



Foreign Direct Investment Rules and Regulations 2025

**Ministry of Industry, Commerce & Employment
Royal Government of Bhutan**



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FOREWORD

The Royal Government of Bhutan is committed to building a resilient, inclusive and sustainable economy by promoting responsible and strategic foreign investment. The *FDI Rules and Regulations 2025* represent a key step in liberalizing Bhutan’s investment framework and aligning it with global trends.

This revised edition consolidates the provisions of the *FDI Policy 2019* and the *FDI Regulations 2019* into a single, comprehensive document, streamlining procedures and enhancing clarity for both foreign and domestic investors. This integration and update reflect a thorough review and operationalization of earlier policy instruments, with several regulatory requirements streamlined to create a more transparent, enabling, and investor-friendly environment.

The revision process was undertaken in close consultation with key stakeholders, including domestic and international private sector representatives and relevant government agencies, and is guided by the principles of transparency, predictability, and administrative efficiency. It aims to reduce procedural burdens while ensuring coherence with Bhutan’s national priorities and sectoral development objectives.

Notably, the *FDI Rules and Regulations 2025* enhance procedural clarity, expand priority sectors, and allow up to 100% foreign equity participation in select high-potential priority sectors, while also easing access to foreign exchange. These reforms are strategically designed to attract high-quality investments that generate employment, promote technology transfer, and contribute significantly to achieving the national vision of a “High-Income GNH Economy by 2034.”

We are confident that these bold and forward-looking reforms will boost investor confidence, foster long-term partnerships, and reinforce Bhutan’s standing as a reliable and dynamic investment destination.

We warmly welcome all prospective investors to explore the opportunities Bhutan offers and join us in advancing our shared vision of a High-Income GNH Economy by 2034.

Tashi Delek!

Lyonpo Namgyal Dorji

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FOREIGN DIRECT INVESTMENT RULES AND REGULATIONS 2025

PREAMBLE

WHEREAS, the Government recognizes the need to periodically revise the Foreign Direct Investment Rules and Regulations to position the country as an attractive and dynamic destination for foreign investors seeking mutually beneficial partnerships;

AFFIRMING, the crucial role of Foreign Direct Investment (FDI) in fostering sustainable economic growth, technological advancement and creation of employment opportunities, the Government is committed to creating a conducive and transparent environment that attracts and retains foreign investors. The Government aims to facilitate the inflow of FDI across various sectors, including but not limited to production and manufacturing, services, information and technology to harness the potential of innovation and competitiveness thereby contributing to sustainable economic development and the creation of a knowledge-based economy;

WHEREAS, the Government in its endeavour to promote FDI in a manner that encourages the transfer of technology and enhances productivity strives to create a tax environment that is favourable and consistent for businesses ensuring investors a promise of steady tax rates and affirms the commitment to constantly review and update the Intellectual Property framework for the protection of Intellectual Property Rights;

RECOGNIZING, the need for various skills in different businesses and the need for foreign currency for the establishment and operation of the

business, the Government affirms the right of companies to access foreign currency and recruit foreign expatriates where locals with required skills are not available, thereby underscoring the commitment to an investment-friendly environment;

IN COGNIZANCE, to streamline administrative processes, reduce regulatory burden, promote transparency, predictability and certainty to investors by aligning the Foreign Direct Investment Rules and Regulations with international best practices while also safeguarding national interests and promoting sustainable development;

THEREFORE, the Ministry of Industry, Commerce and Employment hereby formulates a single document that encompasses both the Policy and Regulations and the Lhengye Zhungtshog in exercise of the power conferred by the Constitution of the Kingdom of Bhutan under Article 20 (8) hereby adopts the Foreign Direct Investment Rules and Regulations 2025.

CHAPTER I

PRELIMINARY

Short Title and Commencement

1. These Rules and Regulations shall:
 - (1) be called the Foreign Direct Investment Rules and Regulations 2025.
 - (2) come into force on the 23rd day of the 5th Month of the Wood Female Snake Year of the Bhutanese calendar corresponding to 18th Day of the 7th Month of 2025.

Application

2. These Rules and Regulations apply to all Foreign Direct Investments (hereinafter referred to as 'FDI's) in the country and Rules shall also govern any action taken or process initiated prior to these Rules and Regulations.

Repeal

3. The Foreign Direct Investment Regulations 2019 and the Foreign Direct Investment Policy 2019 is hereby repealed.

CHAPTER II

GENERAL CONDITIONS ON FOREIGN DIRECT INVESTMENT

Sectors Open for Foreign Direct Investment

4. FDI shall be allowed in all sectors except for those listed in the Negative List as provided in *Schedule III* of these Rules and Regulations.
5. The activities allowed under Rule 4 of these Rules and Regulations shall be:
 - (1) Priority Sector Activities in the manufacturing and service sectors as listed in *Schedule I* and *Schedule II* of these Rules and Regulations.
 - (2) Other Activities not listed in the Schedules of these Rules and Regulations.
6. The minimum project cost and maximum foreign investor's equity for priority sector activities shall be as provided in *Schedule I* and *Schedule II* of these Rules and Regulations.
7. For Other Activities, the minimum project cost shall be Nu. 50 million in the manufacturing sector and Nu. 25 million in the service sector, with the maximum foreign investor's shareholding of 74% equity.
8. Investments in the Other Activities shall fulfil the following:
 - (1) In the case of production and manufacturing, value addition of 30% or more;

- (2) Positive impact on foreign reserve by either earning foreign currency directly, substituting imports or providing services that reduce foreign exchange outflows; and
 - (3) Creation of quality jobs.
- 9. FDI in an existing domestic entity shall be allowed subject to the same terms and conditions as applicable to new entities.
- 10. FDI may be made by establishing a Venture Capital Fund for the purpose of investing in impact startups. Venture capital funds will be allowed to support startups in all sectors except for those listed in the Negative List as provided in *Schedule III*. Such investment in startups shall not be treated as FDI.

Currency of Investment

- 11. All FDI shall be made in convertible currency. However, Indian investors may invest in convertible currency or Indian Rupee.

Entry Route for Investment

- 12. All FDI businesses shall incorporate under the Companies Act of Bhutan, 2016 after receiving the FDI Registration Certificate.

Subscription

- 13. All FDI companies shall ensure that their foreign investor owns a minimum of 20% of the equity, except in the case of foreign institutional investors, wherein 10% or more of the equity can be owned by the foreign institutional investor.
- 14. The investors in the business shall fully subscribe to the equity.

15. The investors shall by way of inward remittance or foreign currency account transfer in the case of downstream projects, inject the total equity in the company accounts, either within three years from the date of approval of the project or before the project operation commences, whichever is earlier.
16. All FDI companies shall notify the Royal Monetary Authority and the Department within 30 working days of receiving foreign equity in the company's foreign currency account.

Collaboration and Franchise

17. FDI Companies shall be allowed to enter into technical, marketing and/or franchising collaborations for the use of intellectual property rights and trade names among others, with prior approval of the Department.
18. An application with the draft collaboration agreement for any collaboration as per Rule 17 of these Rules and Regulations shall be submitted to the Department for review and approval.
19. The agreement for collaboration entered into by the parties shall be in line with these Rules and Regulations and other applicable laws.
20. The Department shall review the draft agreement and respond within five working days from the date of receipt of the request.
21. A copy of the signed collaboration agreement shall be submitted to the Department within one month from the date of signing of the agreement.

Foreign Investment into Downstream Projects

22. Investment into a downstream project shall be considered as a new project and be guided by the following:
- (1) Investment in a project involving value addition to existing activities may be exempted from the minimum project cost requirement;
 - (2) Transfer of pro-rated equity or dividend in foreign currency shall be permitted from the foreign currency account of the FDI company to the foreign currency account of the downstream project; and
 - (3) Where an existing FDI business is jointly owned by local and foreign investors, reinvesting into a different business with additional investors shall be permitted, provided investors of the existing FDI business subscribe to the equity individually and not as the existing FDI company. Transfer of equity from the foreign investor's share of dividend to the new business shall be allowed in foreign currency.

CHAPTER III

FINANCIAL TRANSACTIONS AND FOREIGN EXCHANGE MANAGEMENT

Foreign Exchange

23. FDI companies shall have access to convertible currency and Indian Rupee from the Royal Monetary Authority for:
 - (1) purchase of capital goods where the foreign investor's share of equity is insufficient to meet the total requirement;
 - (2) import of raw materials;
 - (3) remittance of remuneration and other current transactions.
24. FDI Companies shall seek approval from the Royal Monetary Authority prior to opening a foreign currency account with a local bank. Any FDI business related transactions shall be routed through the local bank.
25. FDI companies shall submit the details of the foreign currency account to the Department within one month from the date of opening such a bank account.

Repatriation of Capital

26. Foreign investors shall have the right to repatriate the invested capital or any capital gains in the currency of investment in accordance with the relevant laws.
27. Foreign investors shall be allowed to dispose off their investments made in the FDI company in line with these Rules and

Regulations, Companies Act of Bhutan, 2016 and other relevant laws.

28. FDI Companies shall be entitled to repatriation of the compensation on account of nationalization or expropriation of the business and such compensation shall be in the currency of investment or a mutually agreed currency.

Repatriation of Dividend

29. Foreign investors shall have the right to repatriate dividends in the currency of investment without any restrictions.
30. An application for repatriation of dividend shall be submitted to the Royal Monetary Authority with a copy of shareholders' resolution indicating the repatriation of dividend.

Payment for Collaborative Agreement

31. Payment of royalties or fees by FDI Companies for collaboration or franchise agreements shall be permitted for the duration of the agreement, in annual amounts not exceeding 10% of net sales.
32. The currency of payment of royalties, technical services fees or management fees shall be based on the approval of the royalty or collaboration agreement, technical service or management agreements.
33. An application with a copy of the approval letter for collaboration issued by the Department shall be submitted to the Royal Monetary Authority for payment of any royalties, technical services fees or management fees.

Borrowings

34. FDI Companies shall raise loans or borrow from any financial institutions in the country. The initial debt-equity ratio shall be as per the Prudential Regulations 2017 of the Royal Monetary Authority.
35. FDI Companies may borrow from abroad as per the External Commercial Borrowing Guidelines 2025 and other applicable laws in the country.
36. FDI companies shall be granted permission for conversion of External Commercial Borrowings into equity shares by the Department subject to the following:
 - (1) The foreign equity after conversion of loan into equity is within the sectoral cap, if any;
 - (2) All requests for conversion should be accompanied by a special resolution of the company indicating the conversion.

CHAPTER IV

INVESTOR CARD, VISA AND PERMIT

Investor Card

37. Foreign investors or their authorized representatives making investments in an amount exceeding Nu. 15 million shall be provided with investor cards upon the commencement of business. The card shall grant a foreign investor or the authorized representative the approval to reside in the country for a period of three years and further extensions shall be facilitated.
38. The approval to reside in the country shall exempt the foreign investor or their authorized representatives or spouse and dependents from the Sustainable Development Fee.
39. The spouse of foreign investor or authorized representative who is granted an investor card shall be allowed to take up employment in the country subject to obtaining a work permit.
40. The spouse and dependent of such foreign investor or the authorized representatives may undertake studies in the country without a separate visa.
41. FDI companies shall notify the Department on the commencement of the business to obtain investor cards for their foreign investors or authorized representatives.
42. All Foreign investors' or authorized representatives' travel shall be facilitated through business guest visas until the commencement of business. Foreign investors not qualifying for an investor card shall

be facilitated with a business guest visa for their business-related travels.

Visa

43. Multiple entry visas exempt from the Sustainable Development Fee shall be provided for foreign investors, their authorized representatives, their board directors, and expatriate employees, with a commitment to process within three working days upon receipt of a complete application.
44. Multiple entry visas shall be issued after an investment is accorded an FDI Registration Certificate to enable the smooth establishment of the FDI business.
45. Route permits for the foreign investors or authorized representatives shall be facilitated for a maximum period of three months or the duration of stay whichever is less. Such permits may be renewed on a quarterly basis.

Work Permit

46. FDI companies may apply for work permits for recruitment of foreign professional and non-professional expatriates for the establishment and operation phase of the business if Bhutanese qualified and experienced personnel are not available.
47. Any recruitment of foreign professional and non-professional expatriates by the FDI companies shall be in accordance with Labour and Immigration Laws and Regulations and amendments thereto.

Dependent Permit

48. The Government shall issue dependent permits to dependents of expatriate employees in the professional category in accordance with Immigration laws.

Skills Development

49. All FDI companies are encouraged to engage and recruit Bhutanese nationals for the development of skill and increase employment.

CHAPTER V

INVESTMENT PROTECTION AND COMPLIANCE

Nationalisation and Expropriation

50. No investments shall be subject to nationalisation and or expropriation. In those cases where investments are nationalised or expropriated in the national interest, the Government shall ensure that:
- (1) Expropriation or nationalisation are carried out in a non-discriminatory manner and the compensation paid is prompt, adequate, effective and fair.
 - (2) Payment is made promptly after the asset is nationalised or expropriated and a commercial rate of interest is paid for the period between nationalisation or expropriation and payment.
 - (3) Compensation amount reflects the market value of investment nationalised or expropriated immediately prior to knowledge of the nationalisation or expropriation being publicly made available; and
 - (4) Compensation paid is either the currency in which the investment was made or another mutually agreed convertible currency and, in either case, will be freely transferable.

National Treatment

51. The Government will accord national treatment to all Foreign Direct Investments.

Incentives and Exemptions

52. FDI Companies shall be entitled to the same incentives and exemptions granted to similar domestic investments under the Fiscal Incentives Act of Bhutan 2021 and amendments thereto.

Protection of Intellectual Property Rights

53. Intellectual property rights of the FDI companies shall be protected under the Intellectual Property laws or under the following international conventions:
- (1) Paris Convention for the Protection of Industrial Property;
 - (2) Madrid Agreement Concerning the International Registration of Marks;
 - (3) Protocol to the Madrid Agreement; and
 - (4) Berne Convention for the Protection of Literary and Artistic Works.

Taxation

54. All FDI companies shall be subject to taxes, levies, charges, fees or any other charges under the Sales Tax, Customs and Excise Act, Income Tax Act, Customs Act of Bhutan and other relevant laws and amendments thereto.

Access to Land

55. Land shall be made available to FDI businesses on lease. However, local partners shall be allowed to capitalize freehold land as their equity contribution.
56. In such cases where the local partner has contributed land as their equity, the local partner shall ensure that they remain in the business as a shareholder. In the event they wish to exit the FDI

company, they shall ensure that their share held in the company (through land contributed as equity) is either transferred to another local partner or shall exit the company with land ownership being transferred back to the individual and the FDI company holding the land on lease.

57. The Government may lease out State land or land in the industrial park to FDI companies for establishing their business. In such cases, the Government shall provide State land for an initial duration of 30 years, which shall be extendable.

Compliance

58. FDI companies shall adhere to relevant laws governing foreign investments in addition to these Rules and Regulations, ensuring comprehensive compliance with legal requirements.

CHAPTER VI

REGISTRATION AND APPROVAL

Registration

59. An investor shall apply for registration of FDI in sectors that are open to FDI, meet or exceed minimum investment thresholds, and adhere to prescribed shareholding structures.
60. An investor shall apply online for FDI registration along with the following documents:
 - (1) Copy of company incorporation certificate and profile if the investor is a company;
 - (2) Shareholders' resolution of the foreign investing company;
 - (3) Notarized copy of passport and curriculum vitae if the investor is an individual;
 - (4) Curriculum vitae of local partner where applicable;
 - (5) Documents establishing title and mutually agreed value of land where land is being contributed as local equity; and
 - (6) Final audited accounts of the existing entity for the last financial year or business valuation report, if the business proposal is for FDI in an existing domestic entity.
61. If an investor intends to run multiple businesses, a separate application shall be submitted for each business activity.
62. An investor shall fulfil the minimum project cost and maximum foreign investor's equity requirements separately if the investor applies for the same activity in different locations.

Registration Certificate

63. The Department shall issue an FDI Registration Certificate within three working days after receiving the registration application except where:
- (1) Additional information or clarification is required from the concerned sectors; or
 - (2) The application submitted is incomplete or unclear.
64. The issuance of an FDI Registration Certificate shall not be construed as approval of the proposed business.
65. The final approval remains contingent on obtaining all required clearances or permits.
66. The Department shall facilitate registered FDIs in obtaining clearances or permits from relevant agencies.
67. The investor shall bear all the expenses related to project approval and the government shall not be held liable for expenses incurred by the investor including rejection of proposal.

Refusal of Registration Certificate

68. The Department shall inform the investor in writing, stating the grounds for refusal of the registration certificate within three working days.

Validity and renewal of Registration Certificate

69. The FDI Registration Certificate shall be valid for one year from the date of issue.

70. The investor shall submit documents for project approval within the validity of the FDI Registration Certificate.
71. The Department may renew the FDI Registration Certificate for a maximum of two terms upon request of the investor on justifiable grounds.
72. The validity of the FDI Registration Certificate shall cease in the following circumstances:
 - (1) Surrender of the FDI Registration Certificate by the investor;
 - (2) Upon expiry of the validity period;
 - (3) Upon rejection of the proposed business;
 - (4) On issuance of formal project approval; or
 - (5) Upon cancellation by the Department.
73. After the expiry of the validity of the registration certificate, the investor may resubmit the application if they wish to pursue the same FDI proposal.

Amendment of Registration Certificate

74. FDI Business may apply to the Department for amendment of the FDI Registration Certificate.
75. The Department shall either accept or reject the application within two working days.

Company Incorporation

76. The investor shall incorporate the proposed business under the Companies Act of Bhutan 2016 upon receipt of the FDI Registration Certificate.

Business Approval

77. The Department shall review and approve FDI projects within five working days from the date of submission of the business plan and required sectoral clearances.
78. The Department shall delegate the Invest Bhutan Division to expedite the approval of priority sector projects.
79. The Invest Bhutan Division shall approve priority sector project proposals within three working days from the date of receipt of such complete documents.

Rejection of Proposed Business

80. FDI business proposal shall be rejected if:
 - (1) The proposed project does not meet the approval criteria or conform to these Rules and Regulations and other laws of the country; or
 - (2) Sectoral clearance has been denied.
81. The Department shall communicate with the investors in writing, stating the grounds for rejection of approval within five working days.

Amendment

82. FDI business may apply to the Department for amendment of any information of the approved project.
83. The Department shall approve or reject the proposed correction within five working days.

Business License

84. A business license shall be obtained online upon payment of the applicable license fee within one month from the date of approval of the project.
85. The business license shall be valid only for one year from the date of issue and may apply for renewal annually.

CHAPTER VII

DISPOSAL OF INVESTMENT

Transfer of Shares

86. Transfer of shares in an FDI Company shall be allowed in the following circumstances:
- (1) A foreign investor to a domestic investor and among domestic investors in an FDI company.
 - (2) A foreign investor to another foreign investor. However, if the transferee is a new investor, the transferor shall submit relevant documents to the Department as required at the time of obtaining the FDI Registration Certificate.
 - (3) A domestic investor to an existing foreign investor in the FDI Company.
87. Transfer of shares may be permitted within the permissible range of minimum and maximum shareholdings.
88. The FDI Company shall submit the following documents to the Department while applying for the transfer of shares:
- (1) Consent letter and/or share transfer agreement between transferor and transferee stating the number of shares, the face value of shares and the proposed transfer price;
 - (2) Last traded price from the stock exchange for publicly listed companies and mutually agreed share value between the transferor and transferee or share value as determined by chartered Accountant or valuation firms for other companies;
 - (3) Copy of the shareholders' resolution; and

- (4) All such documents required for registration of a new foreign investor at the time of obtaining an FDI Registration Certificate if the proposed share transfer is to a new foreign investor.
89. The Department while assessing the application for transfer of share shall ensure that such request is in conformity to the FDI Rules and Regulations. An in-principle approval shall be accorded for the transfer within five working days from the date of submission.
90. The Department shall issue a copy of the in-principle approval to the Royal Monetary Authority with a request to facilitate the repatriation where necessary.
91. The FDI Company shall submit the evidence of payment of the agreed value to the transferor within one year from the date of in-principle approval.
92. The Department shall issue final approval for the transfer of shares upon receiving the documentary evidence and notify the Corporate Regulatory Authority for processing the statutory transfer of shares.
93. When the transfer of shares takes place from a foreign investor to a domestic investor and if such transfer results in the winding up of the FDI company, the investors shall apply for winding up prior to repatriating the capital.
94. All FDI publicly listed companies shall transfer the shares through the stock exchange subject to approval from the Department.

Winding up or Liquidation

95. FDI companies shall wind up as per the Companies Act of Bhutan, 2016 and other relevant laws.
96. The FDI Company shall apply for winding up or liquidation of the Company to the Registrar of Companies upon approval by the Department.
97. Repatriation of capital resulting from winding up or liquidation shall be allowed upon submitting following documents to the Royal Monetary Authority:
 - (1) Tax clearance certificate;
 - (2) Certificate confirming that all liabilities in the country have been either fully paid or adequately provided for;
 - (3) Certificate to the effect that the winding up is in accordance with the provisions of the Companies Act or other relevant laws.

CHAPTER VIII

FACILITATION OF FOREIGN DIRECT INVESTMENT

Economic Development Board

98. There shall be an Economic Development Board constituted which shall be the apex body for the facilitation and promotion of FDI and enhancement of coordination among stakeholders.
99. The Prime Minister shall be the Chair and the board shall comprise members from relevant Government agencies and the private sector.

Functions of the Economic Development Board

100. The Economic Development Board shall:
 - (1) Deliberate on matters relating to FDI regulatory environment and provide directives and recommendations;
 - (2) Identify measures to enhance service delivery and foster a “Whole of Government” approach to FDI promotion;
 - (3) Oversee and enhance investment promotion activities; and
 - (4) Review and revise the Schedules as and when necessary.
101. The Department shall serve as the secretariat to the Economic Development Board.

Single Window Services

102. The Invest Bhutan Division shall function as an Investment Promotion Agency and point of contact for all FDIs. The division shall coordinate with relevant agencies through FDI focal officials to provide the required services.

103. Relevant agencies shall provide FDI services related to registration & licensing through an online system.
104. Relevant agencies shall accord priority to FDI projects and expedite clearances, permits, approvals, licenses or authorizations.
105. The Department shall develop service charters in consultation with relevant agencies.
106. The relevant agencies shall comply with the turnaround time provided under the service charter.

FDI Focal

107. The Ministry of Industry, Commerce and Employment in consultation with relevant agencies shall appoint an FDI focal in each agency who shall:
 - (1) Be the point of contact for services related to FDI;
 - (2) Coordinate and facilitate the processing and issuance of clearances;
 - (3) Coordinate visits of foreign investors or business delegations to the respective agency;
 - (4) Participate in relevant meetings or FDI events;
 - (5) Provide an update to the Ministry on sector policies, laws, and procedures related to FDI; and
 - (6) Provide support or input on issues for discussion in the Economic Development Board.

CHAPTER IX

POWER AND FUNCTIONS

Economic Development Board

108. The Economic Development Board reserves the right to permit FDI under terms and conditions that may be different from those specified herein.

Ministry

109. The Ministry is responsible for implementing these Rules and Regulations that shall govern the FDI regime, ensuring that FDI contributes positively to Bhutan's economic development while aligning with national priorities and sustainable development goals.

Department

110. The Department shall:
- (1) Decide on all proposals based on the provisions of these Rules and Regulations.
 - (2) Enter business premises to monitor compliance; or
 - (3) Impose fines and penalties as per these Rules and Regulations.

Invest Bhutan Division

111. The Invest Bhutan Division with three functional sections namely the Investment Promotion and Advocacy, Investment Facilitation and Investment Support, and Monitoring and Aftercare sections

shall serve as an Investment Promotion Agency and shall carry out the following functions:

- (1) Develop and implement investment promotion strategies and action plans;
- (2) Develop investment promotional tools;
- (3) Facilitate investor targeting and marketing such as investment seminars, forums, and business delegations among others;
- (4) Handle investor enquiries and facilitate investors' visits;
- (5) Liaise with missions abroad;
- (6) Conduct investment mapping and project identification;
- (7) One-stop services for sectoral clearances, authorizations, approvals or licenses by liaising with FDI focal points;
- (8) Project handling such as appraisal, evaluation and approval;
- (9) Handle grievances;
- (10) Post-approval services;
- (11) Investment retention and reinvestment;
- (12) Provide policy recommendations;
- (13) Conduct research on FDI including surveys and maintaining an information system; and
- (14) Monitoring of investments.

112. The Government shall provide adequate financial and human resources to carry out the functions under these Rules and Regulations.

CHAPTER X

MONITORING AND REPORTING

Monitoring

113. The Department in collaboration with competent authorities shall oversee FDI businesses as per relevant laws or other legal provisions.
114. The Royal Monetary Authority shall monitor the use of foreign exchange, and maintain and share data on FDI flows as and when necessary.
115. The Department of Labour shall monitor the training and skills development of Bhutanese employees and maintain FDI specific information on employment.
116. The Ministry of Home Affairs shall monitor and maintain information on visas, permits and other immigration issues.
117. The Department of Environment & Climate Change under the Ministry of Energy and Natural Resources shall monitor the compliance of businesses related to the environment.
118. The National Land Commission Secretariat shall monitor and maintain information on land and land related issues.

Reporting

119. The FDI company or the management shall submit any FDI related information to the Department as prescribed.

120. The FDI Company or the management shall provide information and details of their operation when sought by the Department or any competent authority.

CHAPTER XI

DISPUTE SETTLEMENT

Dispute Settlement

121. Any FDI business related disputes arising between the parties may be resolved mutually or as per the provisions of the joint venture agreement. If the disputes are not resolved, parties may resolve the dispute as per the Alternative Dispute Resolution Act of Bhutan or settle before the Royal Court of Justice of Bhutan.
122. Parties may also pursue arbitration at recognized international arbitration institutions, contingent upon mutual agreement from both parties.

CHAPTER XII

OFFENSES AND PENALTIES

Fines

123. FDI companies violating the provisions of these Rules and Regulations shall be subject to a fine of Nu. 20,000/ (Twenty-thousand only) on the first incident and within the stipulated time frame of 30 days for rectification.
124. If FDI companies fail to pay or rectify within the stipulated time frame as provided under Rule 123, such companies shall be liable to pay double the amount so imposed.

Repeated Offender

125. If an FDI company commits any offence more than twice under these Rules and Regulations, such a company shall be treated as a repeated offender and shall be liable to pay a fine of Nu. 50,000 (fifty-thousand only).

Suspension

126. FDI business may be suspended if:
- (1) Engages in activities other than the approved business;
 - (2) Breaches any conditions specified in the approval or sector clearance; or
 - (3) Continuously fails to rectify the violation within the stipulated time frame.

127. The suspension under Rule 126 shall continue to apply until the payment of the imposed fine or such breach has been rectified by the FDI Company.

Cancellation

128. The FDI Business License shall be canceled if:
- (1) The company breaches any laws of the country; or
 - (2) Investors or the company's management personnel engage in an activity that is against the national interest or the security of the country
129. The Department shall notify the relevant agencies if any business licenses are canceled under these Rules and Regulations.
130. FDI business shall commence winding up as per the Companies Act of Bhutan 2016 upon the cancellation of their business license.

Appeal

131. An aggrieved person or party may appeal to the Minister regarding any decision made by the Department under these Rules and Regulations within 10 working days.
132. The Minister may either conduct an inquiry or appoint an independent review committee to review the decision passed by the Department.
133. The Minister may confirm, modify or annul the original administrative decision within 30 working days from the date of appeal.

CHAPTER XIII

MISCELLANEOUS

Interpretation

134. In case of any differences in the interpretation of these Rules and Regulations, the Ministry's interpretation shall be final and binding.

Immunity

135. No action shall lie against the Department or any officers working for the Department in respect of any act done or omitted in good faith in the execution of the functions under these Rules and Regulations.
136. Such immunity shall not cover corrupt acts committed by any employee in connection with the discharge of his or her official duties.

Revision

137. The Lhengye Zhungtshog may review and revise these Rules and Regulations in consultation with relevant ministries or agencies.

Definition

138. Unless the context otherwise requires:
- (1) **"Authorized representative"** means a person authorized by the foreign investing company or the foreign investor in the country.

- (2) **"Business"** means FDI business registered under these Rules and Regulations.
- (3) **"Competent Authority"** means an agency authorized by law to issue sector license, clearance or authorization.
- (4) **"Convertible Currency"** means foreign currency denominated in Australian Dollar, Canadian Dollar, Danish Kroner, Euros, Hong Kong Dollar, Japanese Yen, Norwegian Kroner, Singapore Dollar, Swedish Kroner, Swiss Franc, United Kingdom Pound Sterling, or United States Dollar as defined in the Foreign Exchange Rules & Regulations, 2022 and amendments thereto.
- (5) **"Currency of Investment"** means the currency in which the investment was made by the foreign investor.
- (6) **"Debt-equity ratio"** means a financial ratio which indicates the relative proportion of shareholders' equity and debt to finance the company's capital investment.
- (7) **"Department"** means the Department of Industry in the Ministry of Industry, Commerce and Employment, the primary regulatory authority responsible for overseeing and facilitating foreign investment activities in Bhutan.
- (8) **"Dependent"** means spouse and children below 18 years of age.
- (9) **"Downstream project"** means a project either into the same line of business or another project promoted by the existing investors alone or jointly with new investors.

- (10) **"Existing domestic entity"** means a business entity already established and operating in the country and fully owned by Bhutanese.
- (11) **"FDI Business"** means any business activity, which is owned by an FDI Company.
- (12) **"FDI Company"** means a business incorporated or registered in the country for the purpose of undertaking business activity in which 20% or more of the equity in the business is owned by foreign investors. Notwithstanding the above, in the case of foreign institutional investors, an FDI company shall be one in which 10% or more of the equity is owned by foreign institutional investors.
- (13) **"Foreign Currency"** refers to convertible currency and the Indian Rupee.
- (14) **"Foreign Direct Investment"** means the act of making an investment, through an FDI Company, in a business activity in Bhutan.
- (15) **"Foreign Institutional Investor"** means entities such as pension funds, insurance companies, savings institutions and investment companies that pool together funds on behalf of others and invest those funds in a variety of different financial instruments and asset classes.
- (16) **"Foreign Investor"** means:
 - i) A person who is a citizen of a country other than Bhutan; or

- ii) An entity that is incorporated or registered outside Bhutan.
- (17) **"License"** means a business license issued by the Ministry of Industry, Commerce and Employment.
- (18) **"Minister"** means the Minister for the Ministry of Industry, Commerce & Employment.
- (19) **"Ministry"** means the Ministry of Industry, Commerce & Employment.
- (20) **"Other Activities"** means any business activity not listed in Schedules I, II and III.
- (21) **"Priority Sector Activities"** means the activities listed in Schedules I and II of these Rules & Regulations.
- (22) **"Project Cost"** means the total capital cost of the project excluding the working capital.
- (23) **"Work Permit"** means a permit approved by the Department of Labour and issued by the Department of Immigration to a foreigner permitting him/her to work in the country.

SCHEDULE I

PRIORITY LIST OF ACTIVITIES UNDER PRODUCTION & MANUFACTURING

Sl. No	Sector	Minimum Project Cost (Nu. Mn)	Maximum Foreign Investor's equity
1	AGRICULTURE AND ANIMAL HUSBANDRY (Production and Or Processing)		
	Floriculture	20	100 %
	Horticulture		
	Animal Husbandry (including piggery, poultry, dairy)		
	Aquaculture		
	Apiculture		
	Production of seeds		
2	Fruit, Vegetable and Food Processing	10	74 %
3	Plantation Crop	20	100 %
4	Wood Based-Forest Production	35	74 %
5	Non-wood Based Forest Production	10	74 %
6	Renewable Energy Solar and Wind Energy Other Renewable Energy	20	As per sector Policy
7	MANUFACTURING SECTOR		

Water based Production	40	74 %
Animal Feed		
Bio-Fertilizer and Bio Pesticides		
Pharmaceutical, Cosmeceutical & Nutraceutical Products		
Mineral beneficiation and Processing beyond crushing or powdering		
Electronics, Electricals		
Building Materials		
Solar Thermal Systems, Solar PV manufacturing		
Note: The above list is not exhaustive, and activities similar/related to those mentioned above may be considered on reasonable grounds		

SCHEDULE II

PRIORITY LIST OF ACTIVITIES UNDER SERVICES

Sl. No	Sector	Minimum Project Cost (Nu. Mn)	Maximum Foreign Investor's equity
1	EDUCATION		
	Primary Education	200	74 %
	Secondary Education		
	Tertiary Education		
	Technical and Vocational Education	30	
2	HEALTH		
	Multispecialty Hospital Services	400	100 %
	Specialized Healthcare services including laboratory services and diagnostic services	100	
	Specialized Dental Services	25	
	Specialized Traditional Medical Services	30	74 %
3	HOTELS/RESORTS		
	Five Star Hotel & Above	200	100 %
	Four Star Hotel	50	74 %
	Wellness Centre	30	
4	AIR TRANSPORT SERVICES		
	Aeroplane/Helicopter Operations	200	100 %

	Gliders/Para glider/Balloon Operations	50	
	Maintenance, Repair & Overhaul Organizations	100	
	Training Organization	100	
5	INFRASTRUCTURE		
	Sports and recreation facilities	30	74 %
	IT Park, Industrial Park, Airport Infrastructure, township and regional level infrastructure Development	200	100 %
6	IT/IT ENABLED SERVICES		
	Inside IT Park	NA	100 %
	Outside IT Park	3	
7	Construction Services	50	74 %
8	WASTE MANAGEMENT		
	Recycling of domestic waste Waste management services	25	74 %
9	FINANCIAL SERVICES		
	Direct Insurance Business as a composite insurance (Both life and non-life insurance)	As per Financial Service Act/Rules & Regulations	49 %
	Cross-border electronic payments and money transmission services		74 %
	Credit Rating Agency		100 %
	Venture Capital Fund for startups		
Note: The above list is not exhaustive, and activities similar/related to those mentioned above may be considered on reasonable grounds.			

SCHEDULE III

NEGATIVE LIST FOR FDI

Sl. No	Activity
1	News Media
2	Distribution Services including Dealership, Wholesale, Retail and Micro Trade
3	Standalone Mines for Sale of Minerals in Primary or Raw Form
4	Mineral processing and beneficiation upto crushing and powdering
5	Hotel 3 Star and Below
6	General Health Services
7	Industries that do not meet the Certificate of Origin requirements
8	Real Estate Businesses
9	Activities in the Prohibited List of the Royal Government

Invest Bhutan Division
Department of Industry
Ministry of Industry, Commerce and Employment
Website: www.industry.gov.bt / www.investbhutan.gov.bt