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Department of Revenue and Customs
Ministry of Finance
Royal Government of Bhutan

BHUTAN
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DRC/TAX/M&E/NOT/2025/ 16th December 2025

NOTIFICATION

Subject: Tax rates, Filing obligation and Presumptive Taxation under the Income Tax Act of Bhutan 2025

The Department of Revenue & Customs hereby notifies the general public that the Income Tax Act of Bhutan 2025 will come into effect from 1 January 2026. Accordingly, the Department would like to inform the general public of the following key changes pertaining to tax rates, withholding (TDS) obligation, filing obligations, and presumptive taxation effective from 1 January, 2026.

1. Tax rates

The following tax rates shall apply to income chargeable under the Income Tax Act of Bhutan 2025 from Income Year 2026 onwards. Individuals' income including their business income (sole proprietorship and partnership income) shall be taxed based on progressive income slabs, while non-individual entities are taxed at a flat rate, as set out below.

1.1 Tax rates for individual

Taxable Income	Tax Rate
Less than Nu. 300,000	Nil
Nu. 300,001 to Nu. 500,000	5%
Nu. 500,001 to Nu. 750,000	10% plus Nu. 10,000
Nu. 750,001 to Nu. 1,200,000	15% plus Nu. 35,000
Nu. 1,200,001 to Nu. 2,000,000	20% plus Nu. 102,500
Nu. 2,000,001 to Nu. 3,500,000	25% plus Nu. 262,500
More than Nu. 3,500,000	30% plus Nu. 637,500

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1.2 Tax rates for non-individual entity

Category	Tax Rate	Remarks
Company	22%	Applies to all companies registered under applicable laws
Body of Persons	22%	Non-individual entity excluding company
Trust	30%	Applies to all trusts, registered or unregistered
Significant Economic Presence	22% or 5% of turnover	Option to either file return or pay tax on turnover

2. Withholding Obligations and Rates

All government and semi-government entities, companies, non-governmental organisations, businesses, agencies, and individuals are required to deduct and deposit withholding tax with the Department, as specified in the table below, within ten (10) days after the end of each calendar month following the date of deduction.This obligation is mandated under Chapter 11 of the Income Tax Act of Bhutan 2025 and the Rules made thereunder.

Sl No	Withholding person	Income Type	TDS Rates
1	Employer or authorized representative	Employment income	As per Annexure I of the Rules on the Income Tax Act 2025
2	Contract Awarder or authorised representative	Contractual income	2% for residents 5% for non-residents
3	Government, Semi-Government, Company, Business, Non-Government Organisations (NGO’s), and Persons/Individuals	Service fees and contractual income	2% for residents 5% for non-residents
		Royalty income	5% for resident and non-residents
		Rental income	5% for resident and non-resident
		Other investment income (other than interest and dividend)	5% for resident and non-residents
4	Financial Institutions and other relevant business and agencies	Interest income	10% for resident and non-resident
5	Company	Dividend income	10% for resident and non-resident individuals only

6	Company, Business and other relevant business and agencies	Winning from lotteries, betting, or gambling	20% for resident and non-resident
7	Precedent partner	Partnership income	5% of partner's share of any partnership income
8	Individual	Service fees and contractual income from construction, renovation, repair, or maintenance work carried out on a residential property owned or occupied by the individual, or any other form of manual or skilled labor performed for the benefit of the individual	2% for residents 5% for non-residents

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3. Filing obligations under the Act

Every person having taxable income must file a return with the Department unless exempted under the Act. In particular, from Income Year 2026 onwards, the following categories of persons, among others, will also be required to file a tax return.

3.1 **Bhutan Permanent Establishment (Bhutan PE):** Non-resident persons operating through a Bhutan PE must file a return declaring income attributable to the PE and pay tax on such income.

3.2 **Minors:** Minors earning taxable income are taxable in their own right and required to file return and pay any tax due where applicable.

3.3 **Significant Economic Presence (SEP):** Non-resident persons meeting the prescribed SEP thresholds are treated as having a taxable presence in Bhutan and are required to comply with the filing and tax payment obligations.

3.4 **Persons engaged in Business without license:** Income generating activities conducted without a business license, including online content creation (YouTubers, influencers), online or digital sales, earnings from digital platforms, and any other unlicensed business activity, are treated as income from business, and a return must be filed and tax paid where taxable income arises.

4. Presumptive taxation for small business

Presumptive taxation is a simplified tax regime available to eligible small resident businesses. This regime applies when **ALL** of the following conditions are met:

1. Income consists exclusively of income from business;
2. Income is solely from Bhutan and does not exceed Nu. 5 million annually;
3. The individual has not previously been taxed under this Act using any method other than presumptive taxation;
4. The business is not registered for GST;
5. The individual does not hold a professional qualification; and
6. The business is not a partnership.

The assessable income under presumptive taxation shall be computed at 15% of the annual turnover and taxed based on individual progressive income slab.

This notification is issued for information and strict compliance by all concerned. For detailed provisions and clarifications, please refer to the Income Tax Act of Bhutan 2025 and the associated Rules.

Offg. Director General
Department of Revenue & Customs