory of all exempted goods upon availing these exemptions. In case of non- maintenance of stock register/inventory of all the exempted goods, I/we shall be liable for fines & penalties as per the Sales Tax, Customs & Excise Act of the Kingdom of Bhutan, 2000, Customs Act of Bhutan 2017 and amendments thereof. Further, it shall result in withdrawal of the exemptions facilities.
5. There are no outstanding taxes/dues against my tour business including its sister concerns with DRC. In case there are outstanding Sales Tax, Income Tax or any other taxes/dues against my tour business including its sister concerns, exemptions may be withheld until all the taxes/dues are cleared.
6. I/We shall operate for a minimum of 5 years upon availing these exemptions

or from the date of this undertaking. In case of non-compliance, I/We shall be liable to fines & penalties in addition to the amount of Sales Tax and/or Customs Duty on all goods exempted earlier as per Sales Tax, Customs & Excise Act & Rules of the Kingdom of Bhutan, 2000, Customs Act of Bhutan 2017 and amendments thereof.

7. The name of business entity shall be displayed on the vehicle exempted, if any within one month from the date of registration with RSTA. In case of non-compliance, I/we shall be liable for a fines & penalties as per the Sales Tax, Customs & Excise Act of the Kingdom of Bhutan, 2000, Customs Act of Bhutan 2017 and amendments thereof. Further, it shall result in withdrawal of the exemptions facilities until the name of business entity is being displayed on the vehicle.
8. All exempted goods shall be subject to post clearance audit/assessment/ reassessment at any point of time and that I/we shall extend full cooperation to the audit/assessing team. In case of failure to cooperate, it may result in withdrawal of the exemptions facilities.
9. I/We shall furnish accurate information as may be required by the DRC. In case of non-compliance and submission of false information, I/We shall be liable for fines and penalties as per the Sales Tax, Customs & Excise Act, 2000, Customs Act of Bhutan 2017 and amendments thereof.
10. I/We shall be subject to all existing rules, regulations and procedures prescribed in the Sales Tax, Customs and Excise Act & Rules 2000, Customs Act of Bhutan 2017 and amendments thereof and the Income Tax Act & Rules, 2001 and amendments thereof for availing these exemptions.

Affix a legal
stamp

Signature of
Applicant

Owner/Authorized Signatory:

Name:

Designation:

CID no:

Date:

LETTER OF UNDERTAKING 3

I/we _____ (name of the hotel:) hereby confirm that:

1. The information submitted vide online application no _____ dated _____ is true to the best of my/our knowledge. In case the information is found to be untrue, I/We shall be liable for fines and penalties as per the Sales Tax, Customs & Excise Act of the Kingdom of Bhutan, 2000, Customs Act of Bhutan 2017 and amendments thereof.
2. The exemptions applied for the goods mentioned in the application forms are meant for the purpose(s) of my business and not for any other use. In case the same is found to be otherwise, I/we shall be liable for fines & penalties in addition to the amount of Sales Tax and/or Customs Duty as per the Sales Tax, Customs and Excise Act of the Kingdom of Bhutan, 2000, Customs Act of Bhutan 2017 and amendments thereof. Further, it shall result in withdrawal of the exemptions facilities.
3. I/We shall maintain & submit proper books of accounts for tax purpose as per the Income Tax Act & Rules of the Kingdom of Bhutan, 2001 and amendments thereof upon start of commercial operation (applicable to new hotel under construction) or upon availing these exemptions (applicable to existing and upgrading hotel who has not maintained books of accounts). In case of non-maintenance of proper books of accounts, I/we shall liable for a fines & penalties as per the Sales Tax, Customs & Excise Act of the Kingdom of Bhutan, 2000, Customs Act of Bhutan 2017 and amendments thereof. Further, it shall result in withdrawal of the exemptions facilities until the proper books of accounts for the following income year is submitted for tax purpose.
4. I/We shall maintain stock register/inventory of all exempted goods upon availing these exemptions (applicable to new, existing and upgrading hotel). In case of non-maintenance stock register/inventory of all the exempted goods, I/we shall be liable for fines & penalties as per the Sales Tax, Customs & Excise Act of the Kingdom of Bhutan, 2000, Customs Act of Bhutan 2017 and amendments thereof. Further, it shall result in withdrawal of the exemptions facilities.
5. There are no outstanding taxes/dues against my hotel including its sister concern

with DRC. In case there are outstanding Sales Tax, Income Tax or any other taxes/dues against my hotel including its sister concern, exemptions may be withheld until all the taxes/dues are cleared.

6. I/We shall install & use computerized billing system upon start of commercial operation (applicable to new hotel under construction) or within one year from the date of this undertaking (applicable to existing and upgrading hotel). In case of noncompliance, it shall result in withdrawal of the exemptions facilities until I/We install & use one.
7. I/We shall operate for a minimum of 5 years upon start of commercial operation (applicable to new hotel under construction) or from date of this undertaking (applicable to existing and upgrading hotel). In case of non-compliance, I/We shall be liable to fines & penalties in addition to the amount of Sales Tax and/or Customs Duty on all goods exempted earlier as per Sales Tax, Customs & Excise Act & Rules of the Kingdom of Bhutan, 2000, Customs Act of Bhutan 2017 and amendments thereof.
8. The hotel shall be registered as Sales Tax Collecting Agent upon start of commercial operation (applicable to new hotel under construction) or is registered as Sales Tax Collecting Agent (applicable to existing and upgrading hotel) and therefore I/we shall collect & deposit the Sales Tax as per the requirements of the Sales Tax, Customs & Excise Act of the Kingdom of Bhutan, 2000, Customs Act of Bhutan 2017 and amendments thereof. In case of non-compliance, the hotel liable for fines & penalties as per the Sales Tax, Customs and Excise Act of the Kingdom of Bhutan, 2000, Customs Act of Bhutan 2017 and amendments thereof. Further, it shall result in withdrawal of the exemptions facilities.
9. All exempted goods shall be subject to post clearance audit/assessment/ reassessment at any point of time and that I/we shall extend full cooperation to the audit/assessing team. In case of failure to cooperate, it may result in withdrawal of the exemptions facilities.
10. I/We shall furnish accurate information as may be required by the DRC. In case of non-compliance and submission of false information, I/We shall be liable for fines and penalties as per the Sales Tax, Customs & Excise Act, 2000, Customs Act of Bhutan 2017 and amendments thereof.

11. I/We shall be subject to all existing rules, regulations and procedures prescribed in the Sales Tax, Customs and Excise Act & Rules 2000, Customs Act of Bhutan 2017 and amendments thereof and the Income Tax Act & Rules, 2001 and amendments thereof for availing these exemptions.

Affix a legal stamp
Signature of Applicant

Owner/Authorized Signatory:

Name:

Designation:

CID no:

Date:

Royal Government of Bhutan
Department of Revenue & Customs
Ministry of Finance
TashichhoDzong

Phone #: PABX-324357/ 322319/ 322389/ 325602; Fax #: 323608

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