

## Recent tax reforms implemented

### 1. Revision and Publication of Rules and Manuals

- Following the enactment of the Income Tax Act in 2001, the revision to Bhutan Tax Manual, 1998 was carried out during the period. About 500 copies of the Revised Edition were published and distributed to the regions. The revision was necessary mainly to ensure uniform implementation of the Income Tax Act and Rules across the regions, and also to reflect the administrative and procedural changes brought about by the Income Tax Act in the overall administration of direct taxes.
- Along with the above revision, the Income Tax Rules was also revised. The 2<sup>nd</sup> Edition of the Rules on the Income Tax Act was printed and distributed to all Regional Offices and concerned agencies, and were sold the public through Newspaper Media Kuensel outlet shops in Thimphu.

### 2. Avoidance of Double Taxation Agreement

- Owing to increased globalization, the cooperation with tax administrations all over the world has become an important focus. In this context, the Tax Administration Division under the aegis of the Ministry of Finance initiated the move for entering into the SAARC limited multilateral agreement on avoidance of double taxation and mutual administrative assistance in tax matters. The primary objective of this agreement is to help promote economic cooperation amongst the SAARC member countries through avoidance of double taxation among member nations and mutual assistance in tax related matters. The agreement, which is limited in scope, has been ratified with the member countries and covers only salary income (of teachers, professors and research scholars) and stipend for students.
- The Draft Model on Double Tax Agreement (DTA) with the Government of India, as approved by the 288<sup>th</sup> Session of the Coordination Committee Meeting of the Council of Ministers (CCM), has been forwarded to the Indian Embassy through the Ministry of Foreign Affairs for final negotiations with the Government of India. The Draft Model on DTA, like any other DTA, aims to avoid double taxation on dividend, interest income, business profits, shipping and air transport, any other incomes covered under the agreement.

**No other major tax reforms are currently initiated.**

**No other major reforms are currently initiated but the feasibility studies on the introduction of VAT and shifting sales tax collection from the point of entry to point of sale is being carried out.**

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