



**Revised rules on valuation, collection and deposit of sales
tax on vehicles**

MINISTRY OF FINANCE

August 2017

1. Power to frame rules (Section 6.5, Chapter 4, Part I of the STCE Act ,2000 and Section 41 of the STCE(Amendment)Act,2012)

In exercise of the powers conferred by Section 6.5, Chapter 4, Part I of the Sales Tax, Customs & Excise Act of the Kingdom of Bhutan 2000 and Section 41 of the Sales Tax, Customs & Excise (Amendment) Act of Bhutan, 2012, the Ministry of Finance hereby frames the revised rules on valuation, collection and deposit of Sales Tax on vehicles.

2. Supersession

These rules shall supersede all previous rules, notification and circulars governing the valuation, collection and deposit of Sales Tax on vehicles.

3. Date of implementation

These rules shall come into force with effect from 11th August, 2017.

4. Sales Tax on imported vehicles

- a. Sales Tax on vehicles imported by licensed dealers of vehicles shall be levied and collected at the point of sale and deposited thereof in accordance with the rules and procedures prescribed herein.
- b. Unless otherwise exempted, Sales Tax on vehicles imported by importers of vehicles not covered under 4 (a) above shall be deposited to the nearest RRCO as per the valuation prescribed herein, before the release of the vehicle.

5. Definition of point of sale (Section 6.1, Chapter 4, Part I of the STCE Act, 2000)

- a. Point of sale, for the purpose of this rules, means various points of transactions in vehicle distribution chain where buyers make payment to sellers in exchange of vehicle.
- b. Notwithstanding 5 (a) above, point of sale for importers under 4 (b) above shall be the nearest RRCO.

6. Sales Tax rate on vehicles (Section 4.1, Chapter 3, Part I of the STCE Act,2000)

- a. The Sales Tax on vehicles shall be levied as per the rates prescribed under Bhutan Trade Classification & Tariff Schedule 2017 and amendment thereof, if any.
- b. For the purpose of this rules, vehicle means goods covered under heading 8702, 8703, 8704, 8705, 8706 (except for chassis of 8701), 8707 (except for bodies of 8701), 8709 (except for 8709.90.00), 8710, 8711 and 8716 (except for 8716.90.00) of Chapter 87 of the Bhutan Trade Classification & Tariff Schedule 2017 and amendment thereof, if any.

7. Valuation and collection (Section 6.2 Kha, Chapter 4, Part I of the STCE Act,2000)

- a. Sales Tax on vehicles shall be valued, levied and collected on the sales price. Sales price means the price or value of vehicles shown on the invoice which shall include all elements of cost such as value of import, freight, insurance, other expenses and the profit margin of the business. Customs Duty and Green Tax shall not form part of the sales price.
- b. Where the price or value of the vehicle sold is undervalued or is not as per the actual sales price, it shall be determined or fixed by the Department as follows and Sales Tax levied accordingly:

Total Sales price=

1. FOB value = Value of import

Add:

- 2. Insurance : 1.125% on FOB value
- 3. Freight : 20% on FOB value
- 4. Profit Margin : 20% on FOB value

- c. The sales price of the same vehicle sold by vehicle dealers in the country shall be used as valuation base for collecting Sales Tax for importers under 4 (b) of these Rules.
- d. In the absence of sales price mentioned under 7 (c) above, valuation method prescribed under 7(b) above shall be used as a basis to levy and collect Sales Tax for importers under 4 (b).
- e. Actual insurance and freight charges may be considered on production of documentary evidences by importers under 4 (b).

8. Deposit of Sales Tax

- a. The Sales Tax collected under these rules shall be deposited, after the deduction of sales tax paid on purchases prescribed herein, with the Regional Revenue & Customs Office by 10th of the second subsequent month.
- b. Sales Tax must be deposited even if the vehicles are sold on credit.
- c. The monthly Sales Tax return shall be electronically submitted at the time of deposit of Sales Tax as per the following forms:
 - i. **Sales Tax Return form for Goods**

ii. **Sales Tax sale invoice details**

iii. **Sales Tax purchase invoice details**

- d. A duly signed Nil Sales Tax return shall be submitted even for the months that do not have any sales and purchases.

9. Deduction of Sales Tax paid on purchase

- a. Deduction of Sales Tax paid on purchase shall be allowed subject to fulfillment of the following conditions:
- i. The Sales Tax has been deposited by the seller on such purchases to the concerned RRCO;
 - ii. The claimant is registered as STCA (Sales Tax Collecting Agent) under these rules;
 - iii. The purchase has been made from registered STCA;
 - iv. The purchase has a direct and immediate link with the sale of vehicle on which Sales Tax has been collected; and
 - v. Sales Tax deduction or refund has not been claimed previously on such purchase.
 - vi. The purchase is supported by the original tax invoice.
- b. Deduction of Sales Tax paid on purchase shall be carried out as per the formula given below:

$$\boxed{\text{Sales Tax payable} = \text{Sales Tax collected on Sales MINUS (-) Sales Tax paid on purchase}}$$

- c. Deduction of Sales Tax paid on purchase shall be carried out on a monthly basis against Sales Tax collected for a relevant month.

10. Treatment of excess Sales Tax paid on purchase

Any excess Sales Tax paid on purchase, if any during a particular month shall be carried forward and adjusted against future tax liability of the subsequent following month.

11. Refund of Sales Tax

- a. Refund of Sales Tax will be provided, in cases where Sales Tax was deposited in excess earlier due to erroneous deposit, bad debts, non-adjustment of exempted sales and or in such similar case the tax liability reduces, after an assessment of Sales Tax is completed as per the assessment rules prescribed herein.
- b. Refund of Sales Tax shall be adjusted against the future tax liability or any outstanding tax or duty to the Department.

12. Registration

a. Registration as STCA

The following categories of vehicle dealers shall register as STCA with the nearest Regional Revenue & Customs Office (RRCO):

- i. All licensed dealers of vehicles or importers under 4 (a) above.
- ii. Sister concern of the importers under 12 (a) (i) above holding valid trade license.

b. Exemption from registration as STCA

The importers of vehicles specified under 4 (b) above shall be exempted from registration.

c. Separate STCA registration number

A separate STCA registration number and certificate shall be issued to all dealers of the vehicles including their sister concern irrespective of the location and type of business.

d. Procedures for registration

The following documents should be submitted to the nearest RRCO for registration:

- i. Duly completed application form **GP Form III**;
- ii. A copy of trade license;
- iii. A copy of citizen ID card of the owner;
- iv. A certificate of incorporation in case of company; and
- v. Any other relevant documents.

13. Rights and obligation of registered STCA

All registered STCA shall have the following rights and obligations:

- i. To levy and collect Sales Tax on behalf of the Royal Government of Bhutan.
- ii. To deduct Sales Tax paid on purchase on fulfillment of conditions prescribed under 9 (a) of these rules.
- iii. To issue tax invoice for every sale as per the rules prescribed herein.
- iv. To file Sales Tax return electronically and pay the Sales Tax due as per the rules prescribed herein.
- v. To display the certificate of registration at his/her principal place of business.
- vi. To use the allotted registration number in all correspondences, receipts and tax invoices.
- vii. To maintain records and books of accounts prescribed under these rules.

- viii. To furnish information related to the change in ownership or address of business, closure and re-opening of business and any change or addition of vehicles manufactured or imported for the purpose of Sales Tax.

14. De-registration

- a. STCA, which ceases its commercial activities, shall report to the Department for deregistration.
- b. STCA, whose registration has been cancelled, shall pay Sales Tax on the closing stock if any, which shall be valued at the prevailing sales price of the vehicle before the deregistration.
- c. STCA, whose registration has been cancelled, shall clear all outstanding taxes and dues with the Government.

15. Tax Invoice

- a. Tax invoice shall contain at least the following elements:
 - i. The word “tax invoice” in a prominent place;
 - ii. Serial number of tax invoice, tax invoice book and date;
 - iii. Name, address, contact numbers and STCA registration number of the business;
 - iv. Name, address, contact numbers of the customer or buyer;
 - v. STCA no/CID no/Agency code of the customer or buyer, where applicable;
 - vi. BTC, commodity description, value and quantity of vehicle sold;
 - vii. Sales Tax rate and the amount of Sales Tax charged;
- b. The original tax invoice issued by registered STCA shall form the basis for claiming deduction of Sales Tax paid on purchase.

16. Vehicle meant for personal use and gift

- a. Sales Tax at the prevailing market price shall be applicable on all vehicle supplies made without consideration or price for personal use or as a gift.
- b. Sales Tax paid on purchase of vehicle under 16 (a) shall be allowed to be deducted upon fulfillment of conditions laid down under Rule No. 9 of these rules.

17. Bad debts

- a. Where there are any bad debts arising out of the sales on which Sales Tax has been deposited by the STCA, the refund of Sales Tax shall be given or adjusted provided the bad debts fulfill the conditions laid down in the Income Tax Act of the Kingdom of Bhutan 2001 and Rules thereof.

- b. Where Sales Tax has not been realized on account of bad debt, the liability to pay the Sales Tax shall hold until such time the bad debts are written-off in line with the provisions of the Income Tax Act of the Kingdom of Bhutan 2001 and Rules thereof.

18. Losses of Vehicle

- a. Sales Tax shall not be applicable on vehicles lost due to theft, accident, etc provided it is duly supported by relevant documents.
- b. Sales Tax paid on purchase of vehicle under 18(a) shall be allowed to be deducted upon fulfillment of conditions laid down under rule 9 of these rules.
- c. If the vehicle under 18(a) is recovered/repaired and sold thereof, Sales Tax shall be levied, collected and deposited as per the rules prescribed herein.

19. Sale to exempt party and treatment of vehicle quota

- a. Sales Tax shall not be levied to the extent of value of sales tax exemption certificate issued by the Department, provided the original copy of exemption certificate is retained by the seller.
- b. Sales Tax paid on purchase of vehicle under 19(a) shall be allowed to be deducted upon fulfillment of conditions laid down under rule 9 of these rules.

20. Treatment of stock transfer

- a. Stock transfer shall be allowed provided it is between the sister concern with license under the same ownership and registered as STCA under these rules.
- b. The stock transferred allowed under 20(a) shall be subject to sales tax on the sales price prevailing at the time and place of sale.
- c. Details of stock transferred shall be declared along with the monthly return by both the sister concern.

21. Treatment of discount

Sales Tax shall be levied, collected and deposited on the actual sales price of the vehicle, and not the discounted sales price.

22. Accounting Treatment

Sales Tax shall be levied, collected and deposited on both cash and credit sales by all registered STCA.

23. Maintenance of records and books of accounts

All registered STCA shall maintain the following records and books of accounts, which shall be made available to the assessing tax authorities:

- a. Serially numbered tax invoices and tax invoice books, if applicable
- b. Purchase invoices
- c. Production records
- d. Stock register
- e. Stock reconciliation statements
- f. All ledgers relating to sales and purchases
- g. Records of creditors and debtors
- h. Profit and loss and balance sheet
- i. Other records and accounts as per Income Tax Act of the Kingdom of Bhutan 2001 & amendments thereof.

24. Assessment

Assessment and reassessment of Sales Tax shall be carried out as per Section 4 of General Provisions of the Sales Tax, Customs & Excise Act of the Kingdom of Bhutan, 2000 and amendment thereof to ensure that the Sales Tax is correctly levied, accounted for, collected and deposited.

25. Fines and Penalties (Chapter 4, General Provisions of the Sales Tax, Customs and Excise Act 2000 & 2012)

- a. Sales Tax collected but not deposited with the government within the given time frame shall attract 24 percent penal interest per annum until the time of deposit of Sales Tax with the Government.
- b. Other fines and penalties shall be levied as per the existing provisions of the Act mentioned as above.