



Application Procedures for FDI Company in Bhutan

Extracted from “Schedule VI” of FDI Rules and Regulations (amended in 2014)

Step 1. FDI Registration

i. The promoter of the proposed FDI business shall apply for name clearance to the Registrar of Companies, directly or through their duly authorised representative, using the name clearance form.

ii. Upon acceptance, the Registrar of Companies shall issue name clearance. The name of the proposed company so cleared shall be reserved for a period of three months from the date of clearance. Unless an application for FDI registration and company incorporation is submitted within this period the clearance shall lapse.

iii. Upon obtaining the name clearance, the promoter shall file an application for FDI Registration to the Director, Department of Industry. The application shall be in the prescribed form (Schedule IV, FDI Rules & Regulations 2012 and amendment thereto). The following documents should be submitted with the application:

- a. Name clearance letter from the Registrar of Companies
- b. Notarised copy of Company Incorporation Certificate or equivalent/CV of Foreign Investor in case of individual (if not in English – Notarised translated version of the same)
- c. Notarised copy of passport of foreign investors (if investor is individual);
- d. Company Profile/CV of local partner(s) including proof of financial capability such as bank & income statement;
- e. Tax return/audited accounts of foreign investor (s) for last 3 years
- f. Letter of Authority or Power of Attorney for the authorised representative/contact person;
- g. Board of Directors’/Shareholders’ resolution of the parent company to invest in the new company in Bhutan

iv. Upon receipt of application for FDI Registration, the FDI Division shall assess the application. In cases where the application is incomplete or unclear, the FDI Division may solicit additional information/clarification from the promoter.

v. The Department of Industry shall decide on the issuance of and, if appropriate, issue a FDI Registration Certificate (FDIRC) soon (within two weeks) after the receipt of the complete application.

vi. If the application is rejected, the promoter shall be informed in writing within the same timeframe, with the letter stating the reasons for rejection.

vii. The issuance of FDIRC is only meant to bring the foreign investor at par with the domestic investor and shall not be construed as approval of the proposed FDI business.

Step 2. Company Incorporation and Opening of FC Account

i. Upon issuance of an FDIRC, the promoter/authorized representative of the business may incorporate the FDI Company with the Registrar of Companies.

ii. The promoter/authorized representative shall submit the following documents:

(a) Articles of incorporation - Schedule I (Companies Act) duly signed on all pages - 2 copies in original

(b) Consent to act as director- Schedule II (Companies Act) - 2 copies in original for each director

(c) Declaration of compliance- Schedule III (Companies Act) - 2 copies in Original

(d) List of names and address of first director and CEO of the company- 2 copies in original

(e) Security (Police) Clearance for domestic promoters along with CID Card – 2 copies each

(f) A copy of the FDIRC

(g) Registration fees as per schedule IV depending on the authorized share capital

Notarized Copies of the following documents should be submitted: Documents should be notarized by licensed Public Notary.

(a) Article of Incorporation or equivalent (if the foreign investor is a company)/CV if the foreign investor is an individual

(b) a) Certificate of Incorporation of the foreign Investor Company

(c) Special resolution passed by the parent company with intention of investment in Bhutanese company (if the foreign investor is a company)

(d) Passport of all promoters– Notarized by licensed Public Notary

(e) Joint Venture Agreement between the investors /Shareholders –exempt from notarization

iii. Subject to the above documents being duly completed as required, incorporation shall be completed within a day.

iv. The business may then open a foreign currency account with a local bank in the name of the FDI Company, for the purposes of company transactions until completion of company establishment. A new FC account opened for transactions during the business operation shall replace this account.

Step 3. Business Approval

i. Following company incorporation, the promoter shall submit two copies of the business plan.

ii. The promoter shall identify the site for the proposed FDI business and obtain location clearance from the local administration/competent authority. For companies locating at the IT Park, a copy of the lease agreement should be submitted in lieu of this.

iii. The promoter shall process for obtaining sector clearance including environmental clearance. In case of companies locating at the IT Park, the clearance will be given by the Department of IT & Telecom, MoIC, and no environmental clearance is required.

Step 4. Business License

i. Upon approval of the business, the FDI Company shall obtain business license from the relevant Regional Trade and Industry Offices.

ii. Where the sectors are authorized by law to issue sector license, such license shall be construed as business license, unless otherwise required by law. In such cases, upon FDI registration, the proponents shall directly process the proposal with the concerned sector. The proponents are however required to submit two copies of business plan to the Department. The proponent shall incorporate under the Companies Act and submit a copy of the sector license to the Department for information.

The above four steps complete the FDI Company Incorporation and obtaining of trade license to operate the business. As the business operates, it is necessary to abide by tax laws prevailing in the country. Therefore, the company should register for Corporate Income Tax (CIT).

Corporate Income Tax (CIT) Registration

Every business or company must register with the Regional Revenue & Customs Office (RRCO) from where the trade license or permit is issued or wherever the Head office is located within 3 months from the date of obtaining such trade license or permit in case of BIT entities and within 3 months from the date of incorporation for CIT entities.

For details, please visit: <http://www.drc.gov.bt/drc/>

**Compiled by: Thimphu TechPark Ltd., for the benefit of potential investors at
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