



དངུལ་ཚུལ་ལྷན་ཁག།
ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG

DRC/C-TIS/TAP/02/07/1865

Date: 15/11/07

Note Sheet

As per the existing rules and procedures for approval of industrial projects requiring hard currency for import of raw materials, the exemption of customs duty is granted to a company for import of raw materials if the hard currency is earned by its subsidiaries or through export of its own products. Since the above rules allow the use of hard currency earned through sale of goods and services for import of raw materials on duty exempt basis, even the hard currency generated through the export of cash crops, which previously contributed to RGoB's hard currency reserve, is being fully utilized to import raw materials on duty exempt basis. This has led to an alarming increase of customs duty exemption on the import of raw materials and substantial government revenue is foregone.

Government of India has also raised their concerns on the increasing volume of exports of vanaspati from Bhutan, which have jeopardized the interests of similar industries in India. Further they have alleged that export of such products tantamount to deflection of third country imports, which is not in keeping with the Free Trade Agreement (FTA).

Therefore, in light of above it was decided to convene meeting between the Ministry of Finance and Ministry of Economic Affairs to discuss on the revision of customs duties on the import of industrial raw materials. Accordingly the meeting was held on 31st October 2007 and it was decided that the reasonable amount of customs duty should be imposed on the import of the industrial raw material meant for Vanaspati, Copper and Yam based industries. However, in order to avail the concessional rate of duty, the concerned industries would require to continue earning their own foreign exchange as per the existing practice. The details of the raw materials imported and revised tariff rates thereof, and the effective date for implementation is mentioned in the appended annexure. A copy of the minutes of the meeting is also enclosed for kind reference.

The above concessional rates shall be in force as an interim measure till the finalization of the industrial policy upon which appropriate fiscal policies will be drawn up and adopted.

Submitted for kind approval, please.

(Prime Minister)
 RGoB

Approved

[Signature]
 20/11/07

[Signature]
 (Secretary)
 MoF

Annexure

Sl. No.	Commodity Description	Existing rate	Concessional rate	Effective Date	Remarks
1.	Palm Oil (Crude) <i>RGoB</i>	100%	10%	1/12/2007	Concessional duty rate is applicable if raw material is imported by using hard currency earned by the importer and the existing rate of duty is applicable if there is no hard currency earning. <i>India = 45% on tariff value. 10% \rightarrow 10% of the prevailing duty in India</i>
2.	Palmolein oil	100%	10%	do	do
3.	Palmolein oil (Other)	100%	10%	do	do
4.	Partially Oriented Yarn	5%	3%	1/11/2007	3% duty is applicable if the raw material is imported from the foreign exchange provided by RGoB and 1% duty is applicable if raw material is imported from the foreign exchange earned by the importer
			1%	1/12/2007	
	<i>India - 7.5% on CIF</i>				
5.	Copper wire (CSD above 3 mm)	15%	1%	1/12/2007	Concessional duty rate is applicable if raw material is imported by using hard currency earned by the importer and the existing rate of duty is applicable if there is no hard currency earning. <i>India - 5% on CIF</i>
6.	Copper wire (other)	15%	1%	do	do
7.	Crude Soya bean oil	50%	10%	do	do
8.	Soya bean oil (other)	50%	10%	do	do