1. **Introduction**

The guidelines are being issued in order to bring about transparency in the establishment and operation of industrial and commercial ventures in Bhutan. These guidelines are in keeping with the policies and objectives of the Royal Government and have been issued from time to time in the past. This document highlights major rules and regulations regarding the issue of licenses for trade and industrial activities and their operations and is intended to facilitate private sector development. These guidelines are applicable to all licenses in the categories of trade, service industries and production and manufacturing industries in Bhutan and should be considered together with the Companies Act of the Kingdom of Bhutan 2000, the Rules and Regulations for Establishment and Operation of Industrial and Commercial Ventures in Bhutan (attached as Annex - I) and other relevant rules and regulations in operation or to be issued in the future.

2. **General Criteria and Pre-requisites**

2.1. An individual or company/firm may engage in commercial or industrial activity only after obtaining a license for the said purpose from the Ministry of Trade and Industry (MTI).

2.2 **Exceptions** to this rule shall be made to:

(i) Hawkers, vegetable vendors and cottage industries with an investment of less than Nu. 0.10 million that are established in rural areas;

(ii) Temporary Contract License of Bhutan - Rules and Regulations, 1994 which provides licenses to foreigners to undertake specialized works where qualified national contractors are not available. The eligibility for a temporary contract license are prescribed in Section 7 of this document; and

(iii) Foreign nationals who have already been issued with a Bhutanese business license will continue to be allowed to carry out approved business activities in Bhutan.

2.3. The Licensee shall engage only in the specified industry or products for which a license has been issued.

2.4. The following **basic criteria** should be met by the applicant of a license who:

(i) should be a bonafide Bhutanese national holding a Nationality Identity Card/Certificate; and

(ii) should submit a Police Clearance Certificate in original, obtained from the Royal Bhutan Police headquarters to ensure that the applicant has not been involved in any criminal or anti-social activities.
2.5. In addition to the above pre-requisites, an applicant for a **Production, Manufacturing and Service Industries License** should:

(i) file an application requesting for establishment of such an industry along with a brief project profile, if the proposed industry falls under the Mini, Cottage and Small Scale categories as indicated in Annex - II; and

(ii) file an application requesting for establishment of such an industry along with the standard format available with the Industries Division, if the proposed industry falls under the Medium and Large Scale categories as indicated in Annex - II.

2.6. An applicant for **Import of Goods** should:

(i) have a business license for the proposed goods to be imported; and

(ii) register with the Division of Revenue and Customs (DRC) after obtaining an endorsement on the application from the MTI. The final authority for registration of importers will vest with the DRC.

2.7. An applicant for **Export of Goods** should:

(i) approach the nearest Regional Trade and Industries Office for an Export License; and

(ii) follow the “procedures for export of goods” available with the Regional Trade and Industries Offices.

3. **Licensing Office**

There are four Regional Trade and Industries Offices (RTIO) based in the four major towns of Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar. The Thimphu region covers the dzongkhags of Thimphu, Haa, Punakha, Wangdue Phodrang, Paro and Gasa. Phuentsholing region covers the dzongkhags of Chukha and Samtse while Gelephu region covers the dzongkhags of Sarpang, Dagana, Tsirang, Trongsa, Zhemgang and Bumthang. The Samdrup Jongkhar region covers the dzongkhags of Pemagatshel, Trashigang, Samdrup Jongkhar, Mongar, Lhuentse and Yangtsi.
4. **License Application Procedures**

4.1. Upon review and approval, the applicant should approach the concerned RTIO after completing the following procedures:

   (i) For Trade/Industrial/Contract licenses, the Applicant should apply in the prescribed form, in original, which is available in the RTIO on payment of a nominal fee;

   (ii) Submit a copy of the Police Clearance Certificate; and

   (iii) Obtain clearance from the City Corporation if the business falls within the municipal boundary, and/or from the Dzongkhag if the business falls outside the municipal boundaries.

4.2. **Restrictions** will, however, be noted in the following cases:

   (i) In the case of identified tourist class hotels where all applications for hotels catering to tourists should be verified by the Tourism Authority of Bhutan (TAB) and its recommendations should be submitted to the MTI for final clearance.

   (ii) In the case of an application for setting up a new business falling under the main townships of Samdrup Jongkhar, Gelepah, Phuentsholing, Samtse and Sarpang (does not include the entire Dzongkhag), licenses will not normally be issued except, in cases where the appropriate space is available and security concerns have been taken into account.

4.3. Except for the restrictions noted above, the Regional Trade and Industries Offices shall issue all business licenses for Bhutanese nationals and shall maintain the records.

5. **Policy Guidelines for Industrial Development**

5.1. **Approach to Industrial Development**

   Bhutan has been cautious in taking steps in its economic development, especially in the trade, industry, power, tourism and geology and mines sectors. This approach has ensured safeguarding of the Kingdom’s natural environment and forest cover, avoidance of uncontrollable pollution, concentration of wealth in the hands of a few and exploitation by foreign companies. Besides this, the country’s age-old cultural and religious heritage, and above all, the Bhutanese way of life have thus far been sustained, and in recent years, put on a firmer footing.

   However, despite this approach, in order to meet the growing economic and social expectations of the Bhutanese people, and the challenges they face with the opening of the country, every effort has been made to modernize the trade and industrial sectors.
This goal is being pursued in the following manner:

(i) Privatization, where ample opportunities are being given to the private sector to play the lead role in commercial and industrial ventures, wherever possible;

   a) Privatization of trading activities: Besides domestic trade, this includes trade with India, Bangladesh and other countries. The only exceptions in this regard are the Food Corporation of Bhutan (FCB) and the State Trading Corporation of Bhutan (STCB). In the case of FCB, it is more of a public service organization which provides or oversees the availability of essential food commodities at fair prices; deals in scarce food items, food security and procurement of some quota items for industrial use. The STCB is primarily a government procurement agency and also deals in several scarce or sensitive items like explosives, specialized steels and some industrial raw materials. However, as of mid-1997, 49 percent of STCB’s share holdings have been sold to the private sector;

   b) Privatization of industrial ventures: Government share holdings in most industrial ventures have been divested and offered to the public at large to give an added opportunity to the private sector. The small holdings that still exists with the Government are either to meet contractual obligations or for giving support to the industry due to investment difficulties;

   c) Shares of any companies including that of the Government is required to be sold only through the Royal Security Exchange of Bhutan (RSEB) and purchases of all shares are open to all Bhutanese nationals;

   d) Putting all tourism activities in the private sector with the TAB acting only as a supervisory and regulatory body;

   e) Allocating a substantial portion of government Human Resource Development budget to the private sector;

   f) Giving financial and material support to the Bhutan Chamber of Commerce and Industry (BCCI) which is purely a private sector organization to support and safeguard the interests of the private sector;

   g) Establishing four financial institutions in the country out of which the Royal Insurance Corporation of Bhutan (RICB) and the Bhutan National Bank (BNB) have sold part of their shares to the public; and

   h) Creating an “enabling environment” for private sector development through legal instruments like the Companies Act of the Kingdom of Bhutan 1989, Mines and Minerals Management Act, 1995 and the Customs Rules and Regulations, 1996. Many more Acts are being drafted to further the objective of private sector development. These include Real

ii) Provision of cheap power to domestic, rural and industrial consumers. However, constructions and running of major power projects are being done by the government directly in view of huge investments involved in their establishment and to safeguard the environment and economic self-reliance policies of the nation.

iii) Allowing foreign investment only on a case-by-case basis where the expertise, technical know-how and capital requirement for involving a foreign company is known. However, in this context, a cautious approach is being followed in view of social, political and environmental reasons, the need to import a large number of foreign labour in most cases, and the inability of the Royal Monetary Authority (RMA) to repatriate profits to foreign companies in hard currency as most earnings are in Indian Rupees.

5.2. **Type of industry**: Except for industries of strategic importance, all manufacturing, processing and service industries including contracts types are allowed to be set up.

5.3. **Location**: In order to fulfil the objectives of a regionally balanced development and to meet security concerns, location of projects in the interior and secure areas are encouraged. However, final location clearance to projects proposed within the 3 kilometre belt starting from the international boundary will be decided by the Commission for Industrial Development. In the case of all other areas, private sector may choose their location in keeping with the environmental requirements and permission granted by the local authorities.

5.4. **Ownership**: All industries shall be in the private sector except for investment requirements or to sort out land acquisition or other problems which the private sector finds difficult to resolve, the government may be involved initially in their promotion. Further, since grants and concessional loans are normally given to the government by donors to supplement domestic financial resources, the government is inevitably involved in the initial phases of industrial projects.

As far as possible, industrial ownership and development should be broad-based and should benefit maximum number of Bhutanese people. Opportunity for small investors should be provided by floating shares of medium and large scale industries through the Royal Security Exchange of Bhutan. In this context, guidelines may be issued from time to time by the Commission for Industrial Development.

5.5. **Debt Equity Ratio**: In order to avoid debt problems, industries in the medium and large scale categories should normally be in the debt equity ratio of 2:1. However, this provision may be relaxed by the financial institutions concerned.

5.6. **Foreign Collaboration**: Any foreign partnership or technical collaboration in industrial ventures require a prior written approval from the Minister for Trade and Industry. Such
collaboration is considered on a case-by-case basis as per support needed in terms of financing, technology and technical know-how.

5.7. **Raw material**: Import of raw materials from India and other countries are permitted as per the existing taxation and tariff rules of the Division of Revenue and Customs.

5.8. **Technology**: Labour-saving or semi-automotive technologies shall be encouraged.

5.9. **Market**: Bhutanese products can be marketed anywhere in Bhutan, India, Bangladesh and other countries. Bhutan is a party to the SAARC Preferential Trading Arrangement (SAPTA) under which preferential tariffs are being levied on selected and negotiated products. Bhutan enjoys free trade with India and trade between the two countries is conducted as per the Agreement on Trade and Commerce concluded between the two countries in 1995. Similar agreement governs Bhutan’s trade with Bangladesh. Bangladesh applies concessional duty on Bhutanese products and the present duty rate is available with the Trade Division.

5.10. **Labour**: It is the policy of the government to provide maximum employment opportunities to Bhutanese nationals to overcome the growing unemployment problem. Therefore, all trading activities should employ only Bhutanese nationals. Exceptions are made for employing foreigners only for specialized jobs where local skills are not available, and this too when the business is of a large scale nature.

Industrial ventures are also required to employ Bhutanese nationals for the reasons stated above. Employment of skilled or foreign labour is permissible only after thoroughly examining each request with a view to determining whether such skills are locally available or not.

In such cases, the Ministry of Trade and Industry makes a recommendation to the National Labour Committee of the Ministry of Home Affairs.

5.11. **Infrastructure**: Within the framework of the overall development plan since its inception in 1961, the Royal Government has developed 3,285 kilometres of road which has opened the country extensively. In addition, the MTI has identified industrial estates where infrastructure have been developed. However, the infrastructure is still inadequate due to financial constraints. Despite the problem, the government is still trying to develop additional industrial sites. The government has also set up several power plants to encourage industries, particularly those based on power.

In view of what has been stated above, except for industrial ventures where infrastructure can be provided by the government, other businesses shall take up infrastructure development by themselves. However, the Industries Division will extend assistance in moving matters related to land acquisition procedures with the concerned authorities.

5.12. **Power**: The power tariff rate of Nu. 0.70 per kWh (kilo Watt hour) is a subsidized rate fixed by the government to encourage domestic industries to use the cheap power available for establishing and running an industry. The present export rate to India is Nu.
1.50 per kWh.

5.13. **Taxes**: 30% Bhutan Corporate Tax or Business Income Tax is levied on the Company’s net profit. Thus far, no Personal Income Tax has been levied by the Government. Also, income derived from renting of houses and apartments is not subject to taxes.

5.14 **Clearance from RGoB agencies**: In view of the sustainable development policy approach followed by the government, approval is required from the following organizations for the projects indicated against them:

a) Wood-based - Forestry Services Division, MoA.
b) Mineral-based - Geology and Mines Division, MTI.
c) Agro-based - Ministry of Agriculture.
d) Foreign Exchange and Import Duty exemption - Ministry of Finance.
f) Labour recruitment - Ministry of Home Affairs.
g) Industrial site - Industry Division and Commission for Industrial Development, MTI.

6. **Policy Guidelines for Trading Activities**

6.1. Restrictions for issuance of new license and pertinent rules and regulations:

Issuance of new licenses within the municipal area of Phuentsholing, Gelephu, Sarpang, Samdrup Jongkhar and Samtse:

Issuance of new licenses in the towns cited above is based on the Rules and Regulations for Establishment and Operation of Industrial and Commercial Ventures, 1995 as contained in **Annex - I** and the following provisions:

a) If a license is granted, the entrepreneur shall run the business by himself/herself;
b) The licensee shall not lease out a license to another person in any form or manner;
c) The licensee shall employ only Bhutanese nationals in the shop; and
d) The Dzongkhag/Dungkhag Administration, Immigration Officials and the Regional Trade and Industries Officers shall carry out periodic inspections to check business fronting and to investigate and take action if any foreigner is illegally employed.

e) Violation of these rules shall result in payment of a fine of Nu. 10,000.00 and
immediate cancellation of the trade license. Such violaters shall not be eligible for any category of licenses in the border towns thereafter.

6.3. Policy and procedure for appointment of additional wholesale dealerships to Bhutanese nationals.

Where a monopoly situation exists for imported goods which adversely affects the interests of consumers, the MTI shall assist interested private entrepreneurs to contact and negotiate with manufacturers/suppliers outside the country for availing additional wholesale dealerships for Bhutan. In this context, the procedure will be as follows:

a) The MTI may negotiate and obtain terms and conditions for appointment of dealers for each company;

b) The MTI may make available and explain the terms and conditions for dealerships of foreign firms and that of the MTI, including the number of dealerships available to all interested Bhutanese parties;

c) The MTI and the BCCI may jointly process applications for dealerships; and

d) Applications for dealerships shall be submitted in the prescribed form (available with the RTIO) to the BCCI.


7.1 The objective is to facilitate works of specialized nature to be carried out by foreign companies in Bhutan through the issue of a temporary contract license when qualified national contractors are not available.

7.2. Eligibility

(i) Any foreign individual or company who obtains a work contract in Bhutan shall be eligible for a Temporary Contract License based on the recommendation of the Contract Awarding Authority.

(ii) The period for which a contract is given depends on the Contract Awarding Authority and the review and assessment by the RTIO.

7.3. Application

A company which has successfully bid for a contract under these Rules shall apply in the prescribed application form available with the RTIO. A copy of the work order/contract agreement to this effect should also be submitted.

7.4. Validity
(i) The license issued for a contract work awarded under these Rules shall be completed within a period of one year (365 days)

(ii) A company which is unable to complete the work within the above stipulated time-frame will be eligible to renew the license for a period considered reasonable by the MTI for completion of the work upon payment of a renewal fee of Nu. 15,000.00.

7.5. Fees

A company shall pay a concessional sum of Nu. 15,000.00 to cover registration and contract license fees for a period of less than 365 days. In addition, a sum of Nu. 100.00 will be levied as the cost of license booklet.

8. Policy Guidelines for Tourism Activities

Bhutan recognizes that tourism is a worldwide phenomenon and an important means of achieving socio-economic development. It also recognizes that tourism can help in promoting understanding amongst people and building closer bonds of friendship based on appreciation and respect for different cultures and lifestyles.

There are, however, problems associated with tourism which, if not controlled, can have devastating and irreversible impact on the local environment, culture and identity of the people. Realizing these problems and the fact that the resources on which tourism is based are limited, Bhutan recognizes the need to develop the tourism industry on the principle of sustainability, which means it must be environmentally and ecologically friendly, socially and culturally acceptable and economically viable.

Towards achieving this objective, Bhutan has adopted a very cautious approach to the growth and development of the tourism industry, based on the principle of “High Value - Low Volume”.

Issue of new license for tour operation has also been stopped for the moment. It is felt that the existing 33 tour operators are more than adequate to meet the needs of current level of tourist arrivals. This decision is also based on the need to keep the number of operators low to avoid needless competition which could otherwise affect the profitability and quality of services and the objective of the government to strengthen the private sector.

The TAB is presently engaged in regulating activities of international tourists only. As of present, tourists from SAARC countries are not affected by TAB rules.

8.1. Tour Operator’s Licenses
The eligibility and conditions to be met to qualify for a tour operator’s license are the same as those for trade and industrial licences except that the applications need to be routed through the TAB.

Tour operators are also required to abide by the rules and regulations as contained in the license booklet and the Tourism Rules and Schedule of Tariff for International Tourists and other rules and regulations available with the TAB which are subject to changes from time to time. Tour operators also bear the direct responsibility for implementing the Trekking and Filming Rules and Regulations which govern activities of tourists only. The Bhutan Filming Regulations 1995 is available with the TAB.

8.2. Guide Licenses

All guides are issued with a trekking or a cultural guides license by the TAB. A trekking or a cultural guide license is issued to individuals on successful completion of a trekking or a cultural guide training course conducted by TAB. The licenses are valid for a year and are renewed unless the conduct of the guides have been found unacceptable. A sum of Nu. 50.00 is charged as a guide’s license fee.

8.3. TAB-approved Hotel Licenses

The TAB carries out standardization of hotels and restaurants for use by international tourists. It classifies hotels and restaurants into class A, B or C depending on the facilities available in each establishment and recommends to the Ministry for approval for those that qualify as tourist standard hotels or restaurants. The recommendations are based on fulfilling the Minimum Standard Form available with TAB.

In case a TAB-approved hotel decides to shift the location of the unit, transfer the license or close down the business, the license shall be withdrawn. Re-operation of such ventures shall require a recommendation of the TAB to the MTI for approval.

9. Business License and Fees

9.1. Industrial License and Fees: For issuance of licenses, it normally takes four working days except during the renewal period. Upon submission of the completed forms, the concerned RTIO issues the license and levies fees in accordance with the nature of the business. The present charges are given in Annex - II.

9.2. Incorporation Fees: Companies seeking registration under the Companies Act of the Kingdom of Bhutan, 1989, are charged a Registration Fee of Nu. 1000.00. The rules and regulations pertaining to incorporation under the Companies Act are available in the manual "Companies Act of the Kingdom of Bhutan, 1989", sold by Q-Reprographic at a cost of Nu. 250.00 each.

9.3. Contract license fees: Contractors are classified as A, B, C and Petty Contractors by the
Construction Development Board (CDB), Public Works Division, depending upon evaluation carried out by the Board to examine capability and performance. For Class A, B and C contractors, the Chairman of the Board will convey the approval to the MTI for issue of a contract license. A Petty contractor’s license will however be issued directly by the MTI. Upon issue of a contract license, all categories of contractors should then produce the license in original to the CDB Secretariat for registration with the CDB in the appropriate class. Any contractor seeking a fresh registration with the CDB and contractors who are recently upgraded shall be charged an approval fee by the CDB. The rules and working procedures for the administration of construction procedures within Bhutan are available at the CDB Secretariat, Public Works Division, Ministry of Communications. The MTI also charges a registration and license fees as given in Annex- III. Registration Fees are charged to fresh applicants and those seeking upgradation to a new “Class of Contract License”. A full license fee of the Class applied for are charged to those applicants seeking upgradation to a new Class of Contract License between January and June every year, and half the license fee of the Class applied for to those applicants seeking upgradation in a new Class of Contract License between July and December every year.

9.4. The present Trade License Fees are charged as given in Annex IV. Details of items traded under each license are available with the Trade Division and the Regional Trade and Industry Offices.

9.5. The procedure for availing foreign exchange for import is available with the RMA.

9.6. General Procedures for levying Trade and Industrial Registration and License fees:

Registration fees are charged to those applicants seeking an industrial license. No registration fees are charged for issue of a trade license. In the case of trade and industrial license fees, a full license fee shall be charged to those applicants seeking a new business license between January and June every year, and half the license fee to those applicants seeking a new business license between July and December every year.

9.7. The cost of a Business License Booklet is Nu. 100.00.

10. Procedure for Leasing and Auctioning of Mines

10.1 Pre-requisites for issue of license for mineral-based industries and augmentation of existing industries.

There have been cases in the past where prospective entrepreneurs have obtained industrial licenses for establishment of mineral-based industries prior to confirmation on the availability of suitable quality and sufficient quantity of raw materials. Once the needs are confirmed and the qualitatively suitable deposit is identified, license holders often approach the Division of Geology and Mines (DGM) with a request to lease out mines or carry out mineral exploration, after they have already started setting up the
industry.

Situations of this nature have often sent the Division on a hectic search for a desired mineral deposit as required by the promoter. Past experiences have shown that results of such studies carried out at short notices are sometimes misleading and faulty. In order to avoid erroneous data and repetition of field work at a later stage, resulting in extra expenditure, ad-hoc field studies will not be carried out henceforth. Moreover, such field studies emerging from this situation fall outside the purview of the Division’s planned budgeted programmes.

It is therefore implied, that any issue of mineral-based industrial license or augmentation programme will be done only after a detailed geological investigation report has been completed and that the availability of suitable quality and sufficient quantity of the raw material has been proven.

10.2 In order to ensure that the Mines and Minerals Management Act, 1995 (MMMA), available with the DGM are followed, the Head of the Division shall undertake the following activities:

i) **Form of application**: The eligible person, company or firm can make a formal application in writing to the Division stating clearly the type of mineral an individual or company/firm intends to exploit, place and location of mineral occurrence, nature of activity intended (either mining or lifting from the surface) and tentative markets.

ii) **System of awarding a lease**: Upon receipt of the application, a technical committee comprising of geologists and mining engineers and the Head of the Division will scrutinize the application in keeping with the provisions of the MMMA. The objective of the scrutiny is to assess the following:

A. a) type of mineral applied and/or required if it is an operational project;
   b) the annual requirement of raw material that is proposed to be exported or needed in addition to the existing supplies for an operational project;
   c) the possible size and extent of the deposit; and
   d) the possibility of carrying out mining operations with respect to the type of mineral, its location, topographical conditions and behaviour of deposit.

B. Based on the conclusions drawn during the committee meeting, the recommendations carried out by the Division is submitted to the MTI (as per the MMMA) highlighting the technical views of the Division and seeking further directives. The Ministry then grants a formal approval for a permit in the case of mines required for industrial processing or if the mines are of a very small nature. Auctioning of mines is done in the case of larger mines where the mineral in question is marketed without processing or if there are a number of parties interested in the deposit. However, it should be noted that significant royalty
concessions are given on minerals extracted from auctioned mines if the sale of the mineral is for domestic consumption or processing.

C. a) in the event the proposal is rejected, the Division then informs the applicant in writing of the decision outlining reasons for its rejection.

b) if the proposal is approved, the Division deputes a field team to carry out demarcation of the deposit provided there already exists a reasonably detailed geological report to fulfil the parameters and requirements of the Final Mine Feasibility Report (FMFR) available with the DGM. The geological report mentioned above should contain the following:

- the general geology of the deposit;
- location and accessibility;
- climate and vegetation;
- relief of the area;
- general rock types;
- mineral reserve; and
- recommendations and conclusion.

c) (i) In the case of larger mineral deposits that have been proven and are intended to serve as the source of raw materials for downstream manufacturing industries, the geological report is made available to the promoter/company for preparation of the Final Mine Feasibility Report.

(ii) If no field study has been carried out earlier and therefore no geological report exists, then the necessary geological field study needs to be carried out.

d) In view of the above, no time bound assurance can be given on issue of licenses for mineral prospecting and processing.

10.3 Preparation and Submission of Final Mine Feasibility Report: Once the Ministry’s approval is accorded and field work as required (article C (b) above) is completed, the applicant is given a copy of the geological report based on which the individual or company/firm is required to prepare the FMFR in the format issued by the Division.

The FMFR should then be submitted to the Head of the Division for approval based on which the Lease Agreement is formalised between the Division and the individual or company/firm.

Upon submission to the Division, the report is run through a detailed evaluation process conducted by the Division’s technical team based on a format provided by the DGM.

10.4 Award of Lease: Based on the result of the evaluation, the report is either:
a) approved for implementation, or
b) rejected with recommendations/instructions to revise the report and re-submit for re-appraisal

As soon as the report is approved for implementation, the Lease Agreement is then executed between the Division and the individual or company/firm for a particular period ranging from one to ten years. The model for executing a Lease Agreement is available with the Division.

10.5.1 Mining Lease: A mining lease grants the lessee the right to mine out and use the mineral(s) according to the terms and conditions of the Mining Lease Agreement and the MMMA. The MMMA in Dzongkha and English is available at the Division at a cost of Nu. 100.00 per copy.

10.6 Period of Lease: Lease periods vary with mineral type, usage and category of mine. Small occurrences such as talc are awarded on a first-come first-served basis and supports a very small scale of operation. These are leased for a period ranging from one to three years.

Larger mineral deposits are auctioned, leased or awarded for a specific industry where such mines are primarily export-oriented or are a source of raw material for mineral-based projects (termed as captive mines in the Lease Agreement). These are initially leased for a period of ten years and renewed for equal periods until the deposit is exhausted. Otherwise, the deposit can also be surrendered by the user or terminated by the Lessor before the lease period expires.

10.7 Obligation of Lessee: The award of mining lease authorizes the lease holder to develop infrastructure, mine, process and sell the mineral(s) as specified in the lease agreement. The Lessee is, however, obligated to comply with several specific requirements and codes of mining operation, some of which are:

(a) conduct mining operation and related activities in a manner that is least damaging to the natural environment by way of clearing only required surface area and excavating and disposing waste material systematically in a place where it would not cause clogging of streams or contaminate nearby agricultural lands;

(b) maintain accurate records of all grades and sizes of mineral production and despatch from mines;

(c) details of each transport vehicle entering and leaving the mine premises;

(d) submit quarterly and annual progress reports;

(e) update and submit mine plans and sections of each mine covered by the lease;

(f) carry out mine restoration, reclamation and revegetation of excavated/mined area during the lease period, and prior to surrender of leased area; and
(g) abide by all rules, regulations and orders issued by the Division.

10.8 **Suspension and Termination of Lease:** Notwithstanding the rights granted by a lease to the holder, the lease is also subject to suspension and termination in addition to the holder’s option to surrender the lease if desired to do so. The suspension or termination may result from change in government policy or violation/non-compliance with government orders and the terms and conditions of the lease. Article 32 of the MMMA contains relevant conditions that would lead a lease to be terminated or suspended.

10.9 **Auctioning of Mines:** The Division also auctions mines from time to time. The type(s) of mineral(s) proposed for auction are not categorized but the location of mine site(s) are pre-selected so as to provide sufficient advantage and leverage for economic and profitable venture. Mineral deposits/operating mines are, under the existing policy, auctioned for a period of ten years. Auctioning is conducted under specific terms and conditions that are tailor-made to fit the location and existing setting of the mineral deposit or mine.

10.10 The rates and terms for payment of surface rent, mineral rent and royalty is given in Annex V.
Annex - I

RULES AND REGULATIONS FOR ESTABLISHMENT AND OPERATION OF INDUSTRIAL AND COMMERCIAL VENTURES IN BHUTAN, 1995

The rules and regulations for establishment and operation of industrial and commercial ventures are hereby revised in keeping with the policies and objectives of the Royal Government of Bhutan. These are applicable to all licenses in the three categories of trading, service industries and production and manufacturing industries within the Kingdom of Bhutan and are made effective from July 1, 1995.

All licenses issued by the Ministry of Trade and Industry (MTI) have been classified into the above three categories. License data and records will be maintained separately for each of these categories by the Ministry and the Regional Trade and Industry Offices. The Trade Division will deal with trading activities only, while the Industries Division will deal with the service, production and manufacturing sectors.

These Rules and Regulations should be considered together with the Companies Act, 1989 and other relevant rules and regulations that may be issued from time to time.

Rule 1. An individual or company/firm may engage in commercial or industrial activity only after obtaining a license for the purpose from the Ministry of Trade and Industry. Exceptions to this rule shall be made only in the case of small cottage industries established in rural areas with an investment of less than Nu. 100,000.00.

Violation of the rule shall result in payment of a fine of Nu. 2,000.00 and immediate closure of the activity.

Rule 2. The licensee shall engage only in the specified industry or products for which a license has been issued.

Violation of the rule shall result in payment of a fine of Nu. 2,000.00 and immediate closure of all other unauthorized businesses.

Rule 3. A licensee shall not engage in "fronting", in other words, leasing of the license to another party to run the business.

Violation of this rule shall result in cancellation of the license and immediate closure of the business.

Rule 4. A licensee shall keep the license safely at the registered office or business establishment at all times.

Violation of the rule shall result in payment of a fine of Nu. 100.00 and cancellation of the license if the rule is violated thrice.
Rule 5. The license shall be produced on demand by an authorized officer of the government.

Violation of the rule shall result in payment of a fine of Nu. 25.00 and cancellation of the license if the rule is violated thrice.

If a license is lost or damaged, the licensing authority shall be informed in writing within 30 days from the date of incident. A duplicate copy of the license can only be issued after due verification and on payment of a prescribed fee.

Rule 6. The licensee shall ensure that the license is renewed within the period fixed by the licensing authority after payment of prescribed fees and other charges.

Violation of the rule shall result in payment of a fine of Nu. 20.00 per day till the date the license is renewed. If the license is not renewed within six months from the last date of renewal, the license shall be cancelled automatically. The defaulter shall not be issued with a fresh license for the same activity unless all previous fines and government dues are fully paid and the MTI grants clearance.

Rule 7. For industries and major businesses where the license holder has a number of related activities for which services are required to be provided and where the licensee contracts out such services to a Bhutanese national, such a contractor must also possess a license.

Violation of this rule shall result in payment of a fine of Nu. 500.00 each to the licensee and the contractor and an immediate closure of the business.

Rule 8. The licensee shall employ only those non-nationals recommended by the Ministry of Trade and Industry and approved by the government as per its practice and procedure in this regard.

Violation of this rule shall result in cancellation of the license.

Rule 9. A licensee who employs non-nationals shall submit a concrete programme for recruitment and training of Bhutanese nationals for the industry or commercial establishment with a view to enhancing employment of nationals.

This programme shall be reviewed every year by the Ministry of Trade and Industry.

Rule 10. The licensee shall normally be required to establish the licensed business venture within twelve months.

Unless the Ministry of Trade and Industry is fully satisfied that the licensee is actively pursuing the proposed venture, the license may be cancelled or a penalty amounting to double the amount of the license fee shall be levied during the time of license renewal.

Rule 11. A licensee shall not deal in activities or commodities banned by the government.
Violation of the rule shall result in payment of a fine of Nu. 10,000.00 and immediate cancellation of the license. Thereafter, the MTI may initiate criminal proceedings against the defaulter.

Rule 12. The licensee shall not deal in adulterated, contaminated or "date-expired" products or medicines.

Violation of the rule shall result in payment of a fine of Nu. 10,000.00, seizure of the products and cancellation of the license. Thereafter, the MTI may initiate criminal proceedings against the defaulter.

Rule 13. The licensee shall ensure that the expected quality and standard of services are provided to clients and customers. In activities on which standards have been laid down in respect of health and hygiene as well as quality control by the concerned authorities of the government, these standards shall be followed scrupulously.

Violation of the rule shall result in payment of a fine of Nu. 1,000.00. If this rule is violated for three times, the license shall be cancelled and criminal proceedings may be initiated against the licensee.

Rule 14. A licensee shall not engage in any form of business malpractice including selling of fake products and manipulating standard weights and measures.

Violation of this rule shall result in payment of a fine of Nu. 2,000.00. If this rule is violated for three times, the license shall be cancelled and criminal proceedings may be initiated against the licensee.

Rule 15. The licensee shall ensure that government rules and regulations relating to environmental protection as well as health and safety measures are strictly adhered to in the operation and conduct of the industrial or commercial venture.

Violation of this rule shall result in a fine of Nu. 1,000.00 and cancellation of the license if the rule is violated thrice.

Rule 16. The licensee shall always keep the working premises and surroundings neat and clean in the interest of promoting a healthy and good business environment.

Violation of this rule shall result in a fine of Nu. 200.00. If this rule is violated for three times, the license may be cancelled.

Rule 17. A licensed wholesale or retail dealer in alcohol shall not sell or gift alcoholic beverages to a person below the age of 18 years.

Violation of this rule shall be dealt in accordance with notification No. KHA (12)-7/89/5070 dated April 26, 1993 issued by the Ministry of Home Affairs which is attached to these Rules and Regulations.
Rule 18. A license holder of a video library/cinema hall, bookshop/newspaper agent or any other business establishment shall not deal in pornographic movies, video cassettes and other materials. This includes a ban on import, sale, rental, screening, circulation and distribution of pornographic movies, video cassettes and other materials.

Violation of this rule shall result in payment of a fine of Nu. 10,000.00, confiscation of the banned goods and cancellation of the license.

Rule 19. A license holder of a video library shall not rent out to persons below the age of 18 years video cassettes that are considered unsuitable for children and that depict excessive and graphic violence. Similarly, cinema halls shall publicize clearly about the suitability of movies being screened for viewing by children.

Violation of this rule shall result in payment of a fine of Nu. 1,000.00 and cancellation of the license if the rule is violated thrice.

Rule 20. A licensed chemist, pharmacist or a shop dispensing medicines shall not sell any drugs requiring prescription of an authorized medical practitioner without a written prescription from such a person.

Violation of this rule shall result in a fine of Nu. 2,000.00 and cancellation of the license. Criminal proceedings against the license holder may be initiated by the government authority.

Rule 21. The transfer of ownership of license and the changes in location, activity, item, category and registered names may be effected only with the prior approval of the Ministry of Trade and Industry and on payment of prescribed fees.

Violation of the rule shall result in payment of a fine of Nu. 1,000.00 and immediate closure of the licensed venture.

Rule 22. A licensee holding trade license(s) for more than one category of items, whether issued in one or more license forms and presently operating only from one shop shall not be permitted to open separate shop(s). This rule applies only to the towns of Thimphu, Phuentsholing, Gelephu, Samdrup Jongkhar, Sarpang and Samtse.

Violation of this rule shall result in cancellation of the license(s).

Rule 23. The licensee shall maintain proper books of accounts as required by the Revenue and Customs Division and other governmental agencies which have given prior information to that effect and produce such books to an authorized officer of the government on demand.

Violation of the rule shall result in payment of a fine of Nu. 100.00. If the rule is
violated thrice, the license shall be cancelled.

Rule 24. The licensee shall display the name of the commercial or industrial venture registered with the Ministry of Trade and Industry in Dzongkha. If any other official language is to be used, it should be written below the Dzongkha on the signboard. The script should be written in easily legible characters.

Violation of the rule shall result in payment of a fine of Nu. 100.00. If the rule is violated thrice, the license shall be cancelled.

Rule 25. The licensee shall display at all times and in a legible manner the prices of "essential commodities" fixed or recommended by the Ministry of Trade and Industry.

Violation of this rule shall result in payment of a fine of Nu. 2,000.00. If this rule is violated for three times, the license shall be cancelled.

Rule 26. A license holder for wholesale agency or dealership of the essential commodities identified by the Ministry of Trade and Industry shall:

a) not hoard or re-export imported commodities meant for internal consumption;

b) submit all relevant documents to the Ministry of Trade and Industry along with original invoices, change in the terms of dealership, if any, and obtain the necessary approval from the respective Regional Trade and Industries Officer prior to increasing the price whenever the price is increased by the principal companies concerned; and

c) be responsible for ensuring adequate and consistent supplies of imported essential items identified by the Ministry of Trade and Industry.

Violation of the above rules shall result in cancellation of the license(s).

Rule 27. A license holder of a commission agency appointed by the government for selling quota items and other essential commodities directly to the consumers shall sell at the prices determined by the government, and shall not sell such commodities through other retailers.

Violation of this rule shall result in payment of a fine of Nu. 2,000.00 and cancellation of the license if the rule is violated thrice.

Rule 28. A license holder shall not take advantage of any situation which results in short supply of a product or products by increasing prices beyond the level which was approved or normally charged.

Violation of this rule shall result in payment of a fine of Nu. 2,000.00. If the rule
is violated for three times, the license shall be cancelled.

Rule 29. Any foreign partnership or collaboration in industrial and commercial ventures in Bhutan shall require a prior written approval of the Minister for Trade and Industry.

Violation of this rule shall result in immediate closure of the industry/business and cancellation of the license.

Rule 30. The licensee shall furnish information about his/her industrial or commercial establishment as required by the Ministry of Trade and Industry from time to time.

Failure to furnish such information will be viewed seriously by the Ministry and necessary action as deemed appropriate may be taken against the licensee.

Rule 31. The licensee intending to close down the industrial or commercial establishment shall submit a proposal to the licensing authority in writing and surrender the license.

Violation of this rule may deny the licensee the privilege of obtaining any new licenses in the future.

Rule 32. A legal heir of the licensee shall not automatically be entitled to ownership of the license in the event of death of the licensee even though he/she shall be entitled to receive the properties of the deceased.

Rule 33. The licensee shall abide by the following rules and regulations and amendments thereto as issued from time to time:
   a) The Companies Act, 1989 and amendments thereto.
   c) Mining Rules and Regulations/Mining Act.
   g) All other rules and regulations governing trade, commerce and industries in Bhutan as issued by the government from time to time.

Rule 34. In case of any dispute in the interpretation of these Rules and Regulations, the decision of the Ministry of Trade and Industry shall be final and binding.
BHUTAN PACKAGE COMMODITIES RULES & REGULATIONS 1995

These rules are made to regulate Sales, Storage & Distribution of Package Commodities in the Kingdom of Bhutan.

1. SHORT TITLE, EXTENT, APPLICATION & COMMENCEMENT

1.1 These rules shall be called Bhutan Package Commodities Rules and Regulation, 1995.

1.2 They shall extend to the whole of Bhutan and apply to goods produced in India, Bangladesh, Nepal and Bhutan.

1.3 They shall apply to Package Commodities which are intended or likely to be sold, distributed or delivered or offered or displayed for sale, whether wholesale or retail.

1.4 These rules shall come into force with effect from July 1, 1995.

2. DEFINITIONS

In these rules unless the context otherwise requires:

(a) **Package Commodity** means a commodity which is packed in a container of whatever nature or wrapped with a printed label so that the product contained therein has a predetermined value or price and such value or price cannot be altered without tampering the package and expression package, wherever it occurs in these rules, shall be construed as a package containing a package commodity.

(b) **Wholesale Dealer** means a dealer who does not directly sell any Package Commodity to any consumer but distributes or sells such Package Commodity only to retailers or to one or more intermediaries, and includes an importer and a manufacturer or packer of the goods.

EXPLANATION : Nothing herein contained shall be construed as preventing a Wholesale Dealer from functioning as Retail Dealer of any Package Commodity and in which event he shall comply with all the provisions of these rules which a Retail Dealer is required to comply by these rules.

(c) **Retail Dealer** means a dealer who sells such Package Commodities directly to the consumer and includes a wholesale dealer who makes sale of such Packages directly to the consumer.

(d) **Retail Sale** in relation to such Package Commodity means the sale or delivery of such commodity by the retail dealer, whether for cash or deferred payment for consumption by an individual or group of individuals or any other consumers.

(e) **Retail Sale Price** means the maximum price at which the Package Commodity is to be sold to the consumer and means such price where it is mentioned on the Packages with the legend “Maximum Retail Price - inclusive of all Taxes”.

(f) **Director** means Director, Ministry of Trade and Industry, RGOB.
3. **RULES AND REGULATIONS**

3.1 Every package commodity shall bear thereon or on a label secured affixed thereto, the following declaration:
   
i. Name and address of the manufacturer, or, where the manufacturer is not the packer, that of the packer;
   
ii. Generic name of the product;
   
iii. Net quantity contained in the package. This could be done either in terms of weight, measure or numbers; and
   
iv. The maximum retail price.

   In case of pre-packaged commodities imported into Bhutan from countries other than India, it would be adequate if the package contains the maximum retail price (MRP) as per the country of origin of the goods.

3.2 No wholesale Dealer shall:
   
a. Sell, distribute, deliver, display or store for sale any package commodity unless the package complies with the provisions of these rules and more particularly the maximum price marking is indicated on the packages.
   
b. Sell, distribute, deliver any package commodity at a price more than what is indicated by the manufacturer or supplier of such Packaged Commodity.

3.3 No Retail Dealer shall sell, deliver any package commodity for cash or deferred payment or other valuable consideration to any customer at a price exceeding the retail sale price. In case of goods imported from countries other than India, the wholesaler will work out the MRP for the sale in Bhutan by taking into account the net purchase price paid by the importers, customs duties and/or local taxes levied in the State and a mark up onwards the cost of sale and distribution and where the wholesale or the importer bears the cost of transportation, actual transport or freight charges, a profit margin indicated by the manufacturer or supplier. Where a manufacturer or supplier does not indicate the maximum mark-up to the importers, the Ministry will have the power and discretion to fix such maximum markup in relation to the goods imported by the importers or wholesaler.

3.4 In the event of any increase or decrease in local taxes, no Wholesale Dealer or Retail Dealer shall sell or distribute any package commodity at any price exceeding the revised price.

Provided that the revised price shall not be higher than the extent of the increase in the local tax or in the case of imposition of fresh tax, higher than the fresh tax so imposed.

Provided further that where the revised prices are lower than the maximum price marked on the package, the Wholesale Dealer or Retail Dealer shall not charge any price in excess of the revised lower price.
3.5 No Wholesale or Retail Dealer shall obliterate, smudge or alter the maximum retail sale price indicated or printed on the package or on the label affixed thereto. Provided, however, that where the label contains the maximum retail price applicable in the country of origin in relation to the package goods imported from countries other than India, the importer shall be entitled to stick on the package the maximum retail sale price applicable for local sales within Bhutan. Such a sticker shall clearly identify the name or suitable identification mark of the importer.

4. PENALTIES

4.1 Contravention of any of these rules shall be punishable on offence being established with a fine of Nu. 2000.00 for the first offence, and for the second time with a fine of Nu. 5000.00 and subsequent violation shall be penalised with the cancellation of the trade licence.

4.2 No Court shall take cognizance of any offence punishable under these rules except upon a complaint in writing made by:
   a. Director, or
   b. any other officers specifically so authorised by the Director

5. POWER TO GRANT EXEMPTION

5.1 The Minister for Trade and Industry shall have the power to grant exemption from compliance with these rules subject to such condition as may be considered appropriate.

5.2 Without prejudice to the foregoing, the following categories of products shall be exempted from these rules;

   i. Liquid milk, soft drinks, liquid beverages including fruit beverages in returnable bottle, any package containing bread and uncanned package of vegetable, fruit, ice cream, butter, cheese, fish, meat or any other like products;
   ii. Gas cylinders;
   iii. Packages containing less than 20 gms/20 ml weight/measures;

6. SUPERSESSION, REPEALS AND INTERPRETATION

6.1 These rules shall supersede all other orders, circular notification on pricing of commodities and products in force.

6.2 The Minister for Trade and Industry shall be the sole authority responsible for interpretation of these rules and his decision shall be final and binding.
(NOTIFICATION APPLICABLE TO RULE 17)

MINISTRY OF HOME AFFAIRS
TASHICHHODZONG

KHA(12)-7/93/13738 April 26, 1993

(TRANSLATION OF THE NOTIFICATION ISSUED VIDE NO. KHA(12)-7/89/5070 DATED AUGUST 24, 1989, AS AMENDED)

It is considered necessary in the interest of the Kingdom of Bhutan and its citizens to promulgate this regulation concerning sale and purchase or offering of alcoholic beverages through retail or wholesale shops throughout the Kingdom. These regulations are:

i. No person below the age of 18 may purchase, sell and receive even as free gifts or make offerings or receive alcoholic beverages unless the person can produce Identity Card or other documents which can establish age of the person.

ii. A person below the age of 18 if found drunk or under the influence of alcoholic beverages shall be fined Nu. 500/-. 

iii. A person in violation of this regulation found offering alcoholic beverages to an under aged person shall be fined Nu. 1,000/-. 

iv. A bar license holder or a licensed shop violating the regulation shall be liable to suspend the licence for six months in the first instance and thereafter the license of the defaulter shall be revoked.

v. The Royal Bhutan Police shall apprehend or arrest an offender as per relevant provisions of the Royal Bhutan Police Act, 1980.

vi. This regulation comes into effect from the Bhutanese month eighth, day first of the Earth Snake year corresponding to September 30, 1989.

sd/-
HOME MINISTER
### Industrial License Fees:

<table>
<thead>
<tr>
<th>Scale of Industry</th>
<th>Investment (Nu)</th>
<th>*Registration fees (Nu)</th>
<th>License fees (Nu)</th>
<th>Total (Nu)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>above 20 m</td>
<td>8,000</td>
<td>4,000</td>
<td>12,100</td>
</tr>
<tr>
<td>Medium</td>
<td>5 m - 20 m</td>
<td>4,000</td>
<td>2,000</td>
<td>6,100</td>
</tr>
<tr>
<td>Small</td>
<td>0.5m - 50 m</td>
<td>2,000</td>
<td>1,000</td>
<td>3,100</td>
</tr>
<tr>
<td>Cottage</td>
<td>0.1 m - 0.50 m</td>
<td>1,000</td>
<td>500</td>
<td>1,600</td>
</tr>
<tr>
<td>Mini</td>
<td>upto 0.10 m</td>
<td>300</td>
<td>300</td>
<td>700</td>
</tr>
</tbody>
</table>

*Registration fees is a one time fee charged by the Ministry.

### Contract License Fees

<table>
<thead>
<tr>
<th>Class</th>
<th>*Registration fees (Nu)</th>
<th># License fees (Nu)</th>
<th>@ Total (Nu)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>15,000</td>
<td>10,000</td>
<td>25,100</td>
</tr>
<tr>
<td>B</td>
<td>10,000</td>
<td>5,000</td>
<td>15,100</td>
</tr>
<tr>
<td>C</td>
<td>2,000</td>
<td>1,000</td>
<td>3,100</td>
</tr>
<tr>
<td>Petty</td>
<td>1,000</td>
<td>500</td>
<td>1,600</td>
</tr>
</tbody>
</table>

* Registration fees are charged to fresh applicants and those seeking up-gradation to a new Class of Contract License.

# a) Full license fee of the Class applied for are charged to those applicants seeking upgradation to a new Class of Contract License between January - June every year.

b) Half the license fee of the Class applied for are charged to those applicants seeking upgradation to a new Class of Contract License between July - December every year.

@Cost of license booklet is Nu. 100.00.

### Trade License Fees

<table>
<thead>
<tr>
<th>TYPE</th>
<th>License Fees (Nu)</th>
<th>@Total (Nu)</th>
</tr>
</thead>
<tbody>
<tr>
<td>#General shop</td>
<td>500</td>
<td>600</td>
</tr>
<tr>
<td>#Hardware shop</td>
<td>500</td>
<td>600</td>
</tr>
<tr>
<td>#Grocery shop</td>
<td>300</td>
<td>400</td>
</tr>
<tr>
<td>#Book/Stationary shop</td>
<td>500</td>
<td>600</td>
</tr>
<tr>
<td>#Electrical shop</td>
<td>300</td>
<td>400</td>
</tr>
<tr>
<td>#Cloth shop</td>
<td>500</td>
<td>600</td>
</tr>
<tr>
<td>#Sports goods shop</td>
<td>300</td>
<td>400</td>
</tr>
<tr>
<td># Handicrafts shop</td>
<td>200</td>
<td>300</td>
</tr>
<tr>
<td>Item</td>
<td>Fee in THB</td>
<td>Fee in NU</td>
</tr>
<tr>
<td>--------------------------------------------------------</td>
<td>--------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Footwear shop</td>
<td>200</td>
<td>300</td>
</tr>
<tr>
<td>Utensil shop</td>
<td>300</td>
<td>400</td>
</tr>
<tr>
<td>Vegetable shop</td>
<td>200</td>
<td>300</td>
</tr>
<tr>
<td>Audio/video cassette library</td>
<td>300</td>
<td>400</td>
</tr>
<tr>
<td>Medical stores</td>
<td>300</td>
<td>400</td>
</tr>
<tr>
<td>Electronic shop</td>
<td>500</td>
<td>600</td>
</tr>
<tr>
<td>Meat shop</td>
<td>200</td>
<td>300</td>
</tr>
<tr>
<td>Pastry shop</td>
<td>200</td>
<td>300</td>
</tr>
<tr>
<td>*Bar shop</td>
<td>1,000</td>
<td>1,100</td>
</tr>
<tr>
<td>Watch/clock shop</td>
<td>200</td>
<td>300</td>
</tr>
<tr>
<td>Pan shop</td>
<td>500</td>
<td>600</td>
</tr>
<tr>
<td>Scrap dealer</td>
<td>300</td>
<td>400</td>
</tr>
<tr>
<td>Wholesaler/distributors/dealers/Agents</td>
<td>1,000</td>
<td>1,100</td>
</tr>
<tr>
<td>Automobile spare parts shop</td>
<td>300</td>
<td>400</td>
</tr>
<tr>
<td>Tyres and Tubes shop</td>
<td>500</td>
<td>600</td>
</tr>
<tr>
<td>Agro-chemical and animal feeds</td>
<td>300</td>
<td>400</td>
</tr>
<tr>
<td>Furniture shops</td>
<td>300</td>
<td>400</td>
</tr>
<tr>
<td>Doma/nut shop</td>
<td>200</td>
<td>300</td>
</tr>
<tr>
<td>Office equipment</td>
<td>500</td>
<td>600</td>
</tr>
<tr>
<td>Cold drinks agent</td>
<td>1,000</td>
<td>1,100</td>
</tr>
<tr>
<td>Cement dealer/agent</td>
<td>1,000</td>
<td>1,100</td>
</tr>
<tr>
<td>Groundnut agency</td>
<td>500</td>
<td>600</td>
</tr>
<tr>
<td>Coal agency</td>
<td>1,000</td>
<td>1,100</td>
</tr>
<tr>
<td>Brick agency</td>
<td>1,000</td>
<td>1,100</td>
</tr>
<tr>
<td>Other commission agent</td>
<td>500</td>
<td>600</td>
</tr>
<tr>
<td>Fertilizer/seed supplier</td>
<td>1,000</td>
<td>1,100</td>
</tr>
<tr>
<td>Agriculture tools supplier</td>
<td>1,000</td>
<td>1,100</td>
</tr>
</tbody>
</table>

a)  * Nu. 1,000.00 in the main townships of Thimphu, Phuentsholing, Gelephu, Samdrup Jongkhar, Sarpang and Samtse, and Nu. 300.00 in other places in Bhutan.

b) In case of a Trade license application (other than a bar shop) for a shop located in a place where there are no motorable roads, like Gasa dzongkhag, the license will be issued with a token fee of Nu. 25.00.

c) # Separate licenses are issued for all these items for those operating the business in the main townships of

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d) In other places of Bhutan, all these items are issued in one license, termed as “General Shop” with a license fee of Nu. 200.00.

e) No registration fees are charged for issue of a Trade license.

f) @ Cost of license booklet is Nu. 100.00.
RATE AND TERMS FOR PAYMENT OF SURFACE RENT, MINERAL RENT AND ROYALTY

1. Surface rent shall be payable for all surface area occupied by the Lessee at the rate of Nu. 720.00 per hectare per annum and it shall fall due on the last date of a lease year (subject to periodic revision by the government).

2. Royalty and mineral rent shall be payable at the end of each quarter i.e. on (dates on which each quarter of lease period ends) at the following rates.
   
i) Royalty payable per tonne of mineral for the actual quantity despatched (subject to periodic revision by the government)
   
ii) Mineral rent payable per tonne of mineral on actual annual production (subject to periodic revision by the government)

3. A grace period of one month shall be given to the Lessee for the payment (actual realisation of money from the bank by the Ministry shall be within this period) from the date the quarterly payment falls due.

4. In case the Lessee does not deposit the quarterly payments on the due date, inclusive of the grace period if any, the despatch of mineral shall be stopped AND suitable penalty as per the MMMA OR late payment fine as per the existing Taxation Policy of the Division of Revenue and Customs, whichever is higher, shall be imposed.

5. The Division has to be intimated in writing of all mineral levies paid by the company to the Division of Revenue and Customs.

6. The procedure for determining production and despatches from the mine for the purpose of calculation of royalty shall be as follows:
   
a) The DGM shall issue “Transport Permit” in quadruplicate to the lessee after full payment of the cost of “Transport Permit” books.
   
b) The lessee shall handover the “Transport Permit” books to the Despatch Inspectors posted at the mines by DGM.
   
c) The Despatch Inspectors shall be responsible for filling in the “Transport Permits” at the time of arrival of the loaded trucks at the despatch Check post.
   
d) The Despatch Inspectors shall handover three copies of the “Transport Permits” to the Manager and retain the fourth copy. The three copies of the “Transport Permit” will accompany the goods up to the concerned Customs Check-post.
e) The concerned Check-post shall verify the goods with the details mentioned in the transport permit and thereafter, if found to be in order, shall stamp all the three copies. One copy of the stamped transport permit shall be retained at the check-post. The remaining two copies shall accompany the goods to the destination.

f) These two copies shall be returned to the Manager who shall forward one copy to the DGM, at the end of every quarter, along with a statement of production and government revenue from the mine in Format MIS-02 available with the DGM.

g) The DGM shall cross-check the information with that received from the Despatch Inspectors posted at the mine.

h) For calculation of the tonnage of mineral to be despatched, the mine Owner/Manager should use the weigh-bridge facilities.

i) In the event the weigh bridge facilities are not available, the conversion factor of (numerical value) metric tonnes per cubic metre of (mineral) shall be applied.

**Mineral levies and mode of payment:**

In lieu of the privilege and opportunity granted by the Royal Government, all Lease and Permit holders are required to pay mineral levies in the following categories:

a) Royalty - payable either on tonnage or sft basis,
b) Mineral rent - payable either on tonnage or sft basis,
c) Surface rent - payable annually on per hectare basis, and
d) Mining license fee - payable in instalments according to the schedules prescribed in the auction document,

As these levies are sources of government revenue, all payments are made to the Regional Revenue Customs Offices located nearest to the Company's main office.

Mineral levies, however, differ based on category of mine. In the case of captive mines, the royalty and mineral rents are payable on actual mineral quantity despatched from a mine to the plant on a quarterly basis. In the case of all other mines, payment is made in the following manner:

1. Mineral rent - payable quarterly on a pre-fixed annual despatch quantity. This quantity is fixed by DGM once every two years.
2. Royalty - payable on target annual production/despatch or the actual quantity despatched, whichever is higher on a quarterly basis.
3. **Surface rent** - payable at the end of each lease year at the rate of Nu. 720.00 per hectare per year.

4. **Late payment fines** - imposed for delay in payment of mineral levies and submission of reports (quarterly & annual). These are payable at the rates prescribed in the MMMA.

**RATES OF ROYALTY AND MINERAL RENT IMPOSED FOR MINERALS CURRENTLY EXPLOITED BY VARIOUS MINING COMPANIES.**

<table>
<thead>
<tr>
<th>Mineral</th>
<th>Grade</th>
<th>Place of use</th>
<th>Unit of Measure</th>
<th>Present Royalty</th>
<th>Mineral Rent</th>
</tr>
</thead>
<tbody>
<tr>
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