

Procedures for collection & deposit of 10% Sales Tax by Bhutanese Cinema Producers

All Bhutanese cinema producers shall:

- a) Register with the concerned RRCO (Regional Revenue & Customs Office) with immediate effect by completing **GP Form-III** and obtain registration certificate of Sales Tax Collecting Agent.
- b) Pre-stamp and endorse all the cinema tickets with the concerned RRCO before selling to the customers. The concerned RRCO shall keep stock of the cinema tickets being pre-stamped and endorsed with the levy of 10% Sales Tax.
- c) Issue cinema tickets, which are pre-stamped and endorsed by the concerned RRCO to each customer even if the Sales Tax is exempted.
- d) Print the STCA No. on all cash memos/bills, tickets, etc.
- e) Issue printed and serially numbered cinema tickets showing the net value and Sales Tax components separately. The original copy must be given to the customer and the duplicate copy must be maintained for record and verification purposes.
- f) Not overwrite in the cinema tickets. In case of a mistake, a fresh copy must be issued and the original copy must be annulled.
- g) Levy 10% Sales Tax on cinema tickets sales.
- h) Submit their Sales Tax return with the concerned regional office where it is registered- on a monthly basis on or before the 10th of second subsequent month following the collection as per **ST Form-VIII**
- i) Deposit Sales Tax at the time of filing the tax return.
- j) Submit Sales Tax return on a monthly basis even if there are no sales.
- k) Submit the details of sales made to an exempt organization/person as per **ST Form-VIII (A)** along with Sales Tax exemption certificate issued by the department.
- l) Make all accounts, records, registers and supporting documents available for inspection by the Department.
- m) *Surrender all the tickets endorsed as exempted and not sold on or after 30th June, 2010*

Accounting Treatment

Sales Tax shall be levied, collected and deposited on cash and credit sales by all cinema producers.

Books of Accounts

All cinema producers shall maintain the following books of accounts and relevant records where applicable, and make available for inspection by the Department:

- Trial Balance
- Trading Accounts
- Profit & Loss Accounts
- Balance Sheet
- General/Nominal Ledger
- Cash Book, Bank Statements, and Bank Reconciliation Statements

- Sales Ledger, Registers and Sales invoice/Supporting Bills, Cash Memos and Receipts:
- Purchase Ledger, Registers and Purchase Invoices/Supporting Bills, Receipts and Vouchers
- Journal Book
- Fixed Asset Register
- Stock Register
- Records verified by Revenue & Customs check post/office
- List of Sales made to exempted parties along with along with STEC-Form (ST form-IV)
- Any other records as required by the Department.

Transfer and Closure of Business

Liability of Sales Tax as a result of transfer or closure of business shall be as follows;

(a) Transfer/change of business ownership

In case of transfer/change of ownership of business, the registered Sales Tax Collecting Agent or legal representative shall give one month notice to the concerned RRCO and settle all Sales Tax due or payable before effecting the change. The new owner shall then register as Sales Tax Collecting Agent. Where the change of ownership has not been reported or notified, the new owner shall be responsible for settlement of all outstanding Sales Tax liabilities as the change would be treated as an act of succession.

(b) Closure of business

In case of closure of business, the registered Sales Tax Collecting Agent or legal representative shall:

- i. notify the concerned RRCO at least two months before the date of closure.
- ii. deposit all the Sales Tax collected and payable on the sales till the closure of the business and submit Sales Tax return(s) of the same.
- iii. obtain Tax Clearance Certificate from the concerned RRCO after payment of Sales Tax due.

Tax Clearance Certificate

A tax clearance certificate shall be issued provided there are no outstanding taxes including fines and penalties due to the Department. Taxes for the purpose are defined as all taxes covered by the Income Tax Act of the Kingdom of Bhutan 2001 and the Sales Tax, Customs and Excise Act of the Kingdom of Bhutan, 2000.

(a) General Tax Clearance Certificate

General Tax Clearance Certificate for a person or Sales Tax Collecting Agent must be obtained from the RRCO in following cases:

- i. Before leaving the country for 6 months or more
- ii. At the time of obtaining and renewal of license or bidding for any work or service contracts
- iii. At the time of transfer of ownership or location of business; or

- iv. At the time of closing of a business or cancellation or winding up of a business.

(b) Specific Tax Clearance Certificate

Specific Tax Clearance Certificate for the purpose to contest or participate as a candidate in the elective offices enshrined under Article 23 of the Constitution of the Kingdom of Bhutan 2008 must be obtained from the Department (head Office).

Fines and Penalties

The following fines and penalties shall be imposed in case of non-compliance in accordance with Chapter 4, General Provisions of the Sales Tax, Customs and Excise Act, 2000.

a) Late payment of tax

A penal interest at the rate of 24 per cent per annum on the amount of Sales Tax due in addition to the Sales Tax in arrears shall be imposed on failure to pay Sales Tax.

b) Failure to maintain books of accounts and documents

Depending on the size and nature of the business, a fine ranging from Nu.1000 to Nu.100,000 shall be imposed for failure to maintain books of accounts, documents or furnish information.

c) Failure to comply with the notice

A fine of Nu. 500 to Nu. 5000 for each default shall be imposed for failure to comply with the notice issued by the Department to furnish evidence and produce books of accounts or any other documents.

d) Collecting agent

Collecting agent responsible for the collection and remittance of Sales Tax shall be liable for penalties as follows-

- i. Failure to collect the whole or part of Sales Tax as required, shall pay a penal interest at the rate of 24 per cent per annum on the amount due in addition to the Sales Tax in arrears; and
- ii. Failure to deposit the Sales Tax collected as required, shall pay penal interest at the rate of 24 per cent per annum from the due date it is required to be deposited in addition to the Sales Tax in arrears.

e) Under-invoicing, non-declaration or concealment etc.

A fine of 50 per cent of the value of the goods in addition to the amount of Sales Tax shall be imposed for the commission of following offences:

- i. Under-invoicing or non-declaration of either the value or quantity of goods or services sold in case of sales tax;
- ii. Non-declaration, mis-declaration or concealment of goods;
- iii. Misuse of Sale Tax; or
- iv. Misuse of permits or any other offence that may be prescribed under Rules on Sales Tax, Customs and Excise Duty.

