



དངུལ་རྩིས་སྒྲོན་པོ།
ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHODZONG
THIMPHU

MoF/PPD/Adm-1/2025-26/1018

June 25, 2026

PUBLIC NOTIFICATION

Subject: Implementation of Renewable Energy Tax Exemption Act of Bhutan 2026

1. Background

The Parliament of the Kingdom of Bhutan has enacted the Renewable Energy Tax Exemption Act of Bhutan 2026 (hereinafter referred to as “the Act”), which came into force on 15th May 2026. The Act provides targeted, time-bound tax exemptions to promote investment in renewable energy, reduce development costs, and accelerate the timely development of renewable energy infrastructure in Bhutan, in furtherance of the national target of 25 gigawatts of renewable energy.

2. Nature of Tax Exemptions Available

Under the Act, an Approved Entity engaged in an Approved Activity is entitled to exemption from the following indirect taxes on direct inputs used for the construction, installation, or establishment of the Approved Activity:

1. Customs Duty;
2. Excise Tax; and
3. Goods and Services Tax (GST).

In addition, Approved Entities are exempt from Property Ownership Transfer Tax (POTT) in respect of qualifying transfers of ownership of the Approved Activity, as specified under Chapter 3 of the Act.

3. Eligible Renewable Energy Activities

The exemptions apply to renewable energy activities involving the generation, storage, transmission, conversion, and production of energy from renewable sources, including Hydropower, Solar, Wind, Biomass, Geothermal, Biofuels, Green Hydrogen and such other sources as may be designated by the Ministry of Energy and Natural Resources.

4. Application Process

The application for tax exemption under the Act is a two-stage process:



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FINANCE MINISTER

Stage 1 – Activity Approval (Ministry of Energy and Natural Resources)

Any entity intending to engage in a renewable energy activity must first apply to the Ministry of Energy and Natural Resources (Responsible Ministry) for recognition as an Approved Activity. Approval at this stage certifies the nature and scope of the activity only and does not confer eligibility for tax exemption.

Stage 2 – Tax Exemption Application (Ministry of Finance)

Upon obtaining approval from the Responsible Ministry, the entity may apply to the Department of Revenue and Customs, Ministry of Finance for a Certificate of Approval as an Approved Entity. The Ministry will assess whether the goods and services for which exemption is sought constitute direct inputs used exclusively in the Approved Activity. Approval, if granted, will specify the exact scope of the exemption.

5. Key Conditions and Obligations

All Approved Entities must note the following obligations under the Act:

The exemption applies strictly to direct inputs physically incorporated into, or exclusively used in, the construction, installation, or establishment of the Approved Activity. General administrative, residential, or commercial goods and services are excluded.

The exemption ceases upon commencement of commercial operation or operation of the Approved Activity.

Approved Entities must maintain proper records, accounts, and documentation for a minimum of five (5) years from the date of each relevant transaction.

Goods and services obtained under exemption must not be resold, transferred, or otherwise disposed of without prior written approval from the Ministry of Finance. Unauthorized disposal will attract immediate recovery of all taxes foregone, along with applicable penalties.

The Department of Revenue and Customs may conduct post-clearance audits at any time to verify compliance with the Act.

Diversion of imported goods obtained under tax exemption is strictly prohibited and constitutes a criminal offence under the Act, attracting penalties of up to 150 percent of the customs value of the goods, and misdemeanour charges.



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Tax exemptions granted under this Act do not exempt entities from procedural requirements under the Customs Act of Bhutan, the Excise Tax Act of Bhutan, the Goods and Services Tax Act of Bhutan, or any other applicable law.

6. Duration of the Act

The Act shall remain in force until the earlier of:

- (a) the date on which the Government formally declares by notification that the national renewable energy target of 25 gigawatts has been achieved; or
- (b) 31st December 2040.

7. Contact Information

For inquiries regarding the application process, eligibility, or any other matter relating to the Renewable Energy Tax Exemption Act of Bhutan 2026, interested parties may contact Department of Energy, Ministry of Energy and Natural Resources or Department of Revenue and Customs, Ministry of Finance.

(Lekey Dorji)