

**THE TENANCY ACT OF THE KINGDOM OF BHUTAN, WOOD
MONKEY YEAR 2004**

Preamble

We, the People of Bhutan, in order to improve the quality of life, maintain the domestic Tranquility and peace, to ensure economic growth and prosperity to ourselves and our Posterity, do ordain and establish this Tenancy Bill for the Kingdom of Bhutan.

Be it enacted during the Thirty Second year of the Glorious reign of His Majesty Druk Gyalpo Jigme Singye Wangchuck as follows:

CHAPTER I - PRELIMINARY

1. Title, commencement, extent, repeal.

1.1. Title

This Act shall be called THE TENANCY ACT OF THE KINGDOM OF BHUTAN, 2004;

1.2. Commencement

This act shall come into force in the Wood Monkey year, /// Month and /// Day corresponding to the /// Day of the /// Month of 2004; and

1.3. Extent

This act shall extend to the whole of the Kingdom of Bhutan and it applies to both the Government and private rental unit;

1.4. Repeal

This Act shall supersede all earlier Acts, rules and regulations pertaining to tenancy.

2. Rule of Construction

In this Act, unless the context indicates otherwise, the singular shall include the plural and the masculine shall include the feminine.

CHAPTER II – TENANCY AUTHORITY

3. Tenancy Authority

The designated department under the Ministry of Works and Human Settlement shall be the rental authority.

4. Powers of Tenancy Authority

4.1 The Department shall be the authority for the administration of this Act.

4.2 The Department shall establish a Dispute Settlement Committee to hear complaints and give decisions.

4.3 The Department shall receive complaints and refer to the Dispute Settlement Committee.

4.4 The Head of the Department may make Rules to enforce the provisions of this Act.

- 4.5 The Head of the Department may delegate the powers under this Act to the concerned agencies in the Dzongkhag and the Geog for enforcement of this Act.

CHAPTER III – RENTAL UNIT AND LEASE OF NON-AGRICULTURE LAND

This chapter:

- 5.1 Applies to rental units used or intended for use as rented residential or commercial premises and lease of non-agricultural land.
- 5.2 Shall not apply to use of land under the Land Act, 1979.

6. Agreements

6.1. Rental Agreement

- 6.1.1 A tenancy shall be created by an agreement in writing signed by the parties and two independent witnesses, legal stamp affixed to it.
- 6.1.2 The agreement shall be executed in two original copies that shall be retained by the parties each.
- 6.1.3 The agreement shall be executed for a certain period as specified in the agreement.
- 6.1.4 The agreement shall include:
- (a) The name and address of the parties;
 - (b) The duration;
 - (c) The amount of the monthly rent for the rental unit; and
 - (d) Entry condition report.
- 6.1.5 Any term or condition of the agreement, which is contradictory to the provision of this Act or inconsistent with the other laws of the Kingdom of Bhutan, shall be void.

6.2 Lease agreement

- 6.2.1 A lease shall be created by an agreement in writing signed by the parties and two independent witnesses, with legal stamps affixed to it.
- 6.2.2 The lease agreement shall be executed in two original copies that shall be retained by the parties each.
- 6.2.3 The lease agreement shall be executed for a certain period as specified in the agreement.
- 6.2.4 The lease agreement shall include:
- (a) The name and address of the parties;
 - (b) The duration of the lease;
 - (c) The amount of the monthly rent for the leased land; and
 - (d) Entry condition report.
- 6.2.5 Any term or condition of the agreement, which is contradictory to the provision of this Act or inconsistent with the other laws of the Kingdom of Bhutan, shall be void.

7. Succession of rental unit or leased land

7.1. Succession of rental unit

In the event of death of a tenant during the subsistence of tenancy, the right of tenancy shall devolve upon members of the tenant's family in the following order:

7.1.1 Spouse;

7.1.2 Children;

7.1.3 Parents;

7.1.4 Any other member of the family;

provided that the successor had ordinarily been living in the rental unit with the tenant at the time of his death.

7.2 Succession of lease

In the event of death of a lessee during the subsistence of the lease, the lessee's rights shall devolve upon his successors in the following order:

7.2.1 Spouse;

7.2.2 Children;

7.2.3 Parents;

7.2.4 Any other member of the family;

provided that the successor had ordinarily been living on the leased land with the lessee at the time of his death.

CHAPTER IV – RENT

8. Rent determination

8.1. The monthly rent for the rental unit shall be determined by an agreement between the parties.

8.2 The parties shall determine the rent for the lease of land by the lease agreement.

9. Payment of Rent

9.1 Payment of Rent for the Rental Unit

9.1.1 The tenant shall pay the rent as specified in the agreement.

9.1.2 The tenant shall pay the rent on or before the fifth day of the following month after the expiry of the preceding month.

9.1.3 In the event the tenant fails to pay the monthly rent on time, he shall pay the amount with the monthly lawful interests.

9.1.4 The owner shall issue receipts upon receipt or payment of rent, security deposit or any other relevant payment.

9.1.5 The owner shall not demand the rent or other charges related to rental unit before the end of month.

9.2 Payment of Rent for the Leased Land

9.2.1 The lessee shall pay the rent as specified in the agreement.

9.2.2 The lessee's failure to pay rent on the date as agreed in the agreement, shall be liable to pay the amount with the lawful interest for the delayed number of month/year.

9.2.3 The lessor shall issue receipt for the payment of rent, security deposit or any other relevant payment.

10. Revision of Rent

10.1 The owner shall not increase the rent before two years from the day on which a new tenant occupies the house.

10.2 The increment of rent shall not exceed 10% of the monthly rent.

10.3 The rent for the leased land may be revised as specified in the lease agreement.

11. Other Charges Payable

11.1 A tenant shall pay to the concerned authorities for the services and facilities used.

11.2 A lessee shall pay charges for the services and facilities provided in the land, to the concerned authorities.

12. Security Deposit

- 12.1 The tenant may deposit the security deposit as specified in the agreement.
- 12.2 The owner shall refund the security deposit as specified in the agreement.
- 12.3 The lessee may deposit the security deposit as specified in the terms of the lease agreement.
- 12.4 The lessor shall refund the security deposit as specified in the lease agreement.

CHAPTER V - RIGHTS AND DUTIES

13. Rights and Duties of an Owner

13.1. Rights

- 13.1.1. The owner shall have right to enter into the rental unit, if the tenant had locked the rental unit and not paid the rent for two months and could not be found the tenant with due diligence.
- 13.1.2. The agreement may allow the owner to terminate the tenancy during the subsistence of tenancy in accordance with this Act, if the rental unit is required only for himself provided that the tenant occupies the rental unit at least for a period of six months.
- 13.1.3. The owner shall have right to evict if:
 - (a) Rent has been owing in respect of the rental unit for two months or more;
 - (b) The tenant refuses to vacate the rental unit after the expiry or termination of the tenancy;

- (c) The tenant does not comply with the terms and conditions of the agreement or the provisions of this Act; and
- (d) The tenant creates nuisance to other tenants or carries out any dangerous activities.

13.2 Duties

The owner shall:

- 13.2.1 Keep the rental unit fit for decent living;
- 13.2.2 Provide the rental unit and premises in line with the health and safety rules and regulations;
- 13.2.3 Obtain liveable certificate from the appropriate authority at the time of execution of agreement;
- 13.2.4 Repair suo moto or on the complaints of the tenant, the rental unit and the premises as per the terms and conditions of the agreement;
- 13.2.5 Keep all common areas safe, clean and free from hazards;
- 13.2.6 Insure the rental unit;
- 13.2.7 Enter the rental unit only with the consent of the tenant except in emergency;
- 13.2.8 Ensure the peaceful living of the tenant;
- 13.2.9 Not evict the tenant unlawfully during the subsistence of tenancy;
- 13.2.10 Not discontinue or withhold any services and facilities enjoyed by the tenant without just and sufficient cause;

- 13.2.11 Prevent the tenant causing nuisance and annoyance to neighbours, and other tenants or uses the premises for immoral or illegal activities;
- 13.2.12 Notify the tenant in writing the sale of the rental unit with other necessary information;
- 13.2.13 If the rented rental unit and the leased land is sold and if the buyer (owner) wants to use the land and the rental unit as before, the agreement between the tenant and the earlier owner shall be respected by the new owner.
- 13.2.14 If the sold rental unit and the land is to be used for other purpose by the buyer (owner), the tenant shall be informed two months before in writing.
- 13.2.15 **Exception**

The owner shall not be liable for loss or damage of the tenant's property caused in the rental unit due to tenant's negligence or natural forces.

14. Rights and Duties of a Tenant

14.1. Rights are:

- 14.1.1 A decent dwelling rental unit;
- 14.1.2 Protection against unlawful eviction by the owner;
- 14.1.3 Protection against lockouts and seizure of personal property;
- 14.1.4 Privacy and peaceful enjoyment of the rental unit and the premises during the subsistence of the agreement;

- 14.1.5 Leave the rental unit during the subsistence of tenancy in accordance with this Act;
- 14.1.6 The tenant may sublease the rental unit as specified in the agreement; and
- 14.1.7 Vacate the rental unit immediately if he is transferred, after serving notice in writing to the owner.

14.2. Duties

The tenant shall:

- 14.2.1. Pay rent when it is due under this Act;
- 14.2.2. Use the rental unit and the premises with due care;
- 14.2.3. Not commit nuisance and annoyance to the neighbours and other tenants nor shall use the premises for the unlawful purposes;
- 14.2.4. Dispose garbage to proper place and also live hygienically;
- 14.2.5. Inform the owner about the known fact, on which the tenant has and the owner has no knowledge, any danger likely to happen to the rental unit or premises;
- 14.2.6. Be liable for any damage caused to the rental unit or the premises due to his negligence except for the normal wear and tear;
- 14.2.7. Not alter the structure of the rental unit or premises without the consent of the owner;
- 14.2.8. Hand over the rental unit as per the entry condition report in good condition as taken over except for the normal wear and tear; and

14.2.9. Not use the rental unit and premises for the purpose other than for which it was rented.

15. Rights and Duties of Lessor

15.1. Rights

15.1.1. If the lessee fails to pay the monthly rent, the due amount shall be paid with the monthly lawful interest.

15.1.2. The lessor shall be compensated by the lessee for the damage or loss caused due to non-performance of the terms and conditions under the lease agreement.

15.1.3. The amount of compensation under sub-section 15.1.2. is entitled based on the nature and gravity of damage or loss caused.

15.1.4. The lessor may evict the lessee as permitted by the lease agreement and the provisions of this Act.

15.2. Duties

15.2.1. The lessor is bound to disclose to the lessee any material defect in the use of land.

15.2.2. The lessor is bound to put the lessee in possession of the land during the subsistence of the agreement.

15.2.3. The lessor shall pay all taxes levied on the leased land during the subsistence of the lease.

15.2.4. The lessor shall not deprive the lessee of the right to peaceful enjoyment of the land during the lease except in emergency.

15.2.5. Not discontinue or withhold any services and facilities enjoyed by the lessee without just and sufficient cause.

15.2.6. The lessor shall not evict the lessee from the leased land in violation of the lease agreement and the provisions of this Act during the subsistence of the lease.

15.2.7. Exception

The lessor shall not be liable to the lessee for loss or damage to property caused in the leased land due to lessee's negligence or natural forces.

16. Rights and Duties of Lessee

16.1. Rights

16.1.1. In the event of any material part of the leased land being wholly destroyed or rendered substantially or permanently unfit for the purpose for which it was leased, due to natural forces or land acquisition by the Government for the developmental activities in accordance with the Land Act, the lease shall be terminated with notice.

16.1.2. If the lessor owes some money to other people and if the lessee is instructed by the lessor in writing to make such payments for him, it shall be deducted from the rent or the lessee is entitled to claim the amount with the lawful interests.

16.1.3. The lessee shall be compensated by the lessor for the damage caused due to non-performance of the terms and conditions of the lease agreement.

16.1.4. The amount of compensation under sub-section 16.1.3 shall be determined based on the nature and gravity of the damage caused.

- 16.1.5. When the lease is terminated by the parties, the lessee or his successor is entitled to all the structures built by the lessee and prevailing upon the property, and to free ingress and egress to gather and carry them.
- 16.1.6. The lessee may sublease the land as specified in the lease agreement.

16.2. Duties

- 16.2.1 The lessee may, except otherwise expressly mentioned in the lease agreement, remove all things, which he has attached to the earth at the expiry of the agreement or within the termination of agreement, and leave the land in the original condition.

16.2.2 Exception

When the lease is terminated due to any material part of the leased land being wholly destroyed or rendered substantially or permanently unfit for purpose for which it was leased, due to natural forces or land acquisition by the Government for developmental activities, the lessee or his successor is entitled to all the structures built by the lessee upon the leased land, and to free ingress and egress to gather and carry them.

- 16.2.3. The lessee is bound to give, with reasonable diligence, notice to the lessor when he is aware of any danger to the land or any encroachment made upon, or any interference with the lessor's right.

- 16.2.4. The lessee shall, except otherwise expressly mentioned in the lease agreement not erect any permanent structure on the land.
- 16.2.5. The lessee shall not leave the leased land during the subsistence of lease otherwise than in accordance with this Act for any purpose.
- 16.2.6. The lessee shall not use the land for any purpose other than, for which it was leased.

CHAPTER VI - TEMPORARY HIRING

17. Charges for the Conference Hall, Warehouse and Store

- 17.1. This provision applies to temporary hiring of conference hall, warehouse, store or any other similar structure (in this section called the “hiring unit”) for a period less than one month.
- 17.2. The parties shall execute an agreement which includes:
 - 17.2.1. The charge for the hiring;
 - 17.2.2. Purpose of the hiring; and
 - 17.2.3. The duration of the hiring.
- 17.3. Unless the parties have executed an agreement as required by sub-section 17.2, the temporary hiring is prohibited.
- 17.4. If a party is in default under sub-section 17.2, the defaulting party shall compensate the other party for the damages, at the rate of 50% of the charge.

CHAPTER VII – NOTICE

18. Notice on Rental Unit

- 18.1. Where the owner wishes to discontinue the tenant at the end of the tenancy, he shall serve the tenant a written notice of two months in advance.
- 18.2. Where under the agreement, the owner has the right to reacquire the rental unit for his own occupation during the subsistence of tenancy, the owner may exercise that right by serving the tenant a written notice of two months in advance.
- 18.3. If the owner has to evict the tenant in accordance with the section 13.1.3 of this Act, but in contradictory to other grounds of the Act, the owner shall serve the written notice two months in advance.
- 18.4. The owner shall serve the tenant a written notice of three months in advance for rent increment.
- 18.5. A notice under sub-section 18.1, 18.2, 18.3 or 18.4 shall be served to the tenant at the rental unit.
- 18.6. Where a tenant wishes to vacate the rental unit at the end of the tenancy, he shall serve the owner a written notice of two months in advance.
- 18.7. Where under the agreement the tenant has the right to terminate the tenancy during the subsistence of the tenancy, the tenant may exercise that right by serving the owner a written notice of two months in advance.
- 18.8. Where a tenant wishes to renew the agreement, he shall serve the owner a written notice of two months in advance.
- 18.9. A notice under sub-section 18.6, 18.7 or 18.8 shall be served to the owner at the mailing address stated in the tenancy agreement.

Exception

- 18.10. Where a tenant is dead during the subsistence of tenancy and the dependants waive their right of succession under this Act, they shall immediately notify the owner and vacate the rental unit.
- 18.11. Where a tenant is dead at the end of tenancy, the owner shall give two months period to the successor to vacate the rental unit.
- 18.12. The tenant shall vacate the rental unit immediately with notice, when the rental unit is damaged by natural forces and rendered unfit for dwelling.

19. Notice on Lease

- 19.1. Where the lessor wishes to evict the lessee at the end of the lease, he shall serve the lessee a written notice of six months in advance.
- 19.2. Where a lessee wishes to renew the lease agreement for the land at the end of the lease, he shall serve the lessor a written notice of six months in advance.
- 19.3. The notice under sub-section 19.1 or 19.2 shall be served to the lessee or lessor at the mailing address stated in the lease agreement.
- 19.4. **Exception:**
In the event of any material part of the leased land being wholly destroyed or rendered substantially or permanently unfit for purpose for which it was leased, by natural forces, the lease shall be terminated immediately with notice by the lessee.

CHAPTER VIII - DISPUTE SETTLEMENT MECHANISM

20. Amicable settlement

The parties shall amicably resolve any dispute arising from the tenancy.

21. Mediation

In the event of failure to resolve a dispute amicably, the parties shall resolve through mediation.

22. Petition

22.1. A complaint with respect to non-compliance of the provisions of this Act shall be made to the designated Tenancy Authority in the locality.

22.2. The Dispute Settlement Committee shall hear the matter and give their written decision.

22.3. The party who is not satisfied with the decision of the Dispute Settlement Committee shall appeal to the Royal Court of Justice.

CHAPTER IX - FINE AND PENALTY

23. Unlawful rent increment

The owner or lessor who increases the rent in contravention of Section 10 shall be liable for a fine equivalent to one month's rent. The owner or lessor shall refund the unlawful amount so charged.

24. Disconnection of services and facilities

24.1. The owner or lessor who contravenes sub-section 13.2.11. or 15.2.5. by disconnecting or withholding services and facilities enjoyed by the tenant or lessee without just and sufficient cause shall be liable for a fine equivalent two months rent. The services and facilities shall be restored immediately.

24.2. In the event of failure to restore the services and facilities immediately by the owner or lessor, the tenant or lessee may do so and the charges for restoration shall be deducted from the rent payable to the owner or lessor.

25. Withholding security deposit

The owner or lessor who fails to refund the security deposit as required by section 12 of this Act, shall pay to the tenant or lessee a compensation equivalent to 25% of the unrefunded amount.

26. Unlawful eviction

The owner or lessor who evicts the tenant or lessee otherwise than as allowed by subsection 13.1 or 15.1.4 shall be liable for a fine equivalent to three months rent. The person evicted shall be reinstated with possession of the rental unit or the leased land with compensation equivalent to two months rent.

27. Non-disclosure of information

The lessor or lessee who does not disclose the information required to be disclosed under sub-sections 14.2.5 and 15.2.1 of this Act shall be liable for a fine equivalent to one month rent.

28. Unlawful occupation

- 28.1. The tenant or lessee who continues to occupy the rental unit or the leased land without renewing the agreement or after the eviction notice had been served in accordance with this Act shall be liable for a fine equivalent to two months rent.
- 28.2. The rent for such occupation shall be paid to the owner and the lessor at the same rate as rent was payable immediately before the expiry of the tenancy or the service of the eviction notice.

29. Unlawful vacation of the rental unit or leased land

- 29.1. The tenant who vacates the rental unit otherwise than in accordance with this Act, shall be liable for a fine equivalent to two months rent.
- 29.2. The lessee who vacates the leased land in violation of this Act shall be liable for a fine equivalent to six months rent.

30. Unlawful sub-lease

- 30.1. The tenant who sub-leases the rental unit in violation of this Act and the terms of the agreement shall be liable for a fine equivalent to two months rent. The sub-tenant shall be evicted and the tenant shall refund to the owner if any rent in excess of the original agreed rent is collected from the sub-tenant.
- 30.2. The lessee who sub-leases the leased land in violation of this Act and the terms of the agreement shall be liable for a fine equivalent to six months rent. The person whom the sub-lease is made shall be evicted and the lessee shall refund to the owner if any rent in excess of the original agreed rent is collected from the third person.

31. Breach of other obligation

The owner, tenant, lessee or lessor who contravenes any other obligation under this Act shall be liable for a fine ranging from one month's wage of the national work force.

32. Authoritative Text

If there is difference in the interpretation between the Dzongkha and the English texts, the Dzongkha text shall prevail.

33. Amendment

Any provision of this Act may be amended, whenever necessary, by the National Assembly.

34. Definitions

For the purpose of this Act:

34.1 “Act” means the Tenancy Act of Bhutan 2004;

34.2 “Authority” means the designated department under the Ministry of Works and Human Settlement;

34.3 “Agreement” means the agreement required by section 7 of this Act;

34.4 “Department” means the designated department under Ministry of Works and Human Settlement;

34.5 “Emergency” means an occasion when the rental unit or leased land is affected by the natural calamities;

34.6 “Lease” means to grant exclusive right to another, to possess, occupy and use of land or house for specified term, in return for rent or other consideration;

- 34.7 “Lease agreement”** means the agreement required by Section 7.2 of this Act;
- 34.8 “Lessee”** means a person to whom a lease is made;
- 34.9 “Lessor”** means a person who grants a lease;
- 34.10 “Negligence”** means as defined under Bhutan Penal Code;
- 34.11 “Owner”** includes a person who owns a housing accommodation, a lawful successor, a legal entity or an authorized agent to rent such housing accommodation to others;
- 34.12 “Premises”** means surrounding and other forming part of the rental unit or leased land;
- 34.13 “Parties”** means the owner and the tenant or the lessor and lessee under this Act;
- 34.14 “Rent”** means any consideration paid for the use or occupancy of any property;
- 34.15 “Rental unit”** means a room or house and any associated land used or intended for use as rented residential or commercial premises;
- 34.16 “Security deposit”** means the sum of money deposited by the tenant or lessee with the owner or the lessor to protect the owner or lessor against contingencies arising out of tenancy due to tenant or lessee;
- 34.17 “Substantial damage”** means such damage which endangers the life and property;
- 34.18 “Store”** means a place where goods or supplies are stored;

- 34.19 “Services and facilities”** includes those services and facilities listed in schedule I;
- 34.20 “Sub-lease”** means sharing of a rental unit or leased land by a tenant or lessee with a third person;
- 34.21 “Tenancy”** means the possession and occupancy of a rental unit or leased land in consideration for rent over a certain period under the tenancy agreement;
- 34.22 “Tenant”** means a person who holds or possesses a rental unit for rent, and includes his family members;
- 34.23 “Warehouse”** means a building or structure used to store goods or any other items for a length of time.