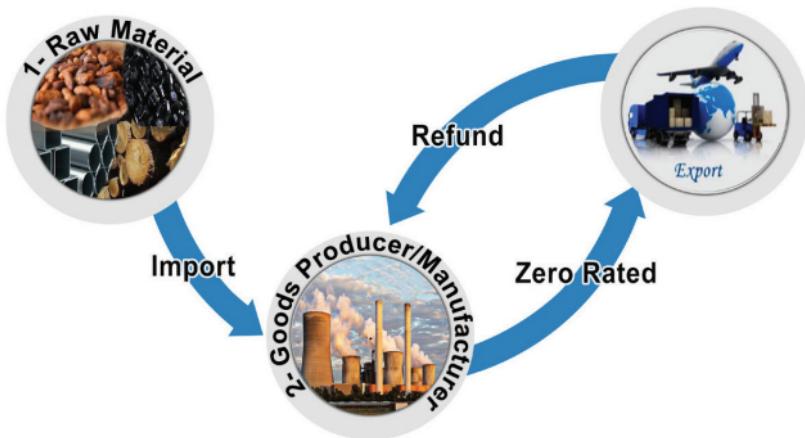


“

A flourishing economy means that our people need not always think of migrating and the government coffers will be in a better state to distribute wealth more evenly to our people.

His Majesty Jigme Khesar Namgyel Wangchuck

17th December 2023



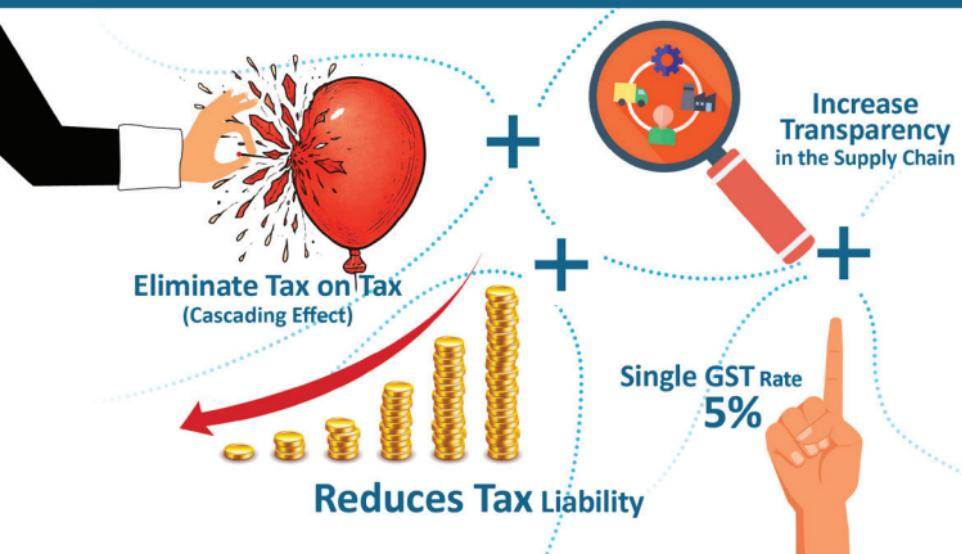
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BENEFITS OF GST



BENEFITS OF GST

CONSUMERS

Transparent & Fair System



PRIVATE SECTOR

Reduced Compliance Burden & Cost



Eliminate Cascading Effect



GOVERNMENT

Broadening & Stabilizing Tax Base



CONSUMERS

Revenue Efficiency & Sustainability



PRIVATE SECTOR

Eliminate Distortions



GOVERNMENT

Ease of Administration



Integrated Return Filing & Payment



Compliance Benefits & Services



Enforcement Focus on Non-compliance



Preface

This Frequently Asked Questions (FAQ) document has been prepared by the Department of Revenue & Customs (DRC) to support taxpayers and stakeholders in understanding the Goods and Services Tax (GST) in Bhutan. It brings together commonly raised queries and provides clear, practical explanations to facilitate a smooth transition to the GST system.

While every effort has been made to simplify the provisions of the GST Act 2020 and its subsequent amendments, this document should be read as a guiding resource and not as a substitute for the law. For authoritative reference, taxpayers are advised to consult the GST Act, Rules, and official notifications issued by the Ministry of Finance.

The DRC remains committed to ensuring transparency, enhancing taxpayer services, and building trust in the new tax regime. We hope this FAQ will assist in clarifying doubts, improving compliance, and strengthening cooperation between taxpayers and the Department.

Feedback and suggestions are welcome to help us improve future editions of this resource.



What is GST?

GST stands for “**Goods and Services Tax**”. GST is applicable on goods and services when imported, sold or consumed in Bhutan.

Overview

Is GST a new Tax?

GST is not a new tax but it is a reform of the existing Sales Tax.

What is the rate of GST in Bhutan?

Applicable GST rate on all the taxable goods and services is 5%.

How many countries has GST been implemented in?

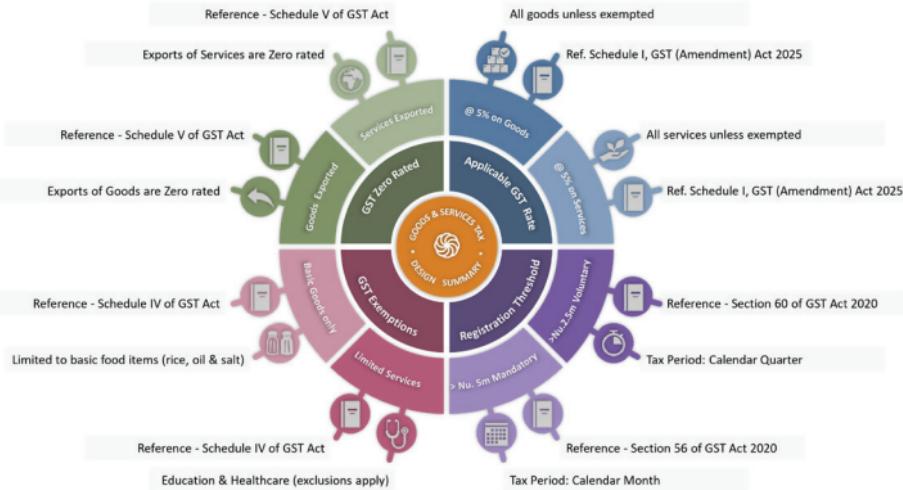
GST has been implemented by 175 countries around the world.

What are the average GST rates adopted globally?

The global average GST rate is around 15 percent.

Is GST a tax on business?

No, GST is paid by the consumer, not by producers and suppliers. For example, registered businesses collect GST from customers, get credits for the GST they paid on their own purchases, and then remit the remaining to the government.



1. GST Design

The Goods and Services Tax (GST) has been designed with simplicity, fairness, and transparency in mind. The key features of the GST framework are:

Applicable GST Rate

- 5% on Goods and Services- applies to all goods and services. (Ref: Schedule I, GST Amendment Act 2025).

Registration Threshold

- Compulsory Registration – Businesses with annual turnover of equal to or above Nu. 5 million. (Ref:

Schedule II, GST Act 2020)

- Voluntary Registration – Businesses with turnover above Nu. 2.5 million may opt in.

Tax Period – Calendar Month, Calendar Quarter and Half Yearly (Ref: Section 337 (105), GST Act of Bhutan 2020)

GST Exemptions

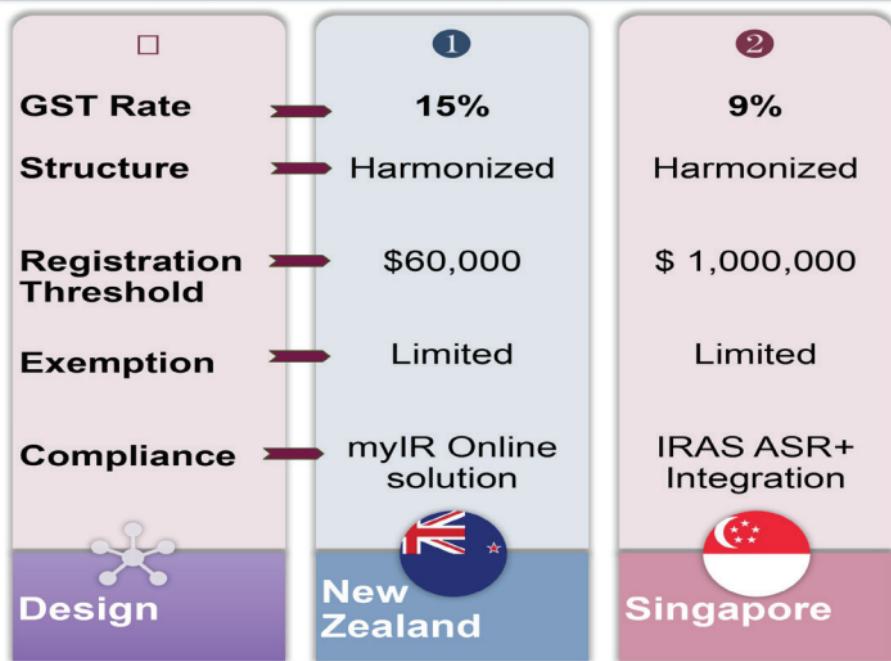
Certain goods and services are exempt:

- Basic Goods – Limited to rice, oil, salt, sanitary pads and wheelchair. (Ref: Schedule IV C, GST (Amendment) Act 2025)
- Services – Education and healthcare (with specific exclusions). (Ref: Schedule IV A, GST Act of Bhutan 2020)

GST Zero Rated Supplies

To promote trade competitiveness, exports are zero-rated:

- Goods Exported – Zero-rated. (Ref: Schedule V, Para 2, GST Act of Bhutan 2020)
- Services Exported – Zero-rated. (Ref: Schedule V, Para 2, GST Act of Bhutan 2020)



2. GST Design Comparison

In countries that have implemented GST, the design differs in four key areas—rate, registration threshold, exemptions, and structure/compliance. Some countries, like New Zealand, apply a single uniform GST rate. Registration thresholds also vary—higher in developed countries to reduce the burden on small businesses, and lower in developing economies to broaden the tax net. On exemptions, most countries exclude essential goods and services like healthcare, education, and basic food items,

Comparison

3

8.1% - 27%

Harmonized

€ 10,000 -
€100,000

Limited

VAT OSS/
IOSS Interface



EU Countries

4

5% - 28%

Dual System
(CGST/SGST/IGST)

₹ 1,000,000 -
₹ 2,000,000

Complex List

GSTN Online
Solutions



India

5

5%

Harmonized

Nu. 2,500,000 -
Nu. 5,000,000

Limited

BITs online
Solution



Bhutan

though the scope and detail differ across jurisdictions. In terms of structure and compliance, some follow a single national GST model, while others (e.g., India) adopt a dual GST shared between central and state governments. Compliance systems also differ, ranging from simplified returns to advanced digital reporting and e-invoicing. For Bhutan, the GST is designed as a single-rate system with minimal exemptions, a set threshold for registration, and a modern compliance framework to support online filing and reporting, aligning with international best practices while keeping simplicity in mind for taxpayers.

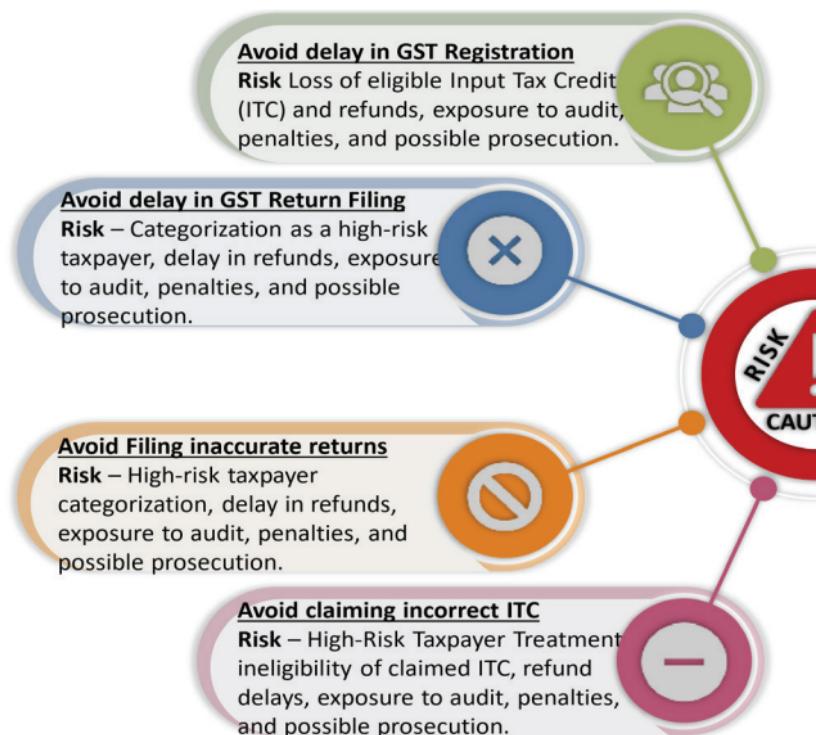
Six good things about GST



4. Benefits of GST

The GST system brings several benefits that make it simple, fair, and business friendly.

- 1 It's simple structure with a single rate and uniform application makes it easy to understand and comply with.
- 2 A high registration threshold of Nu. 5 million is set according to businesses capacity to comply with the DRC's administrative compliance requirements.
- 3 Finally, GST ensures fairness through the input tax credit (ITC) system, allowing businesses to adjust taxes already paid and claim refunds of any excess, thereby avoiding double taxation.
- 4 Compliance is made easier with self-assessment of returns, giving taxpayers more control and reducing administrative interference.
- 5 To promote competitiveness, exports are taxed at the rate of zero percent for goods and services supplied outside Bhutan.
- 6 First, it is applied at a single rate of 5% for both goods and services.



5. Risk & Challenges of GST

GST brings many benefits, but it also requires registered businesses to comply on time. Delays in registration, late return filing, wrong ITC claims, or charging GST incorrectly can lead to loss of tax benefits, higher costs, and strict action by the authority. To avoid penalties, audits, or prosecution,



businesses must follow GST rules strictly and ensure all filings and payments are done correctly and on time. DRC recognizes the significant accounting changes that the GST regime will bring, and it encourages all taxpayers who may be having trouble preparing for the change to contact the Department.

GST

Goods and Services Tax

Smart Tax | Smart Economy

From 1st January 2026

**Single rate GST 5% will replace
Bhutan Sales Tax sixteen multiple rates**

**0%, 2.5%, 4%, 5%, 7%, 10%, 15%, 20%, 25%,
30%, 45%, 50%, 60%, 65%, 70%, 100%**



Comprehensive Training on Goods and Services Tax



i
BASICS

6. Basic

What is GST?

Goods and Services Tax (GST) is a consumption-based tax that is applied to most goods and services in Bhutan. It is charged at a standard rate of 5 percent and is collected at the point where goods or services are consumed. Under GST, the tax burden is borne by the final consumer, while businesses collect the GST and remit to the DRC.

Why is GST called a ‘value added tax’?

This is because the tax is payable on the value added at each stage of distribution chain.

Is there a difference between GST and VAT?

Both GST and VAT are taxes that share the same characteristics but differ in name. The only differences arise from the specific rules each country applies, such as tax rates, exempt items, and registration requirements.

Is GST a new tax in Bhutan?

Yes, the GST concept is new in Bhutan; however, it is not an entirely new tax. Bhutan has levied Sales Tax for many years. GST represents the modernization and reform of the existing Sales Tax system to make it

more fair, efficient, and sustainable.

What will happen to Sales Tax after the introduction of GST?

The Sales Tax will not be applicable on the imports, sales or other transaction from the start of GST, and the GST will be applicable on the import and supplies of goods and services after the introduction of GST.

Is GST a tax on business?

No, the final GST payable is borne by the consumer, not by producers and suppliers. GST registered businesses collect GST from the consumers and deposit the net amount to the DRC.

On what products do the GST apply?

GST applies to vast majority of goods and services consumed in Bhutan, except those goods and services listed as exempt under Schedule IV of the GST Act and Amendments thereof.

When will GST start in Bhutan?

GST will be implemented on 1st January 2026.

[Amended by section 2 of the GST (Amendment) Act of Bhutan 2025]

How GST works

GST is popular worldwide due to its following key

concepts.

- Destination-based: GST is collected where goods or services are consumed, not where it was produced.
- Value-added tax: GST is applicable only on the value added at each stage of the supply chain.
- Consumption Tax: GST is applicable only when goods and services are consumed by consumers.

Who charges and who pays?

Only registered businesses must charge 5% GST on their supply of taxable goods and services, issue invoices, keep records, file monthly returns, and remit the net GST amount to the DRC. DRC will be actively checking to ensure only registered taxpayers are charging GST and will take swift action on businesses or individuals charging GST inappropriately.

Consumers pay the GST while paying the price for the consumption of goods and services. Consumers are encouraged to request a GST tax invoice to ensure correct GST is charged.

What if the goods or services are used/consumed by a GST registered business?

Businesses can claim Input Tax Credit for GST paid on purchase or import for business purposes (e.g., raw materials, equipment, fuel for business vehicles,

professional services). GST paid on the items not meant for business purposes do not qualify for ITC.

What is taxed and what isn't?

- Most goods and services: Taxed at 5%.
- Exports: For the exporters, GST is applicable at the rate of zero% and they can claim ITC on the GST paid on their purchases provided the business is registered under GST.
- Exempt supplies (no GST charged): Some essential items like rice, edible oil, salt, sanitary pads, carriages for disabled person and core public services such as education (schools, colleges, universities) and healthcare (medical treatment,).

Note: Cosmetic procedures and private tuition are not exempt.

What is the applicable GST Rate?

The applicable standard rate is 5% as specified under Schedule I, GST(Amendment) Act of Bhutan 2025.

Is GST applicable on Export?

GST on export is Zero rated as per Schedule V of the GST Act of Bhutan 2020.

Are there any goods and services exempted from GST?

Yes, the complete list of Goods and Services exempted from GST are minimal and the details are specified in Schedule IV (A, B, C) of the GST Act of Bhutan 2020 and Amendments thereof.



REGISTRATION

7. Registration

Who should register for GST?

Businesses must register for GST if they meet the turnover conditions specified below:

Compulsory Registration

Any business with an annual turnover of Nu. 5 million or more must register for GST.

If a business can establish that the turnover for the year is expected to exceed Nu.5 million, then the business is eligible to register for GST, subject to DRCs' verification.

Voluntary Registration

Businesses with an annual turnover of Nu. 2.5 million or more but less than Nu. 5 million may choose to register voluntarily.

► Conditions:

- The business is engaged in an economic activity.
- The DRC is satisfied that the business can comply with GST obligations.
- Once registered, they must accept to remain registered for at least two years (unless allowed otherwise).

What is the GST registration threshold and how do I get registered?

The registration threshold is the minimum turnover of a person or business required to be registered for GST. The DRC will identify and automatically register those businesses who meet the registration threshold based on the Income Tax Return filing of 2024.

How do I calculate my turnover for GST registration?

Turnover is the total value of your business supplies. It is worked out by:

- Adding up the value of everything your business sells, plus
 - The value of any services you import for business use (B2B services),
 - Not counting the sale of capital assets (like land, buildings, or machinery) or when a whole business is sold as a going concern.
- For individuals, turnover from all the businesses you own is added together.
- For jointly owned businesses, each business is counted separately and must register if its turnover crosses the threshold.

Can I register my businesses as a group under GST?

Yes. If you own or control two or more related businesses, you can apply to register them as a GST group for administrative convenience subject to following conditions but not limited to:

- Bodies Corporate or Subsidiaries or Entities where one controls the others, or all are under common control.
- Each related business is already independently registered for GST.

► One business in the group will be the representative, but all group members are jointly responsible and liable for the group's GST obligations including any tax liabilities or penalties.

Can I register my business divisions separately for GST?

Yes. If your business has different divisions, you can request separate GST registrations for each division when:

- It is difficult to file a single GST return for all,
- Each division keeps its own accounts and has the same tax period,
- The divisions are in different locations or do

different kinds of business,

- The business is not already part of a GST group,
- The business has no unpaid taxes with DRC.

► If the total sales of all divisions combined cross the GST registration threshold, then every division must stay registered for GST, even if some individual division have sales below the registration threshold.

When to apply for GST registration?

For Compulsory registration, taxpayers must apply within 30 days of crossing the Nu. 5 million threshold or becoming aware that the turnover will cross Nu.5 million during the income year.

What could happen if businesses fail to register for GST?

As per section 61 of the GST Act, the DRC can directly register the business and inform the status of registration to the business.

Businesses failing to apply for compulsory registration can be imposed administrative penalties as per section 264, 1(a) of the GST Act of Bhutan 2020.

Can the business register for GST if the turnover is below the compulsory registration threshold?

Yes, Businesses can choose for Voluntary registration if the annual turnover is between Nu. 2.5 million and Nu. 5 million.

Any business with turnover less than Nu. 2.5 million will not be eligible to register for GST.

How or where do you apply for GST registration?

The Business can apply for GST registration through:

- Online registration portal of Bhutan Integrated Taxation System (BITS); or
- Visiting the concerned Regional Revenue and Customs Office (RRCO).

How long will it take to process the GST Registration?

DRC/RRCO will notify applicants of its decision within:

- 15 days for the normal applications, or
- 30 days for the divisional and group registration.

And the notice will state:

- Effective date of registration if approved, or
- Reasons for rejection and the applicant's right to object.

When can a business apply for cancellation?

The business can apply for cancellation under the

following circumstances:

- When the business closes or ceases its activities within 30 days of permanently ceasing to make taxable supplies.
- When the status of business changes, such as it no longer qualifies for the GST registration.

How cancellation of GST registration affects the obligations of the business?

Once registration is cancelled, the business must:

- Immediately cease to be a registered person.
- Stop issuing or using any GST invoices or documents that indicate GST registration.
- File a final GST return and pay all amounts due within 30 days from the end of the last tax period.
- Apply for any GST refund, if applicable, within 30 days from the end of the last tax period.

What TPN Number will I use for the GST?

As part of the broader tax reform all GST registrants will be issued a NEW TPN for their GST obligations between November 15th-30th, 2025. It is expected that this new TPN will be emailed directly to the primary email address held within the RAMIS system at that time. It is imperative that all registered

taxpayers ensure their details in RAMIS are up to date and accurate to ensure a smooth transition into the BITS environment.

When will I be able to create my online BITS web account for my GST transactions?

The BITS is planned to be formally handed over to the RGOB on November 11, 2025, subject to final testing we expect to announce that the system is ready for setting the registered GST taxpayers web account from November 26, 2025.



APPLICATION

8. Application

When to Charge GST?

When a GST registered business sells goods or services in Bhutan, the business is required to charge 5% GST on the value of the supply and collect it from customers from 1 January 2026.

Who pays GST, seller or buyer?

The GST registered seller collects the GST from the buyer and remits to the DRC, through their GST return filing obligations.

Who must pay GST on imported goods?

nyone importing goods into Bhutan, whether a business or an individual, is required to pay GST if it is not an exempted good or service as defined.

What is the impact on small businesses?

Small businesses who do not meet the registration threshold need not get registered for GST in the first place. Hence, they will not be required to collect GST or remit the same to the DRC but pay GST at the time of import or purchases from the GST registered businesses.

How to calculate GST on Sales?

- i. Determine the Selling Price – First, calculate the

base price of your goods or services before GST. Tax fraction of the final selling price to the consumer.

- ii. Add 5% GST – Multiply the selling price by 5% (0.05) to calculate the GST amount.
- iii. Issue a GST Invoice – Provide your customer with a proper GST-compliant invoice. The invoice must clearly state but not limited to the base price, the GST amount, and the total payable.
- iv. Keep Records – Maintain accurate records of all business purchases, sales and invoices issued. These records are necessary when filing your GST returns and claiming input tax credits and enabling easy verification of your GST return.

If some of the goods are taxable and others exempt, how will I determine my GST liability?

When you sell a mix of taxable and exempt goods, GST is only charged on the taxable goods or services. Exempt items are not subject to GST, so your requirement to both charge and remit GST is based only on the taxable portion of your sales.

How are discounts treated?

GST will be charged only on the price after the discount, as long as the discount is clearly shown on the invoice.

When do registered businesses charge GST?

When a registered business sells goods or provides services, they must charge GST on the selling price. This GST collected from customers is called Output Tax. Businesses then report their Output Tax to the DRC through their GST return.

What is an adjustment event and when does it happen?

An adjustment event happens when something changes after a supply has been made. This could be when:

- The supply is cancelled,
- The price is changed (increased or reduced),
- Goods are returned to the supplier, or
- The supply is partly or fully stopped.

In such cases, your GST amount may need to be adjusted through the GST return filing and payment processes.

What is an increasing and decreasing adjustment?

- An increasing adjustment means you pay more GST because of the adjustment event.

If your registered business returns goods to your supplier, you will need to make an increasing adjustment. This is because you had already claimed

input tax credit (ITC) for those goods when you bought them, but now that you have returned them, you are no longer entitled to that credit. So, your GST liability increases to correct this.

- A decreasing adjustment means you pay less GST because of the adjustment event.

If a customer returns goods to you and you refund them, you will need to make a decreasing adjustment. This is because you had already included the sale as an output tax earlier, but now that the sale has been cancelled or reversed, your GST liability decreases to correct this.

Do I need to pay GST on export?

No, GST is not payable on goods and services declared for export as the GST on export is zero rated.



RETURN FILING

9. Return Filing

Who should file the GST Return?

All the GST registered businesses must file the GST returns based on the tax period and filing frequency.

When to file a GST Return?

All GST registered businesses must file a GST return within 30 days after the end of each tax period.

How to file a GST Return?

GST Return can be filed through:

- Online taxpayer portal of BITS (Bhutan Integrated Taxation System) solution.
- Visiting the concerned RRCO, who will guide taxpayers on the online GST return filing and payment process. Please note this channel will only be available for newly registered taxpayers.

What happens if I miss the GST return filing deadline?

If you fail to file your return on time, you may face 15% late payment penalties and administrative penalties. All GST registered taxpayers are strongly encouraged to contact DRC prior to the due dates if they will have problems filing and paying by the due dates.

What if I overpaid GST while filing my return?

If you overpay, the excess amount can either be adjusted against your future GST liability or claim as a refund, subject to the rules.

When to amend GST Returns?

The GST registered businesses can amend GST returns:

- To increase the GST amount, within 5 years of the tax period. (Note: Late payment and other penalties may still apply)
- To reduce the GST amount payable, within 1 year of the tax period.

Do I need to file a GST return for a particular period even if I have not made any taxable supplies?

Yes, GST Return filing is mandatory under GST Act of Bhutan 2020. Even if there are no taxable supplies made, you must file a return (Nil return).

Can I claim Input Tax Credit (ITC) in my GST return immediately after purchase?

Yes, you can claim ITC in your applicable GST return once the supplier has issued a valid tax invoice and the purchase is recorded in the system. However, ITC can only be claimed if the goods or services are used for the business purpose(s) and are not exempt.

Conditions will apply!

What records should I keep for GST return filing?

You must keep proper records of all sales, purchases, invoices, and import/export documents for at least for 5 years or the period specified by law. These records may be required for verification by DRC.

What information must be included in the GST return?

Your online return must include details of all taxable supplies made, GST collected (output tax), GST paid on purchases (input tax), imports, exports, adjustments, and the net GST payable, available for credit carry forward refundable.

How will I know if my GST return has been successfully filed?

Once submitted on the BITS portal, you will receive notification on your portal.

Can I file my GST return before the due date?

Yes. You can file your return any time after the tax period ends and before the deadline. Filing early helps avoid last-minute errors and any potential system congestion.

Do I need internet access to file my GST return?

Yes, as part of the broader tax reform all GST returns are required to be filed online through the Bhutan Integrated Taxation System (BITS). If you face connectivity issues, you can visit your nearest RRCO or where facilities are available.

What is self-assessment and how does it work?

The Department may consider the self-assessed tax as final without making an assessment but reserving the right to make an assessment where necessary to ensure the correct amount of GST is paid.



PAYMENT

10. Payment

How to calculate Net GST payable?

Your net GST payable is the difference between the GST you collected on sales (output tax) and the GST you paid on eligible business purchases (input tax). If input tax exceeds output tax, you may be entitled to a refund, subject to conditions under the GST Rules.

When to Pay GST?

GST must be paid at the time of import unless it is approved for deferral, filing your return for each tax period, or within 30 days after the end of the GST tax period to avoid penalties.

Is GST payable on imports?

Yes. GST is payable on imports that are not exempted at the time of customs clearance.

How to pay GST?

GST is payable online through the Bhutan Integrated Taxation System (BITS). How is GST payment linked to my return filing?

Payment and return filing will ideally go together. Your GST liability is calculated when you file your return, and the amount due can be paid at the same time to complete the filing.

What if I have no GST liability in a tax period?

You must still file a “nil return” within the due date.

No payment will be required if there is no liability, but the return may still be subject to verification.

Can I pay GST in instalments if I cannot pay fully by the due date?

Yes, the GST Rules may allow DRC to grant instalment payment plans under special circumstances.

What are exempt goods and services under GST?

Exempt goods and services are supplies that are not subject to GST as listed under schedule IV of the GST Act.

Are exempt goods the same as zero-rated goods?

No. Exempt goods and zero-rated goods are different under GST:

- Exempt goods: No GST is charged, and no ITC can be claimed.
- Zero-rated goods: GST is charged at 0% and are eligible to claim ITC on inputs used to make such supplies (commonly exports).

Do I need to pay GST on exempt goods and services?

No, GST is not payable on exempt goods and services.

If your supply falls under the exempt category, you are not required to collect GST from your customers. However, you also cannot claim ITC on inputs related to such supplies.

When can the business apply for the Deferral of GST Filing and Payment?

A taxable person may apply for a deferral if they can provide the DRC with a specific reason and supporting documentary evidence showing that the delay is due to circumstances beyond their reasonable control. The Department will review and decide based on the merits of each case.

Will I be charged a penalty if my GST payment is deferred?

Yes. Even if a deferral is granted, late payment penalty of 15% under Chapter 27 of the Act will still apply. The penalty will accrue on the deferred GST amount from the original due date until the actual date of payment.

BIRMs

Bhutan Integrated Revenue Management System



Universal Access
Quick Online Refunds
Digital Money Receipts

SECURE | SWIFT | SIMPLE
Secure seamless online payment
via RMA payment gateway



GST

Output Tax & Input Tax

Output Tax

Input Tax

GST charged to
your customers
for goods and
services you sell

GST paid on your
business purchases
(e.g. local purchases
or imported goods)

Basic GST Process

$$\text{Output Tax} - \text{Input Tax} = \text{Net GST} \quad (+)$$

You PAY to DRC

$$\text{Output Tax} - \text{Input Tax} = \text{Net GST} \quad (-)$$

You RECEIVE from DRC

NET GST

Nu.



INPUT TAX CREDIT

11. Input Tax Credit (ITC)

What is Input Tax Credit (ITC)?

Input Tax Credit (ITC) is the credit a registered taxpayer can claim for the GST paid on inputs of goods or services that are used to make taxable supplies. In simple terms, ITC allows you to deduct the GST paid on your business inputs from the GST you collect on your sales, so that tax is levied only on the value added at each stage of supply.

How to Claim Input Tax Credits (ITC)?

To claim ITC, you must:

1. Be a registered taxpayer under GST.
2. Hold a valid tax invoice or other prescribed document showing GST paid on your purchases.
3. Ensure the goods or services are used for making taxable supplies (not exempt supplies).
4. Self-Declare and report the eligible ITC in your GST return for the relevant tax period.

What you can claim (YES) in ITC?

In general, a GST-registered business can claim ITC on most goods and services purchased for making taxable supplies, except for those specifically exempted under the GST Act and Rules.

What you cannot claim (NO) as Input Tax Credit (ITC)?

A GST-registered business cannot claim ITC on goods or services that are not used for making taxable supplies or are explicitly restricted under the GST Act and Rules.

How ITC Works?

Input Tax Credit (ITC) allows you to offset the GST you have paid on your business purchases against the GST you collect on your business sales. To benefit from ITC, a GST-registered business must:

- Keep all GST invoices for business-related purchases.
- Calculate the total GST paid on eligible purchases during the tax period (monthly or quarterly).
- Subtract this amount from the GST collected on your business sales.
- Pay only the net difference if appropriate to the DRC through your GST return.

This ensures GST is charged only on the value added at each stage of supply.

Can I claim ITC on supplies made outside Bhutan?

Yes, supplies made outside Bhutan may qualify for ITC if they are treated as taxable supplies under the

GST Act (for example, zero-rated exports).

If I cancel my GST registration, can I still claim ITC on inputs acquired before cancellation?

Yes, but only to the extent that the inputs were used to make taxable supplies before the cancellation of registration. No ITC is allowed on supplies made after the specified cancellation date.

If I forget to claim ITC in the current tax period, can I claim it later?

ITC should be claimed when filing your GST return for the relevant tax period. If you forget to declare it appropriately, you may still be able to claim ITC in any of the tax periods ending in the subsequent twelve months.

Can business entities claim ITC while making zero-rated supplies?

Yes. Zero-rated supplies are also considered taxable supplies. Therefore, registered businesses can claim ITC incurred on imports or acquisitions related to making zero-rated supplies.

To what extent can I recover my input tax credit?

You can recover ITC fully for business purchases contributing to taxable supplies. No ITC is allowable

on inputs linked to exempt or personal use.

Should a taxpayer wait until making taxable supplies to claim Input Tax Credit (ITC) on imports? How is taxable supply defined in this context?

No — under GST Act, a taxpayer does not need to wait until they make a taxable supply to claim the ITC on imports. Even if the output tax payable for the period is nil (i.e., they have made no taxable supplies), they are still permitted to claim input tax credits or make adjustment.

To clarify, “taxable supply” in this context means a supply of goods or services that is subject to GST.

What are Partial Input Tax Credits?

If goods, services, or property are used partly for taxable supplies and partly for exempt supplies, ITC is allowed only for the taxable portion.



REFUND

12. Refund

Who is eligible for GST refund?

Registered businesses are eligible for a GST refund if they have paid more GST than they owe subject to the conditions under GST Rules.

When to claim GST refund?

Businesses engaged in manufacturing activities and export may claim GST refund immediately in their GST return. Registered business other than manufacturer and exporters may claim refund when all or part of a negative net amount has been carried forward for requisite number of tax period:

- three tax period for monthly filer and
- one tax period for a quarterly filer.

Where to claim GST refund?

You can request a refund online through BITS portal.

What is the time period to claim refund?

One year from the date of return filing and payment or date of payment of tax on import or supply.

What are the conditions required to claim refund?

The conditions required to claim refund are:

- You must be a registered taxpayer,
- overpayment of GST,

- have valid invoices or import documents,
- no outstanding taxes with the DRC and
- refund must relate to eligible cases such as manufacturing and exports or

• Must carry forward credits for requisite number of tax periods.

When am I entitled to receive interest on a GST refund and at what rate?

If your refund or assessment is delayed beyond the set time (30 days from the request), the Department will pay simple interest at 5% on the refund amount. You are also entitled to 5% interest if your GST liability is reduced after an objection or appeal, or if the DRC takes more than 30 days to process your complete refund application.

Can a GST registered business claim a refund without Carry Forward?

Yes, you can request a refund before carrying forward in certain cases:

- Your registration is cancelled
- You are approved for group/divisional registration
- Your business activities have permanently stopped
- if your business is engaged in manufacturing and exporting activities

Can a GST registered business adjust its GST refund amount against any outstanding tax liabilities?

Yes, GST refund amount can be used to adjust against any outstanding tax liabilities of the business payable under the law administered by the DRC.



INVOICE

13. Invoice

What is a tax Invoice under GST?

A tax invoice is a document issued by a registered business when supplying taxable goods or services. It records the amount charged, the GST component collected, and other required details.

Who must issue a tax invoice?

Any registered GST business making a taxable supply must issue a GST tax invoice. Small businesses below the registration threshold must not charge GST and consequently do not need to issue GST tax invoices unless voluntarily registered.

What are some of the required information of the tax Invoice?

Every tax invoice must clearly display the title “TAX INVOICE,” along with the invoice number and issue date.

It should include the business’s name, Taxpayer Number (TPN), and address, as well as a description, quantity, and details of the goods or services supplied.

The price breakdown must show the GST-exclusive value, the GST amount, any discount offered and the total price, with all amounts expressed in Ngultrum (BTN).

An invoice that contains all these mandatory details is considered GST-compliant.

Can businesses use their own invoice format?

Yes. Businesses can use their own invoice format if it contains all the required information.

When must a tax invoice be issued?

A registered business must issue tax invoice no later than the day on which the supply is made.

What if the tax invoice doesn't comply with the requirements?

If a tax invoice doesn't comply with the requirements, it remains valid as a commercial invoice but cannot be used to claim input tax credit.

What happens if there is an error in a tax invoice?

If an error occurs you can cancel the tax invoice, retain the original copy and issue a new tax invoice.

If my taxable sale is a small amount, do I need to issue tax invoice and charge GST?

Yes, the GST registered business is required to issue tax invoices irrespective of the sales value.

Do I have to issue tax invoices for transactions to customers abroad with zero-rated supplies?

Yes, a GST registered taxpayer is required to issue tax invoice for every transaction or sale they make.

HOTEL TSHETEN

Address: Thimphu, Bhutan Phone No:xxxxxxxx

No. Dated

Name

Date of Arrival Time

Date of Departure Time

Room No.

PARTICULARS	Amount
	Rs. P.
ROOM RENT PER DAY	TOTAL DAYS
TELEPHONE	
LAUNDRY	
EXTRA BED	
TRAVEL DESK	
MISC.	



E. & O.E.

Check Out Time : 12:00 Noon



EXEMPTIONS

14. Exemptions

Are there any exemptions in the GST law?

Yes. Exemptions exist but are limited to certain goods and services. The law provides details on exactly which items and services are exempt.

Why are exemptions in GST minimal/limited?

- Exemption will not allow the business to claim input tax credit as it will disrupt the seamless flow of input tax credit mechanism in the supply chain.
- Exemption introduces the cascading effect (*tax on tax*) in the supply chain as GST is applicable on the value addition throughout the supply chain.
- Exemption in GST means exempting only the final product: hence whatever the taxes paid on the input will not be available as input tax credit. The input tax gets embedded in the price of the product or on the production process, which will increase the price of the product.
- Exemption in GST means increasing the administrative burden on the businesses , tax authority and increasing the compliance risk and cost.

How do I know if a supply is exempt or taxable?

A supply is exempt if it is explicitly listed in the GST Act or Schedule IV. If it's not listed, it is normally taxable at the applicable GST rate.

Do exempt supplies allow input tax credit (ITC)?

No. GST paid on inputs used to make exempt supplies cannot be claimed as ITC.

Schedule IV: Exemptions



Schedule IV A Exemption on Supplies



Schedule IV B Exemption on Goods



GST Act 2020

Schedule IV C Other Exemptions



APPEAL

15. Appeal

What to do if you disagree with a GST Decision?

If a GST decision affects you, you have the right to object. A taxpayer may submit a written objection to the DRC within 30 days of receiving an assessment notice or decision believed to be incorrect or excessive.

What happens after I submit an objection?

Your objection is reviewed by DRC. The DRC must accept or reject your objection within 30 days.

What if I am not satisfied with the Department's decision?

If you disagree with the DRC's decision, you can appeal to the Review Board within 30 days of receiving the decision, or within 60 days if no decision was issued.

How do I submit an appeal to the Review Board?

You must use the prescribed form and pay any required filing fee when submitting your appeal.

How does the Review Board decide?

The Review Board considers the issues raised in your objection (additional grounds may be allowed). The burden of proof is on you to show that the assessment

is incorrect or excessive. The Board reviews the case and issues its decision.

What if I am not satisfied with the Review Board's decision?

If you still disagree, you can appeal to the Royal Court of Justice within 10 working days of receiving the Review Board's decision.





1500+- Taxpayers h



have attended the RRCO's trainings



