



Rules on the Property Ownership Transfer Tax Act of Bhutan 2020

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RULES ON THE PROPERTY OWNERSHIP TRANSFER TAX ACT OF BHUTAN 2020

In exercise of the powers conferred by Section 11 of the Property Ownership Transfer Tax Act of Bhutan 2020, the Ministry of Finance hereby frames this Rules to give effect to the provisions of the Act, as follows:

CHAPTER 1 PRELIMINARY

Title

1. This is the Rules on the Property Ownership Transfer Tax Act of Bhutan 2020.

Commencement

2. This Rule comes in force from 16th January 2020.

Application

3. This Rule applies to all valid Ownership Transfer Applications which are submitted on or after 16 January 2020.

Supersession

4. This Rule supersedes all existing rules, regulations, notifications and circulars pertaining to the Property Ownership Transfer Tax.

CHAPTER 2
TRANSFER OF OWNERSHIP

Transfer of Ownership of Land

5. Land ownership transfer tax shall be levied at the rate of 3% on the sale value or the value of the land as assessed by the Property Assessment and Valuation Agency (PAVA), whichever is higher.
6. The Agency determining the sale value of land for computation of ownership transfer tax under the Rule No. 5 above, must use the most recent valuation made by the PAVA.

Transfer of Ownership of Building

7. Building ownership transfer tax shall be levied at the rate of 3% on the sale value of the building or the assessed value, whichever is higher.
8. The assessed value referred in the Rule No. 7 above shall be in accordance with Schedule I as determined by the competent authority.

Transfer of Ownership of Motor Vehicle

9. Motor vehicle ownership transfer tax shall be levied at the rate of 1% on the sale value of the motor vehicle or value as assessed by the Competent Authority, whichever is higher.
10. The Competent Authority referred to under Rule No. 9 above shall be the Agency responsible for motor vehicle registration.
11. For the purpose of computing motor vehicle ownership transfer tax, the Competent Authority shall determine the assessed value of the motor vehicle in accordance with the Guidelines laid down in the Schedule II of this Rule.
12. A person selling the vehicle must, within 15 days of sale, report to the Authority in person and transfer the ownership in the name of the person buying the vehicle.

Payment of Ownership Transfer Tax

13. As prescribed under section 6, Chapter 2 of the Act, Ownership Transfer Tax shall be paid to the concerned authority at the time of change of ownership of the property.
14. The concerned authority shall ensure that the applicable taxes are collected prior to the issuance of the following documents:
 - a) The Lag Thram (Ownership Certificate) for the ownership transfer of land/building.
 - b) The Registration Certificate (Bluebook) for the ownership transfer of motor vehicle.
15. The property transfer tax shall be payable by the person as specified in the sale deed.
16. As prescribed under section 8, Chapter 2 of the Act, the buyer shall pay applicable tax rate on the minimum reserve price of the property if:
 - a) purchased from the government or Financial Institutions and other agencies through public auction; and
 - b) purchased from international and diplomatic agency.

Exception from Payment of Property Transfer Tax

17. The property transfer tax shall be exempt at the time of change of ownership if, the property is:
 - a) transferred between immediate family members. For the purpose of this section, immediate family members shall refer to parent, children and spouse;
 - b) transferred from grandparents to grandchildren;
 - c) transferred from a sibling who is the legal custodian of the inherited property to other biological or legally adopted siblings;
 - d) returned to the main house after the death of the person;
 - e) split as one's share of property under joint ownership;

- c) shared under a divorce settlement agreement as per the Marriage Act of Kingdom of Bhutan;
- d) transferred to registered Religious Organizations and registered public benefit organization registered under Chhoedey Lhentshog and Civil Society Organizations respectively;
- e) transferred between exempt international organization;
- f) transferred from children to the parents;
- g) transferred to Zhung Dratshang or Dratshang Lhentshog; and
- h) transferred between members registered under the same census record.

CHAPTER 3

REFUND

General Condition for Refund

18. The following conditions shall apply for refund:

- a) Where property ownership transfer tax has been paid in excess of the actual tax liability as determined under this Rules.
- b) Where an exempt person or organization as referred to in the Rule No.17 above has paid property ownership transfer tax.
- c) The date of submission of a valid Application for transfer of ownership shall be the determining factor for refund of property transfer tax.
- d) The claims shall be routed through the concerned Regional Revenue and Customs Office (RRCO).
- e) Refund claims must be made within one year from the date of payment of applicable taxes.

Refund Procedures

19. The following procedures shall be followed for refund:

- a) Refund claims shall be routed through the concerned authority where taxes have been paid.
- b) A valid refund application must be submitted to the concerned authority.
- c) Valid proof of tax payment made must be submitted.
- d) Copy of CID/Letter of Authorization must be submitted.

Verification Process

20. The following verification processes have to be observed:

- a) The concerned authority shall verify whether all documents required under the Rule No. 19 have been submitted.
- b) The authority shall ensure that valid money receipts or proof of payment of taxes have been submitted.
- c) The concerned authority must ensure that the amount claimed as refund has been deposited into the Centralized Government Revenue account or the concerned CD account.
- d) The concerned authority shall verify if there are any outstanding taxes/duties/fees payable to the government by the claimant or by the sister concerns in case of business entities.

Schedule I

Rental Value Method:

- a) For fair tax assessment, valuation of building using rental value method is to be used as shown below:

Sl. no.	Item	Nu.	Remarks
1	Total Rent per month (R1)		(Field visit is necessary to get total rent for the building, ask tenants and owners of commercial or official establishments).
2	Annual Rent (AR)		(R1 x 12)
3	Rates Capitalization(r)		12.5 for freehold (Full Ownership), 10 for lease hold (>50 years) and 8 (<50 years)
4	Fair Market value (AV)		(r xAR)
5	Property transfer tax (3%)		

- b) For the purpose of valuation, property kept vacant or self occupied shall be deemed as property let out and accordingly rent will be calculated on the fair market rent.
- c) For the purpose of calculating the rental income, the prevailing fair market rate of the locality shall be taken into account.

Schedule II

- 1) For the purpose of charging 1% vehicle ownership transfer tax, the Authority shall apply depreciation at the following rates on the initial purchase price, on production of original invoice/bill or similar records maintained by the Authority, or the current market value of a similar type, using the diminishing value method:
 - a) @ 10% per annum for first and second year;
 - b) @ 15% per annum for third, fourth, fifth and sixth year; and
 - c) a motor vehicle shall be valued at 10% of the initial purchase price as indicated in the original invoice/bill or similar records maintained by the Authority or the current purchase price (of a new vehicle) of the same or similar description, after the sixth year, on which 1% property ownership transfer tax shall be levied .

- 2) In case of a vehicle sold as scrap, the owner shall not be liable for transfer tax on the sale value of the scrap. However, the owner must surrender the registration certificate of the vehicle to the Authority for cancellation of registration.

- 3) The period for the purpose of depreciation shall be computed from the date of registration of vehicles in Bhutan.

DEFINITIONS:

In this Rule, unless the context indicates otherwise:

“Building” means any structure for whatsoever purpose and of whatsoever materials constructed and every part thereof, whether used as human habitation or not, including foundation, plinth, walls, floors, roofs, chimneys, plumbing and building services, fixed platforms, veranda, balcony, cornice or projection, part of a building or anything affixed thereto. It shall also include apartments and flats.

“Land value” includes sum of all values from parameters like location, infrastructure, site development, connectivity, hedonic values, and other tangible and intangible values associated with the land.

“PAVA” means Property Assessment and Valuation Agency (The rates as determined by PAVA can be downloaded from www.mof.gov.bt)

“Property” means land, building and motor vehicle

“Property Transfer Tax” means a tax applied at the time that a registered title to a property is transferred from one party to another.

“Competent Authority” means the authority that shall be specifically designated by the Royal Government for purposes of this Act.

“Motor Vehicle” means vehicle which has its own motive power but not human or animal power and includes the following or as may be determined by the Motor Vehicle Registering Authority:

- (a) two-wheeler;
- (b) light vehicle;
- (c) medium vehicle;
- (d) heavy vehicle: 6-wheeler to 18-wheeler
- (e) passenger transport vehicle: i. Medium Bus ii. Heavy Bus iii. Tourist vehicle

(f) Taxi

(g) Tourist Vehicle: i. Tourist light vehicle ii. Tourist medium bus iii. Tourist heavy bus

(h) heavy earth-moving equipment: i. Bull Dozer ii. Excavator iii. Pay Loader

(i) road roller;

(j) tractor;

(k) power tiller;

(l) others (machines/vehicles not specified above)

“Scrap” means any property that is beyond repair and is unusable any more.