

Payroll involves the legal side of your employees' compensation, from taxes to severance. When you expand abroad, you'll need to consider a new set of termination and tax laws to ensure your company is compliant. Globalization Partners streamlines this process for peace of mind on every payday — for you and your international team.

Taxation Rules in Bhutan

Taxation is a fundamental trait of payroll wherever you go. It's critical to make sure you understand any associated deductions — if there are any. In Bhutan, the Department of Revenue and Customs requires employers to deduct income tax from employee wages.

Personal income tax is tiered with six income ranges and associated tax percentages. For up to Nu. 300,000 in yearly earnings, income tax is zero percent. The remaining tiers are as follows:

- 10 percent for Nu. 300,001 to 400,000
- 15 percent for Nu. 400,001 to 650,000
- 20 percent for Nu. 650,001 to 1,000,000
- 25 percent for Nu. 1,000,001 to 1,500,000
- 30 percent for over Nu. 1,500,001

Contributions to the National Pension and Provident Fund (NPPF) are also compulsory. Employers and employees both contribute 5 percent of a worker's earnings to this fund for retirement and severance purposes.

Bhutan Payroll Options for Companies

When you start managing your international payroll, you have a few methods to choose from. Each technique requires a varying level of financial resources and comes with a different amount of legal risk. Your options include:

- Remote management: If you don't have the funds to work with a third party or to maintain an entity in the country, managing payroll remotely is an option. This

arrangement requires high-level organizing to keep country processes separate, and you'll be liable for any mistakes or legal issues.

- Payroll processing company: A third-party processing company can manage your payroll with a little more expertise. While this method offers a bit more security, you'll still be liable for any errors the company makes.
- Internal department: For the most control, you can establish an entity in the country and create a payroll department. It takes time and money to develop these teams, and you're still responsible for legal compliance.
- Globalization Partners: As your global PEO, we'll hire your workforce through our subsidiary and manage them on our payroll. We're responsible for all legal risks, and our team of experts will keep all processes compliant. You get the advantages of an in-country entity without the liability.

How to Set Up a Payroll in Bhutan

Your payroll setup depends on your management method. If you choose an internal department, you'll have to set up a subsidiary to start. This procedure requires government clearances and a business framework.

Regardless of your management method, employee registration is a crucial component of payroll. To pay taxes and make contributions, you'll need employees' taxpayer numbers (TPNs) and NPPF numbers. Your company will also need these IDs to make these submissions on behalf of your workers.

Entitlement/Termination Terms

Upon termination, payroll will play a role in severance. The country doesn't require any payout for dismissal on the grounds of poor behavior. However, severance is applicable for termination with notice.

When an employee's contract is terminated, they will receive a provident fund payment and vacation day accrual if they have one. Employees are entitled to any amount in their provident fund if they've worked for an employer for at least five years. If they have any

unused vacation days, they should receive them as payment.

If an employee retires after 10 years of service, they're also entitled to a gratuity payment. An employer must be the sole contributor to a gratuity fund that provides for all employees. Gratuity payments add up to one month of pay for every year of service.

Payroll Processing Company in Bhutan

Mitigate risk and get the payroll support you need with Globalization Partners. [Talk to our team](#) today to learn more about how we can support your global expansion.