

Exemption of Sales Tax on Goods and Services

Foreign Diplomatic Missions, International Organisations and their Privileged Personnel

Foreign Diplomatic Missions, International Organisations and their privileged personnel shall be exempted from payment of Sales Tax provided the exemptions thereof are in accordance with the obligations under International Conventions or Covenants, Multilateral or Bilateral agreements signed with the Kingdom of Bhutan.

Bhutanese Organisations and Individuals

Bhutanese organisations and individuals shall be exempted from payment of Sales Tax provided the exemptions thereof are in accordance with the privileges/relief granted by any other Acts of the Kingdom of Bhutan, National Assembly resolutions or by a Royal Charter.

Plant & Machinery

Sales Tax on purchase of plant and machinery and accessories thereof by a manufacturing or service unit shall be exempted from Sales Tax subject to conditions laid down in Customs rules. For the purpose of this exemption, plant & machinery is defined as those plant & machinery, which are peculiar to and directly related to the manufacture of its products. Example, category of goods for civil, electrical or plumbing works to install or house the plant and machinery, office equipment or vehicles shall not be eligible for exemption irrespective of the nature of the business.

Raw Materials

Sales Tax on raw materials for use solely as raw materials by a manufacturing unit shall be exempted at the point of entry or sale subject to conditions laid down in Customs rules except 1.10(h). For the purpose of this exemption, raw materials is defined as only those items that are used as direct inputs in the process of manufacture of the finished product or those items that form part of the finished or manufactured product. Packaging materials shall not form the part of raw materials for the purpose of this exemption.

Exemptions

The Department shall accord exemptions under these rules, taking into consideration RGoB policies and other socio-economic factors deemed relevant. Import and disposal of goods by privileged personnel of Diplomatic Missions and International Organisation shall be as per Rules 1.4, 1.5 and 1.7 of Part II of these Rules.

Procedures for Exemption

Exemptions under Rule 1 or any other exemptions the at may be approved by the government shall be given only on the fulfillment of the following conditions and procedures:

Purchase/Import made directly by an Exempt Organisation

Goods purchased and imported directly by an exempt organisation shall not be subject to Sales Tax at

the point of entry into Bhutan provided the import is accompanied by the following documentation:

- Import Declaration Form **ST Form -I or CD Form- III**.
- Valid Sales Tax Exemption Certificate (BSTEC) ST Form - IV as issued by the Department of Revenue and Customs Head Office (DRCHO).

Exemption Certificate & Refund

- Sales Tax exemption by an exempt organisation may be requested using **ST Form-II**.
- Where the exemption certificate is not produced at the time of entry of goods into Bhutan, the exempt organisation shall pay the applicable Sales Tax in full at the time of import and make a claim for refund from the Department as per **GP Form-I**.

Purchase/Import of Goods by Third Parties on behalf of an Exempt Organisation

Sales Tax on goods imported by a third party such as a contractor or an agent on behalf of an exempt organisation shall be paid at the point of entry. The Sales Tax paid thereof at the time of entry shall be refunded to the exempt organisation upon fulfilment of the following procedures:

- Application for Sales Tax refund must be submitted to the Department as per **GP Form-I**.
- Refund claims shall be made only by the exempt organisation and not by the contractor or agent working on behalf of the exempt organisation.
- Claims must be made within 6 months from the date of payment of Sales Tax. Claims after the expiry of 6 months from the payment of Sales Tax shall not be entertained.
- Claims must be routed through the concerned RRCO where the Sales Tax was originally paid.
- All claims must be accompanied by a copy of an Import Declaration Form (**ST Form-I**), relevant bills, invoices or cash memos and revenue receipts proving that Sales Tax has been paid at the point of entry.
- The concerned RRCO shall verify the claims and confirm whether Sales Tax amount has been deposited with the RGR account or not before forwarding the claims to the DRCHO for payment.
- The DRCHO shall make refund payment directly to the exempt organisation into their account.

Exemption on Domestic Goods and Services

Exempt organisation shall be exempted from payment of Sales Tax on domestic goods and services subject to the fulfilment of the following procedures:

- Exempt organisation shall apply for exemption to the Department as per **ST Form-III**.
- Where the exemption is approved by DRCHO, the exempt organisation shall present a copy of the approved form to the concerned supplier of goods and services for exemption of Sales Tax at the point of sale.
- Sales Tax exemption on purchase of goods from local markets shall be given only where the purchase is or has been made from a business unit registered with the Department as Sales Tax Collecting Agent.

Sales Tax Exemption on Raw Materials

Conditions to be fulfilled for exemption of Sales Tax on raw materials are as follows:

- Exemption on raw materials shall be given to only those industries categorised as manufacturing unit.
- The exemption shall be limited only to import of raw materials or those materials which form part of the finished products as defined in Part I, Rule 1.4 of these rules.

Exemption Procedures for Purchase/Import of Industrial Raw Materials

Sales Tax exemption for industrial raw materials shall be given to carried out in accordance with the following procedures: Only those industries falling under the manufacturing sector shall be exempted from payment of Sales Tax.

- All manufacturing industries shall submit a list of raw materials to be exempted to DRC for approval on an annual basis. Where an item of raw material is required to be included in the annual list but has not been included, the unit shall apply to the Department separately for its inclusion.
- Annual requirement for raw materials after having been duly approved by the Department shall be submitted to the concerned RRCO and accordingly the exemption shall be given, as and when the imports are made, by the concerned RRCO.
- Manufacturing industries availing exemption facilities shall maintain proper books of accounts and exempted goods must be accounted for in the stock register and production records.
- Failure to maintain proper books of accounts and necessary records as required under (d) above, will result in exemptions being withdrawn and fines and penalties imposed as per provisions of the Act.

Resale or Disposal of Exempt Goods including Motor Vehicles

Resale, transfer or disposal of goods imported on an exempt basis shall be liable for Sales Tax in accordance with the provisions laid down under Part II of the Sales Tax, Customs and Excise Act, 2000 and rules thereto.

Valuation for the purpose of levying Sales Tax on sale or transfer of ownership of vehicles purchased on a sales tax exempt basis shall be done as per Part II, Rule 9 of these rules. In all such cases, the buyers shall pay BST.

Withdrawal of Exemption Facilities

Exemptions allowed under these rules shall be withdrawn from those entities who do not adhere to Provisions of Sales Tax, Customs and Excise Act, Income Tax Act and Rules thereto.

Sales Tax on Domestic Goods and Services.

The Ministry of Finance shall notify, from time to time, domestic goods and services subject to Sales Tax, and the dealers or manufacturers of such goods shall be liable for collection of applicable Sales Tax, from their customers, at the point of sale.

Sales Tax on Beer

Tax rate

Sales Tax as revised from time to time on the sales price or a price fixed by the department for this

purpose shall be levied and collected by the seller. No deductions for discounts given by the seller from the selling price will be allowed for the computation of Sales Tax. In other words, sales tax shall be calculated and collected on the selling price or the notional price before any discounts given.

Exemptions

Exempt parties may be exempted from Sales Tax at the time of sale on production of a Sales Tax Exemption Certificate (STEC) issued by the Department.

Procedures for collection and recovery of Sales Tax on Beer

Sales Tax shall be levied and collected on the sale of beer that is produced or imported and sold for the first time with effect from 1.4.2001.

Registration of Sales Tax collecting entities and responsibility for the collection of Sales Tax

- All licensed manufacturers, dealers/distributors of beer shall register with one of the RRCOs by completing **GP Form-III**.
- RRCO shall then issue to the collecting agent a Sales Tax Registration Number, which has to be quoted in all their correspondences with the Department.
- All licensed manufacturers, dealers/distributors of beer registered with the Department (hereafter referred to as seller) are responsible for the collection of Sales tax at the time of sale.

Remittance and reporting procedures

- Sales Tax collected shall be deposited with the concerned Regional Revenue & Customs Office (place of registration) on a monthly basis on or before the 10th of the following month. Sales Tax must be collected at the time of sale and deposited even if the goods are sold on credit.
- At the time of remittance of the Sales Tax collections, returns for the month must be filed along with supporting documentation as prescribed in ST Form -VI.
- Returns must be filed on a monthly basis even if there are no sales.
- Import formalities must be completed at the time of import as per the prescribed import declaration form **ST Form -I or CD Form -III**.
- The seller shall maintain the following records:
 - Stock register
 - Purchase invoices
 - Sales invoices
 - Import permits issued by the Department and L-36 forms issued by excise authorities in India in case of imports from India or Import Licenses issued by RGoB for imports from third country.
 - Import records verified by Revenue & Customs check post/office
 - Monthly production records for beer manufactured in-country
 - Monthly stock reconciliation statements
 - All ledgers relating to sales and purchases
 - Profit and loss and balance sheet
 - Sales made to exempted parties along with STEC
 - Any other records as required by the Department.

Such records must be made available to the assessing authority on demand.

Sales Tax on Hotels and Restaurants

All hotels and restaurants of the following categories as notified and registered with the Department as Sales Tax Collecting Agent shall levy and collect Sales Tax at the rate as revised from time to time from their customers.

- Hotels whose basic room rate is not less than Nu.100 per night; or
- Hotels and restaurants catering to mid/high income Bhutanese nationals, foreign residents and tourists.

All notified hotels and restaurant shall, on behalf of the department, levy and collect Sales Tax at the prescribed rate from its customers on the following services.

- Room/rent charges
- Food sales
- Beverage sales
- Laundry services
- Telephone facilities
- Internet and fax
- Any other items as notified by the Ministry of Finance from time to time.

Discount

Where a hotel owner gives discounts to customers, Sales Tax shall be levied on the gross bill amount, and not the discounted amount.

Complimentary Rooms

Sales Tax on complimentary rooms for business purposes shall be exempted provided a separate guest register is maintained by the hotel owner with complete address, duration of stay, room number and reasons for providing such compliments.

Bad Debts

Where there is bad debt arising out of the sales on which the Sales Tax has been paid by the unit, the refund of Sales Tax shall be given or adjusted provided the conditions on bad debt provisions as laid in the Taxation Policy, 1992 or any revisions thereof are fulfilled.

Procedures for Collection of Sales Tax on Hotels

All notified hotels and restaurants shall observe the following procedures for collection and deposit of Sales Tax from their customers. They shall

- Maintain proper books of account as per requirements under the Act.
- Maintain an accurate and complete guest register, showing the name and address of each guest, and the duration of the stay.
- Issue printed and serially numbered cash memos/ credit memos and bills. The original copy must be given to the customer and the duplicate must be maintained for record and verification purposes.
- Not overwrite in the cash/credit memos. In case of a mistake, a fresh copy must be issued and

the original copy must be annulled.

- Realise the correct Sales Tax amount from the customers at the point of sale.
- Make all accounts, records, registers and supporting documentation available for inspection by the department.
- Deposit the Sales Tax collected from the customers with the concerned RRCO by the 10th of the following month along with a monthly statement of Sales Tax collection and deposit as per ST Form- V (B).
- Submit the details of sales made to an exempt organisation as per ST Form-V(A) along with Sales Tax Exemption Certificate (ST Form -IV) issued by the Department.

Sales Tax on Cement

A notified cement manufacturing unit shall be liable for collection of Sales Tax at the rate as revised from time to time on sale of cement from their customers.

Sales Tax on Entertainment Services

All licensed entertainment service providers such as Cinema operators, Cable TV operators and any other such service providers as notified by Ministry of Finance shall levy and collect Sales Tax at the rate as revised from time to time on bills/tickets from their customers on the services provided by them.

Such entertainment service providers, for collection and deposit of Sales Tax, shall

- Maintain proper books of accounts as per requirements under the Act.
- Maintain a complete customer register, showing the name and address of each customer, location and the duration of the service provided.
- Issue cash/credit memos, and bill/tickets, which are pre-stamped and endorsed by the nearest RRCO to each customer even if the Sales Tax is exempted.
- Issue printed and serially numbered cash/credit memos and bills/tickets showing both the net value and Sales Tax components as separate items. The original copy must be given to the customer and the duplicate copy must be maintained for record and verification purposes.
- Not overwrite in the cash/credit memos and bill/tickets. In case of a mistake, a fresh copy must be issued and the original copy must be annulled.
- Be responsible for realisation of correct Sales Tax amount from their customers.
- Make all accounts, records, registers and supporting documents available for inspection by the Department.
- Deposit the Sales Tax collected from their customers to the concerned RRCO as per Form-VII.
 - By 10th of the following month in the case of a cable service operator.
 - At the time of endorsing bills/tickets subject to adjustment at the end of the month in the case of a cinema operator.

Levy and Rates

Sales Tax Schedule and rates

Sales Tax shall be levied and collected as per Bhutan Sales Tax Schedule and rules and regulations.

BST Collection and Valuation

Collection and valuation of Sales Tax shall be done in accordance with the following procedures:

- **Collection at the Point of Entry of Goods**

Sales Tax shall be collected on all goods at the entry point for all imports unless otherwise specified.

- **Valuation at the Point of Entry of Goods**

Valuation shall be done on the invoice value at the time of import excluding trade/quantity/cash discount if the goods are procured directly from manufacturers or authorized dealers.

The assessing officer may reject the invoice value if he/she has a reason to believe that the goods have been undervalued or under-invoiced.

In such an event, the assessing officer may fix a value equivalent to the prevailing market price of such goods sold in the domestic market.

- **Collection at the Point of Sales**

Sales Tax on domestically manufactured goods and services, notified hotels and restaurants, and the sale of goods by dealerships as notified by the Department from time to time shall be collected at the time of sale.

- **Valuation at the Point of Sales**

Valuation for the purpose of levying Sales Tax at the point of sales shall be based on the price of the goods and services sold at the time of sales but excluding discounts.

Where the price of goods sold, for the purpose of levying Sales Tax, is undervalued or is not as per the actual sales price, valuation shall be determined by the Department.

Fines and Penalties

It is further emphasized that Sales Tax collected by the Sales Tax Collecting Agents on sale of domestic goods and services such as on the sale of beer, from hotels and restaurants, cement, entertainment services and any other notified product, is Government revenue and the Sales Tax Collecting Agents are only collecting Sales Tax on behalf of the Government.

Non-declaration, mis-declaration, under-declaration of goods and services, evasion of Sales Tax, non-compliance and misuse of rules and provisions under the Act shall attract fines and penalties. For detail information, please see heading Customs under Fines and Penalties.

The following Common provisions of Sales Tax and Customs are available at Customs site:

- Procedure for movement of goods in transit
- Overtime fees
- Restricted and prohibited goods
- Detention, seizure and confiscation
- Settlement of disputes and appeals