



GREEN TAX RULES AND REGULATIONS OF BHUTAN 2024

ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE AND CUSTOMS



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MINISTER

དངུལ་རྩིས་ལྷན་ཁག།
Ministry of Finance
Royal Government of Bhutan

BHUTAN
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MoF/DRC/TAX-M&E/FI/2024/187

13th August, 2024

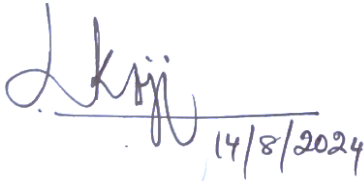
FOREWORD

Green tax in Bhutan was introduced for the first time in the year 2012 on motor vehicles and later extended on fuel, heavy machinery and equipment to cover more products that have environmental impact and contribute to pollution through the endorsement of Tax 2014 and 2022 respectively.

These Rules and Regulations have been crafted to ensure and enable efficient, predictable, and uniform implementation of the provisions of the tax law in force. This supersedes any previous Notifications and Guidelines that are inconsistent with the provisions of this delegated legislation.

The Ministry of Finance remains unwavering in its commitment to Bhutan's vision of a sustainable and prosperous future. *The Green Tax Act* is more than just a policy; it is a declaration of our dedication to preserving the pristine environment that defines our nation. Therefore, unless it is in fulfillment of our existing international treaties, convention, covenant, agreements or protocols, it is levied to all without any exceptions.

The green tax levy and contribution is an effort to reaffirm our commitment to a cleaner, greener, and more sustainable future, ensuring that the pristine environment of Bhutan remains our greatest legacy for generations to come.



14/8/2024

LEKEY DORJI
FINANCE MINISTER

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CHAPTER 1 PRELIMINARY

Authority

1. In exercise of the powers conferred by the Section 8 of the Tax (Amendment) Act of Bhutan 2020, the Ministry of Finance hereby frames the Rules and Regulations of Green Tax as follows:

Title

2. These regulations shall be referred to as "Green Tax Rules and Regulations of Bhutan 2024."

Commencement

3. The Green Tax Rules and Regulations of Bhutan 2024 shall come into force on the 11th Day of 7th Month of the Wood Male Dragon Year, corresponding to the 15th August, 2024.

Extent

4. The Green Tax Rules and Regulations of Bhutan 2024 shall extend to the whole of the Kingdom of Bhutan.

Supersession

5. The Green Tax Rules and Regulations of Bhutan 2024 shall supersede all previous circulars, notifications, and rules governing the Green Tax.

CHAPTER 2 APPLICABILITY

6. The Green Tax shall be applicable on the following goods:
 - 1) Motor vehicle;
 - 2) High Spirit Diesel, Motor Spirit; and
 - 3) Heavy equipment & machinery.
7. Unless provided for otherwise in the Act, the rate of Green Tax shall be as per the Bhutan Trade Classification and Tariff Schedule in force.

CHAPTER 3 VALUATION, ASSESSMENT AND COLLECTION

8. The assessable value for the purpose of levying Green Tax shall be FOB (Free On Board) value of the goods.
9. Any cash and quantity discount shall not be allowed for deduction from the FOB value.
10. The Green Tax shall be assessed and levied on the FOB value determined under Rule 8.
11. The Department may conduct risk-based Post Clearance Audit to ensure that the Green Tax is correctly levied and collected.
12. Green Tax is reassessed:
 - 1) when an appeal by a person or importer is successful and an appeal committee directs the Department to reassess;
 - 2) when there is a short or erroneous deposit of Green Tax;
 - 3) when the Department, at the time of post clearance audit finds that the assessment of Green Tax is levied incorrectly; or
 - 4) if on subsequent examination of goods or documents, the declaration is found to be untrue.

13. Green Tax shall be collected at the time of import.
14. The goods shall be released upon the payment of Green Tax, unless authorized otherwise by the Department.

CHAPTER 4 EXEMPTION

15. In accordance with Section 4, Chapter 4 of the Tax Act 2014, the Green Tax shall be exempted in adherence to the obligations outlined in international conventions, covenants, or bilateral agreements signed with the Kingdom of Bhutan.

1) Procedures for Exemption:

- a) Application for an exemption must be submitted online through eCMS by the exempt organization or exempt individual prior to import to the Department with the following documents:
 - i. a copy of commercial invoice/bills;
 - ii. an import license copy issued by the concerned Agency in case of import from other than India; and
 - iii. a clearance from concerned Agency wherever applicable.
- b) The Department will verify the application in terms of the eligibility and process accordingly.

CHAPTER 5 DISPOSAL OF GREEN TAX EXEMPT VEHICLE

16. Disposal of Green Tax exempt motor vehicles shall be governed by the following procedure:
 - 1) Green Tax exempt vehicle may be sold to another exempt person in Bhutan, with clearance from the Department;
 - 2) Vehicle may be sold in the open market to non-exempt persons subject to the following conditions:
 - a) upon payment of Green Tax at the time of assessment;
 - b) the value of the vehicle for the purpose of levying Green Tax shall be the FOB value at the time of import or the sales value excluding any other taxes and duties if purchased from the vehicle dealer within the country; and
 - c) transfer of ownership of vehicle shall be affected only on payment of Green Tax and any applicable fees and charges to the Department.
17. Green Tax is applicable even if the vehicle is disposed of by way of gift or free of charge to a non-exempt person and the valuation shall be as per Rule 16 (2) (b).
18. If the person or importer fails to produce initial import documents or purchase invoice from the domestic dealer required for valuation, the Department shall ascertain the sales value of identical or similar vehicle less any other taxes and duties charged by the dealer in the country at the time of affecting the sale.
19. The depreciation shall not be allowed for the purpose of levying Green Tax.

CHAPTER 6 REFUND

20. The eligibility criteria, conditions and procedures of Green Tax refund shall be as follows:
 - 1) **Applicability of refund:**

Refund of Green Tax shall be applicable under the following circumstances:

- a) an exempt organization or an exempt individual has paid Green Tax;
- b) a third-party import made on behalf of exempt organization or exempt individual;
- c) there is an excess or erroneous deposit of Green Tax; or
- d) the decision on a tax appeal or reassessment has resulted in a refund of Green Tax.

2) Conditions for refund:

Refund shall be claimed from any of the Regional Offices on the fulfillment of following conditions:

- a) the refund claims must be made within one year from the date of payment of Green Tax;
- b) the refund claims shall be made only by an exempt organization or an exempt individual and not by the third-party working on behalf of the exempt organization or exempt individual; and
- c) there shall be no outstanding taxes/duties/fees with the Department against any other entity or business that may be owned by the claimant. Outstanding taxes/duties/fees with the Department should be settled or adjusted prior to the approval of the refund.

3) Documents required to claim a refund of Green Tax paid at the point of entry:

The refund claims must be supported by the following documents:

- a) duly completed refund application electronically or manually (signed and sealed form) given in Annexure VII and refund clearance Annexure IX of Revenue Manual 2019 by an exempt organization or an exempt individual;
- b) forwarding letter from an exempt organization or an exempt individual briefly describing the scope and basis for requesting a refund;
- c) copy of import declaration form;
- d) copy of import bills, in case of third country import;
- e) copy of invoices/cash memos; and
- f) copy of revenue money receipt/proof of Green Tax paid or advance adjustment voucher, in case of revolving fund account holders; or
- g) copy of appeal decision or reassessment report in the case of a Green Tax refund due to the appeal and reassessment.

CHAPTER 7

FINES AND PENALTIES

21. A penal interest at the rate of 24 per cent per annum on the amount of Green Tax due shall be applicable on the late deposit of Green Tax.
22. A fine of Nu.500 to Nu.5,000 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.
23. A person shall pay a fine of 50 percent of the value of the goods in addition to the amount of Green Tax, if the person:
 - 1) under invoices the value or quantity of goods;
 - 2) conceal or does not declare or willfully mis-declare goods;
 - 3) sells, transfers, exchanges or gives away or misuses exempted goods;
 - 4) makes or signs untrue or incorrect declarations, certificates and documents, submitted to the Department; or

- 5) obtains, attempts to obtain or abets in obtaining, any amount by way of refund of Green Tax which is not allowable in respects thereof or which is more than the amount so payable.

CHAPTER 8 SETTLEMENT OF DISPUTES AND APPEALS

Appeal

24. A person or importer may appeal an assessment of Green Tax or any decision passed by the Department.
25. The filing of an appeal against an assessment of Green Tax shall not postpone the date for payment of the Green Tax.
26. The Department shall admit an appeal made by a person or importer if the undisputed part of the Green Tax has been paid by the person or importer.
27. The appellant or the representatives shall have the right to appeal at three levels as under:
 - 1) An Appeal Committee at the Regional Revenue and Customs Office;
 - 2) An Appeal Committee at the Department of Revenue and Customs, Head Office; and
 - 3) An Appeal Board at the Ministry of Finance.
28. If the appeal is unsuccessful, the appellant shall be liable to pay the disputed amount with penal interest of 24 percent per annum.

Appeal procedure

29. The Appeal shall be filed before the Appeal Committee within 30 days from the date of assessment or any decision passed by the Department.
30. The Appeal Committee at the Regional Office shall pass its decision within 30 days from the date of filing an appeal.
31. Where an Appeal Committee fails or does not pass a decision within 30 days of filing an appeal, a person or importer may appeal to the Appeal Committee at the Head Office.
32. The decision of the Appeal Committee of the Regional Office may be appealed to the Appeal Committee at the Head Office within 30 days from the date of a decision has been passed.
33. The Appeal Committee at the Head Office shall pass its decision within 45 days from the date of filing an appeal.
34. Where an Appeal Committee fails or does not pass a decision within 45 days of filing an appeal, a person or importer may appeal to the Appeal Board.
35. The decision of the Appeal Committee of the Head Office may be appealed to the Appeal Board within 30 days from the date a decision has been passed.
36. The Appeal Board shall pass its decision within 45 days from the date of filing an appeal.
37. Where an Appeal Board fails or does not pass a decision within 45 days of filing an appeal, a person or importer may appeal to the Court of Law.
38. The decision of the Appeal Board may be appealed to the Court of Law within 30 days from the date a decision has been passed.
39. Any decisions passed thereto by the Appeal committee or the Board shall be in writing.

Waiver

40. Any penal interest or fine imposed on a person or importer may be waived in whole or in part by the Department on satisfaction that the violation of the provisions of the Act and Rule thereof was unintentional.
41. Any waiver granted under Rule 40 shall be annulled if the appellant pursues the same contention with a higher appeal body or a Court of Law”.

CHAPTER 9 RECOVERY

42. The Department shall recover the dues through the following:
 - 1) the Department may request the court of law for a restraining order to prevent the person from leaving the country, where there is reasons to believe that person is likely to leave the country without payment of dues;
 - 2) the Department shall withhold the tax clearance certificate and may notify the concerned authorities to suspend or refrain from granting or renewing a license;
 - 3) freezing the imports, exports and transit of goods of the person or importer and it's sister concern;
 - 4) where a person or importer is under tax holiday, or under tax exemption, or is enjoying certain other incentives or facilities provided by the Government, such incentives or facilities may be withdrawn if the person has not responded to the notices issued by the Department;
 - 5) where a person or importer does not pay the dues even after exhausting all efforts made by the Department, which includes issuance of notices and other means of communications, such as telephonic calls, the Department shall, through public media direct such person to report to the Department after obtaining a court order; or
 - 6) where the Department is unable to recover the dues under the provisions of this rule, the case shall be forwarded to the Court of Law.

CHAPTER 10 ADMINISTRATION OF GREEN TAX

43. The assessment and collection of Green Tax at the point of entry shall be managed by the Customs and Excise Division.
44. The policy formulation related to the Green Tax shall be administered by the Sales Tax/Goods and Services Tax Division.



COMPILATION OF TAX ACTS RELATED TO GREEN TAX FOR EASY
REFERENCE





Tax Act 2012

Preamble

Whereas, there are important responsibilities entrusted upon the Royal Government by the Constitution to finance the needs of the State;

Whereas, one of the prime responsibilities of the Government is to raise the revenues of the State towards attaining greater degrees of self-reliance;

Whereas in keeping with Bhutan's development paradigm of Gross National Happiness, the Government has to ensure an economy that grows steadily in a stable manner,

Whereas, taxation is an important fiscal instrument for the management of the economy and environmental concerns;

Now therefore, the Parliament of Bhutan hereby enacts this law as follows:

Title, Scope and Effective Date

1. The Act shall be called the Tax Act 2012.
2. It shall extend to the whole of the nation.
3. The term "*tax*" used in this Act shall cover ;
 - a. Sales Tax, Customs Duty, Excise Duty, and Green Tax;
 - b. Any other fees or levies which are not in the nature of charges for services rendered.
4. It shall come into effect on the day of the bill's introduction in the National Assembly.
5. All goods and services purchased, sold or imported (date of arrival in the country) on or after the above-cited effective date shall be subject to the tax rates specified in the respective schedules of this Act.

Tax Introduction

Green Tax

6. There shall be an indirect tax called Green Tax in addition to the existing taxes.
7. The Green Tax shall be applicable to goods, services or activities and at such rates as may be approved by the Parliament from time to time.
8. The tax rates shall be as specified in **Table I** of the Act called the *Green Tax Table 2012*.

9. Specified persons, public and private entity, institutions shall be obligated to collect and deposit the Green Tax.
10. The rules on administration, accounting, valuation, inspection, assessment, payment and returns, collection and refunds, appeal and recovery and anti-avoidance of the Green Tax shall be in accordance with such rules of the Sales Tax, Customs and Excise Act of the Kingdom of Bhutan 2000 and Amendment thereto.
11. Notwithstanding tax exemptions granted under other laws and rules and regulations, there shall be no exemptions from Green Tax.

TABLE I
GREEN TAX RATES 2012

Items	Green Tax
Passenger vehicles with engine capacity of 1,800 cc and above	20%
Vehicle with engine capacity of 1800 cc and below and vehicle such as buses used for general public transport, certain utility vehicles which are mostly used on the rural roads such as pick-ups and trucks.	5%

Note:

- h) Electric vehicles shall not be subject to Green Tax.
- i) The Bhutan Trade Classification 2012 shall be used for the purpose of the Green Tax levy.



TAX ACT 2014

THE TAX ACT 2014

An Act to give effect to the fiscal measures to provide for alteration, imposition, repeal, remission and regulation on Sales Tax, Customs Duty and Green Tax.

It is enacted as follows:-

CHAPTER I

PRELIMINARY

Title, Scope and Effective Date:

- 1.1 This Act shall be called the Tax Act, 2014.
- 1.2 It shall come into force on the 8th Day of the 4th Month of the Wood Male Horse Year of the Bhutanese Calendar Corresponding to the 6 Day of June 2014, unless otherwise specified under the specific provisions below.
- 1.3 It shall extend to the whole of the Kingdom of Bhutan.
- 1.4 The term "tax" used in this Act shall cover:
 - a) Indirect tax: namely the Sale Tax, Customs Duty and Green Tax;
 - b) Any other fees or levies which are not in the nature of charges for services rendered.
- 1.5 The tax revisions included herein shall be valid until further amendment.
- 1.6 In this Act, unless the context otherwise requires, 'Ministry' means the Ministry of Finance of the Kingdom of Bhutan.

CHAPTER 2

Changes in Bhutan Trade Classification, Customs Tariff and Sales Tax Schedule (alteration of rates of sales tax and customs duty)

- 2.1 The changes in the tax rates (Sales Tax and Customs Duty) are as presented in Annexure I attached to this Act.
- 2.2 The Bhutan Trade Classification, Customs Tariff and Sales Tax Schedule (January 2012 edition) shall be amended in line with Annexure I attached to this Act.

CHAPTER 3

Changes in Table I, Green Tax Rates in Tax Act 2012

- 3.1 The changes in the Green Tax rates are as presented in Annexure I attached to this Act.
- 3.2 The Table I, Green Tax Rates in the Tax Act 2012 shall be renamed as the "Schedule of Green Tax".
- 3.3 The Schedule of Green Tax shall list all goods and services that are liable for Green Tax along with the tax rates.
- 3.4 The Green Tax on vehicles shall be amended in line with Annexure I attached to this Act.

- 3.5 Petrol (Motor Spirit) and Diesel (HSD) shall be listed in the Schedule of Green Tax in line with Annexure I attached to this Act.

CHAPTER 4

Exemption from Green Tax

4. Green Tax shall be exempted in accordance with the obligations under the international conventions or covenants, multi-lateral or bilateral agreement, signed with the Kingdom of Bhutan.

CHAPTER 5

Sales Tax on Services

- 5.1 Schedule of Sales Tax Rates on Services

All existing services and new services falling under the levy of sales tax shall be listed in the Schedule of Sales Tax Rates on Services, which will henceforth be an annexure attached to the Bhutan Trade Classification, Customs Tariff and Sales Tax Schedule.

- 5.2 Levy of Sales Tax on Telecom services

5.2.1 Telecom services shall be listed as a taxable service in the Schedule of Sales Tax Rates on Services, attached as Annexure II to this Act.

5.2.3 The Sales Tax rate at 5% shall be applicable on all telecom services notified by the Ministry.

- 5.3 Collection of Sales Tax on telecom services

All notified telecom service providers or its agents shall collect the applicable Sales Tax on behalf of the Government in accordance with the rules prescribed by the Ministry.

- 5.1 Effective date

It shall come into force on such date notified by the Ministry and shall apply to sale of taxable telecom services entered into on or after the commencement of the notification.

Attached:

i) Annexure I, Custom Duty, Sales Tax & Green Tax Schedule

ii) Annexure II, Schedule of Sales Tax Rates on Services

Note:

Please refer the [Bhutan Trade Classification and Tariff Schedule 2022\(Amended\).pdf](#) for latest Green Tax rates.



TAX (AMENDMENT) ACT OF BHUTAN 2020

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Preamble

Title

Commencement

Extent

Repeal

In the Act, section 5.2.2 of Chapter 5 is amended

In the Act, after section 5.2.2 of Chapter 5, new section is inserted.....

In the Act, after Chapter 5, new chapter is inserted

In the Tax Act 2012, hereinafter referred to as the Act, section 10 is amended

Preamble

An Act to amend the Tax Act 2012 and Tax Act 2014. Parliament of the Kingdom of Bhutan do hereby enacts as follows:

Title

1. This Act is the Tax (Amendment) Act of Bhutan 2020.

Commencement

2. This Act comes into force on the day the Act is introduced by the Finance Minister in the National Assembly of Bhutan on the 21st Day of the 11th Month of the Earth Female Pig Year corresponding to the 16th Day of January 2020.

Extent

3. This Act extends to the whole of Kingdom of Bhutan.

Repeal

4. In the Tax Act 2014, hereinafter referred to as the Act, after section 5.2.1 of Chapter 5 is repealed.

5. In the Act, section 5.2.2 of Chapter 5 is amended as: “The sales tax rate at 7 percent shall be applicable on tourist SIM telecom services as notified by the Ministry”.

6. In the Act, after section 5.2.2 of Chapter 5, new section is inserted, namely:

“5.2.3 The sales tax on all prepaid and postpaid telecom services shall be exempt”.

7. In the Act, after Chapter 5, new Chapter is inserted, namely: Chapter 6, Revision of Duty, Sales Tax and Green Tax New Section is inserted as Section 6.1

“This Act shall revise duty, Sales Tax and Green Tax rates on goods of the Bhutan Trade Classification and Tariff schedule 2017 (sixth edition) as provided under Annexure 1.”

8. In the Tax Act 2012, Section 10 is amended as:

“The rules on administration, accounting, valuation, inspection, assessment, payment and returns, collection and refunds, appeal and recovery and anti-avoidance of the Green Tax shall be in accordance with the Rules prescribed by the Ministry”.

Note:

Please refer the [Bhutan Trade Classification and Tariff Schedule 2022\(Amended\).pdf](#) for latest Green Tax rates.



TAX ACT OF BHUTAN 2022

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Preamble

DESIRING to address the inflationary pressure on the essential food items and to ensure adequate food supply and nutrition security;

DISCERNING consumerism of harmful products to curtail damage to health, economy, and environment;

CONSIDERING the importance to support the development of priority local industries;

An Act to amend the Bhutan Trade Classification code, Commodity Description, Customs Duty rate, Sales Tax rate and Green Tax rate of the goods classified under Bhutan Trade Classification and Tariff Schedule 2022;

The Parliament of the Kingdom of Bhutan hereby enacts as follows:

Title

1. This Act is the Tax Act of Bhutan 2022.

Commencement

2. This Act comes into force on the day the Bill is introduced by the Finance Minister in the National Assembly of Bhutan on the 15th Day of the 9th Month of the Water Male Tiger Year corresponding to the 8th Day of the 11th Month of 2022.

Scope

3. This Act shall amend the Bhutan Trade Classification and Tariff Schedule 2022 as provided under Schedule 1 of this Act.

Transitional and saving

4. Notwithstanding the applicability of Sales Tax on import of cement and aerated water under this Act, Sales Tax on domestically manufactured cement and aerated water shall continue to be taxed at 5% and 30% respectively.

Exemption

5. The 30% sales tax on Cinema Hall under the Bhutan Trade Classification and Tariff Schedule 2022 is hereby exempted.

Supersession

6. This Act supersedes all laws, rules and regulations, notifications, and circulars that are inconsistent with the provisions of this Act.

Note:

Introduced Green Tax on Heavy Machinery and Equipment in 2022.

Please refer the [Bhutan Trade Classification and Tariff Schedule 2022\(Amended\).pdf](#) for introduction of Green Tax rates.