



DRC/GST/15/2026/392

April 27, 2026

Notification

Following the implementation of the Goods and Services Tax (GST) Act of Bhutan on January 1, 2026, and the simultaneous cessation of Sales Tax under the STCE Act 2000, the Department of Revenue and Customs (DRC) hereby issues this notification regarding the treatment of ongoing contracts and supply agreements that span the transitional period.

Under the transitional provisions of **Schedule X of the GST Act**, the following rules apply to all active contracts:

1. **Current applicability:** GST is now applicable to all taxable imports and supplies. For contracts initiated prior to the start date, GST applies to the portion of any supply delivered or completed on or after January 1, 2026.
2. **Proportionate tax treatment:** Where a supply was partially provided before the implementation date, only the remaining portion provided on or after January 1, 2026, is subject to GST.
3. **Treatment of prior payments:** Any payments made or invoices issued in 2025 for supplies delivered in 2026 are subject to GST and should have been accounted for in the first tax period of 2026.
4. **Contractual fairness and adjustment:** GST law recognizes that binding agreements finalized before the implementation may be significantly impacted. To ensure fairness to both parties, the DRC maintains that such contracts should be reviewed to account for the transition from the sales tax to the GST regime and facilitate necessary price adjustments.
5. **Exclusion of double taxation:** In accordance with GST, sales tax does not apply to any transaction, or portion thereof, that is subject to GST.

All relevant registered persons are advised to ensure their ongoing contract, for the supply of both goods and services, is aligned with these statutory requirements. For further information, please contact the Department of Revenue and Customs.

This notification shall supersede all clarifications previously issued by the Department and RRCOs to any agencies in relation to ongoing contracts.

Director General