
VISION

To develop an effective tax system that will serve as a fiscal policy tool to regulate the economy; adapt to changes, and contribute to the growth of the economy through the mobilization of national revenue.

MISSION

To raise national revenues for the government in a fair and equitable manner by encouraging voluntary compliance to the rules and providing efficient taxpayer services.

VALUES

To be guided by values such as integrity, dedication and professionalism in dealing with taxpayers, fostering mutual confidence, and treating all taxpayers with respect and civility.

FUNCTIONAL MANDATE AND STRATEGIES

The Tax Administration Division is directly responsible for the formulation and implementation of income tax rules and regulations, assessment, collection and monitoring of direct taxes, reviewing and recommending tax policy changes to the Ministry of Finance.

As tax administrators, we continuously strive to develop an effective tax system that will serve as a fiscal policy tool for the government to manage and regulate the economy from time to time. In doing so, we remain guided by the principles of equity, fairness, and efficiency in our endeavors to mobilize adequate revenue for the government. We also ensure that the department has the capacity to collect taxes efficiently and effectively at minimum cost through impartial service to taxpayers.

Further, maintaining a high degree of integrity and morale of our staff is a major operational strategy. To this end, we strive to put in place an effective policy framework, risk-based control mechanisms and a strong culture of accountability in our work. We remain fully dedicated both in our spirit and actions to contribute towards achieving the national goal of self reliance by mobilizing adequate internal revenue to the government every year.

Foreword

The Performance Indicator Report of Tax Administration Division for Assessment Year 2010 and 2011 is the 7th edition in series. It is an exhaustive and statistical compendium on the performance of the division in its core areas such as assessment, collection and other administrative initiatives. The report covers two Income Years (IY), i.e. IY 2009 for entire 12 months (January to December) and IY 2010 for three months (January to March) ending 31st March 2011.

The report is organized in five parts; Part I gives an overview of the organizational set up of the division including staffing, qualification and training details and new developments and initiatives undertaken during the year; Part II discusses region wise taxpayer composition and the tax type. Part III covers revenue performance for IY 2009 while Part IV covers revenue performance for IY 2010 (as of 31st March 2011). Finally, Part V provides an update on units under tax holiday and exempted category.

All readers must note that the figures presented in this report are different from the figures reported in the National Revenue Report. This is due to difference in the reporting period. The former is reported on an IY/calendar year basis, while the later is on a fiscal year basis.

The Division would like to thank and acknowledge the support and guidance of the Hon'ble Director, Regional Directors, Tax Heads and all the hard working tax officials in the eight regional offices for their unwavering support and assistance in publishing this report. We hope that the readers will find this report useful in planning, monitoring, reviewing strengths and weaknesses, and taking appropriate measures to further strengthen the administration in their respective regions.

Kesang Deki
Collector
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Annexure

Annexure I: Performance Indicator Data for IY 2009

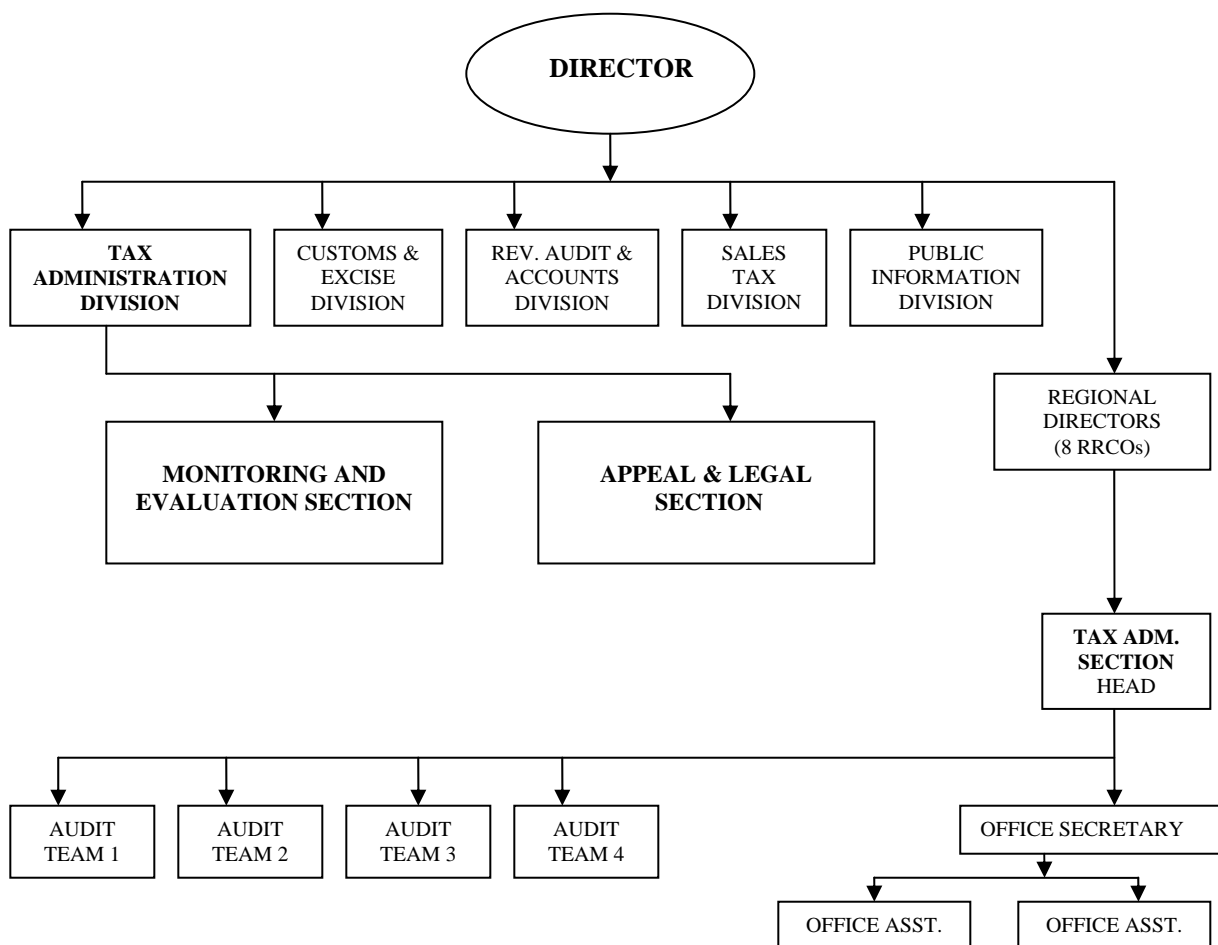
Annexure II: Performance Indicator Data for IY 2010 (self declared data till 31st March 2011)

PART I

ORGANIZATIONAL STRUCTURE

1.1 ORGANIZATIONAL SET UP

The division is structured along functional lines to avoid duplication of work and for better coordination, efficiency, and effectiveness in the overall management and administration of direct taxes. The organogram of the Tax Administration Division at the Head Office Level and Regional Level is given below.



Currently, the department has eight regional offices covering 20 Dzongkhags. The number of audit teams varies from one RRCO to another since manpower is distributed based on the number of taxpayers under each jurisdiction. Table 1 gives the administrative jurisdictions of the eight regional offices.

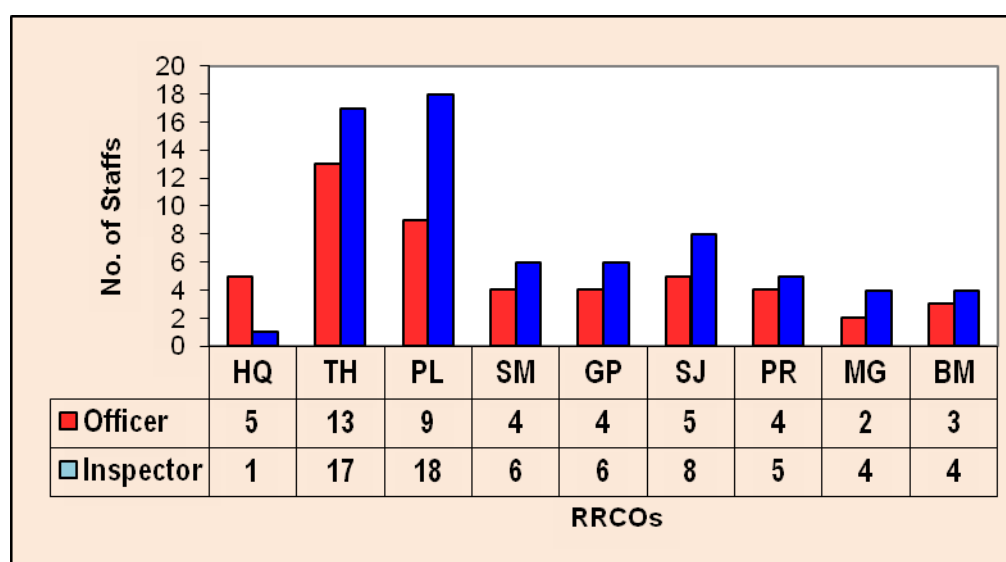
Table 1: Regional Offices and their Administrative Jurisdiction

RRCO	Coverage	Dzongkhag
Thimphu	4 Western Dzongkhags	Thimphu, Punakha, Wangdi Phodrang & Gasa
Paro	2 Western Dzongkhags	Paro and Haa
Phuentsholing	1 Southern Dzongkhag	Chukha
Gelephu	4 Southern Dzongkhags	Dagana, Sarpang, Tsirang & Zhemgang
Samtse	1 Southwest Dzongkhag	Samtse
Mongar	4 Eastern Dzongkhags	Mongar, Lhuentse, Trashigang & Trashigang Yangtse
Samdrup Jongkhar	2 Southeast Dzongkhags	Samdrup Jongkhar & Pema Gatsel
Bumthang	2 central Dzongkhags	Bumthang & Trongsa

1.2 STAFF STRENGTH

As of June 2011, the Tax Administration Division recorded total staff strength of 118 officials, comprising of 49 tax officers and 69 tax inspectors. In Jan 2011, six new officers joined the division after completing the induction course at RIM and increased the number of officers to 49. However, the number of tax inspectors remained unchanged as the intake of new inspectors was stopped since 2009. Towards the last quarter of 2010, the Regional Director of RRCO Gelephu was transferred to the Head Office as the Division Head. Meanwhile, one officer from the HQ is on extra-ordinary leave (EoL).

The manpower allocated to the RRCOs is based on revenue potential, the number and type of taxpayers under each RRCO. The detailed staff distribution pattern is presented in the chart below:

Figure 1: Staff Distribution

1.3 QUALIFICATION

The minimum qualification requirement for officer level entry in the division is bachelor degree or equivalent. As of 15th May 2011, the division has 15 officers with a post graduate

degree, 30 officers with an undergraduate degree, and 69 with pre university level qualifications and 4 officers are currently pursuing their post graduate degrees in India, Japan and the USA. A total of 12 tax inspectors are pursuing their undergraduate courses in India. The total available manpower after discounting those on studies and on EoL is 101. The qualification details are given in the table below.

Table 2: Qualification Details

RRCO	Master Degree	Bachelors Degree	Class XII	Class X	Pursuing Masters	Pursuing UG*	Total
Head Office	5	0	0	1	0	0	6
Thimphu	5	7	11	0	1	6	30
P/ling	1	7	15	2	1	1	27
Samtse	1	2	5	0	1	1	10
Gelephu	0	4	4	2	0	0	10
S/Jongkhar	1	4	4	2	0	2	13
Paro	0	3	4	0	1	1	9
Mongar	2	0	3	1	0	0	6
Bumthang	0	3	2	1	0	1	7
Total	15	30	48	9	4	12	118

* Under Graduate

1.4 TRAINING

Trainings are essential in enhancing work productivity as well as changing attitudes and behaviours of the employees. It not only sharpens the work skills, but also allows them to keep abreast of the changing business conditions and environments. The nature of work, complexity and risks involved are very high unlike other professions. In a period of 11 months (1st July 2010 till 30th May 2011), 18 tax officials have availed trainings on cost sharing basis between the sponsors and the RGOB in different places. The region wise details are given in the table below.

Table 3: Training Details

RRCO	OECD Korea	RTI Kolkata	IMF	Others	In-house	Total
Head Office	1	0	1	0	0	2
Thimphu	2	0	0	0	0	2
P/ling	4	0	0	1	0	5
Samtse	1	0	0	1	0	2
Gelephu	2	0	1	0	0	3
S/Jongkhar	2	0	0	0	0	2
Paro		0	0	0	0	0
Mongar	1	1	0	0	0	2
Bumthang		0	0	0	0	0
Total	13	1	2	2	0	18

1.5 SIGNIFICANT INITIATIVES UNDERTAKEN AS ON DATE

The division, besides regular work, initiated following administrative and policy related measures to bring further improvement and strengthen the overall tax administration and collection of taxes in the region.

1.5.1 AMENDMENTS TO THE INCOME TAX ACT

Although, numerous areas were indentified for amendment, for time being amendment to the following three specific provisions were proposed and accordingly approved by the 5th Session of the First Parliament. The amended provisions have come into effect from 10th February, 2011.

- Entertainment expenses for Tourism sector was enhanced to 5% from the existing 2%;
- 3% TDS on supply of goods from outside the country was done away and
- A fine equal to three times the assessed tax amount shall be imposed for non filing. However, to those people who are not liable to pay the actual tax before the due date and those bearing losses, a fine of Nu. 30,000 shall be imposed.

1.5.2 DOUBLE TAX AVOIDANCE AGREEMENT

The negotiation on Double Taxation Avoidance Agreement (DTAA) with the Government of India (GoI) was successfully concluded at the Technical Working Level and is now being submitted to the Ministry for onward submission to the Cabinet and necessary ratification. The 3rd round of negotiation was held from 25th January to 28th January, 2011 in New Delhi.

1.5.3 TDS INTEGRATION WITH PUBLIC EXPENDITURE MANAGEMENT SYSTEM (PEMS)

Following the change in the application system of DPA, the TDS-BAS Integrated System was not implemented by the withholding agencies. However, subsequently, TDS integration with PEMS was again initiated and was successfully implemented from 4th April, 2011. The main rationale behind integrating TDS module with PEMS, inter alia is to address the increasing TDS problems, ensure timely tax adjustment and enhance the taxpayer service delivery.

1.5.4 WEB BASED APPLICATION SYSTEM FOR TAX ADMINISTRATION DIVISION

The preliminary work on the web based application system for Tax Administration Management Information System (TAMIS) has already begun. The entire project is expected to be completed with 18-24 months. The project is funded by the Asian Development Bank (ADB)

PART II

OVERVIEW ON DIRECT TAXATION

2.1 TYPES OF DIRECT TAXES & RATES

Presently, the major types of direct taxes, amongst others are Corporate Income Tax, Business Income Tax and Personal Income Tax. Taxpayers are accordingly categorized into CIT payers, BIT payers and PIT payers.

i. Corporate Income Tax (CIT)

CIT is a corporation tax and is levied at the rate of 30% on net profit. CIT is paid by those entities who are registered under the Companies Act of the Kingdom of Bhutan, 2000.

ii. Business Income Tax (BIT)

BIT is paid by the unincorporated business entities who holds trade license or registration certificate issued by the Ministry of Economic affairs. BIT is also levied at the rate of 30% on net profit.

iii. Personal Income Tax(PIT)

Personal Income Tax is levied on the individual earning more than 100,000 per annum from one or more of the six sources namely, salary income, rental income, dividend income, interest income, cash crop income and income from other sources. PIT is levied at the progressive rate as shown in the table below.

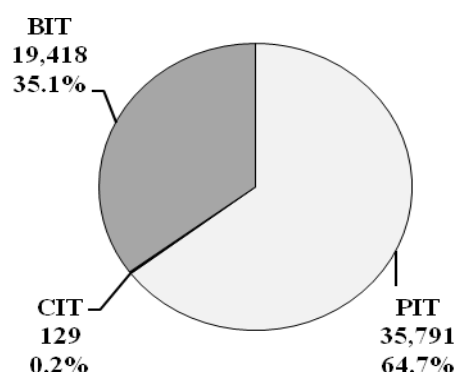
Table 4: PIT Rate and Income Slab

Income Slab	Rates
Up to Nu. 100,000	0%
Nu. 100,001 - 250,000	10%
Nu. 250,001 - 500,000	15%
Nu. 500,001 - 1,000,000	20%
Nu. 1,000,000 and above	25%

2.2 TAXPAYER HIGHLIGHTS

During the IY 2009, the department recorded a total of 55,338 taxpayers registering a growth of 19.5% over the previous year's total of 46,295 taxpayers. PIT recorded the highest increase with 30.2%, followed by CIT with 11.2%, and BIT with 3.9% for the IY 2009. RRCO Gelephu recorded the highest taxpayer growth with 28.3% followed by RRCO Mongar at 28% and RRCO Thimphu at 24.3%. On the other hand, RRCO Bumthang registered a negative growth of 8.9%. The negative growth in RRCO Bumthang can be attributed mainly to merging of Zhemgang Dzongkhag under RRCO Gelephu from income year 2009 onwards for administrative reasons.

Figure 2: Taxpayer Composition



In terms of taxpayer composition, PIT payers constituted the largest number of taxpayers at 64.6%, followed by BIT payers at 35.2%, and CIT payers at only 0.2%. Among the regional offices, RRCO Thimphu continued to record the highest number of taxpayer registrations at 38.2%, followed by RRCO Phuentsholing at 14.4% and RRCO Gelephu at 11.3%. RRCO Bumthang recorded the least number of taxpayer registrations at 4%.

Table 5: Taxpayer Details

RRCOS	PIT			CIT			BIT				Total	B
	Filer	E-Filers	A ¹	Filer	NoP	A ²	Non Estimated	Estimated	NoP	A ³		
Thimphu	12199	2029	544	45	0	4	803	3743	1562	247	21176	38.3%
P/ling	5309	117	179	45	10	0	317	1627	330	67	8001	14.5%
Samtse	2166	25	79	10	2	0	156	841	159	0	3438	6.2%
Gelephu	3183	105	0	1	0	0	100	2872	0	0	6261	11.3%
S/Jongkhar	2373	110	0	5	1	0	78	1503	266	0	4336	7.8%
Paro	2410	96	20	3	1	1	91	1390	229	36	4277	7.7%
Mongar	3241	135	141	0	0	0	23	1876	303	1	5720	10.3%
Bumthang	1201	55	74	1	0	0	37	647	109	5	2129	3.8%
Total	32,082	2,672	1,037	110	14	5	1,605	14,499	2,958	356	55,338	100%
%	64.7%			0.2%			35.1%					100%

2.3 CIT TAXPAYERS

CIT payers are those entities incorporated under the Company's Act of the Kingdom of Bhutan, 2000. It includes both wholly and partially state-owned corporations. Total CIT payers during IY 2009 accounted for only 0.2% of the total taxpayers. Compared to IY 2008 (116), CIT payers recorded a growth of 11.2% totalling to 129 units.

A¹ = No. of PIT units transferred to other RRCOs

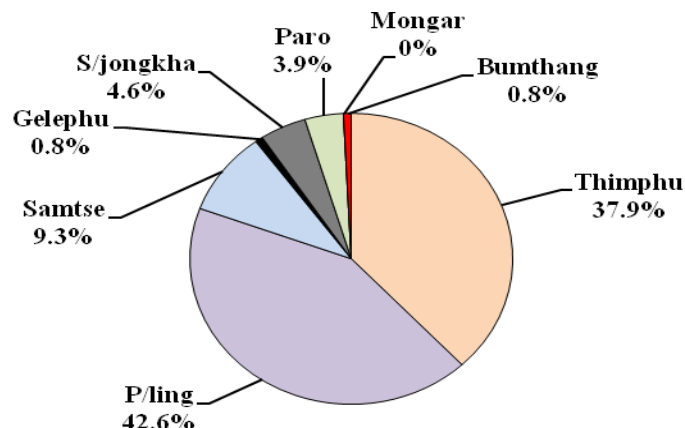
A² = No. of closed CIT units and BIT units converted to CIT

A³ = No. of BIT units closed and transferred to other RRCOs

B = Region wise percentage distribution of taxpayers

RRCO Phuentsholing continues to record the highest CIT registration at 42.6%, followed by RRCO Thimphu at 38%, and 9.3% and 4.7% in RRCO Samtse and RRCO S/Jongkhar respectively. 10 CIT payers under RRCO Phuentsholing, 2 under RRCO Samtse and 1 each under RRCO S/Jongkhar and RRCO Paro, totalling to 14 units were reported as non-operational during IY 2009. One CIT unit under RRCO Paro is reported closed and under RRCO Thimphu, four BIT units were incorporated as CIT payer.

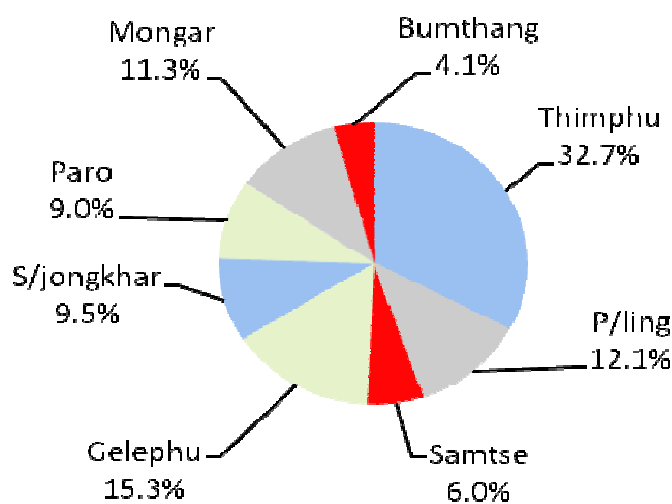
Figure 3: Distribution of CIT Payer



2.4 BIT TAXPAYERS

BIT payers are non-incorporated business units holding valid trade licenses or registration certificates (in case of micro units engaged in trading activities, weaving and tailoring) issued by the Ministry of Economic Affairs (MoEA). BIT payers consist of a well organized large business houses to small sized micro business units, including retail outlets. During IY 2009, BIT units constituted 35.1% of the total registered taxpayers (55,338 taxpayers). RRCO Thimphu continues to record the highest registration of BIT taxpayers with 32.7%, followed by RRCO Gelephu with 15.3%, RRCO Phuentsholing with 12.1%, RRCO Mongar with 11.3% and RRCO S/Jongkhar with 9.5%. Amongst the RRCOs, RRCO Bumthang recorded the least number of BIT registration at 4.1% (798 units).

Figure 4: BIT Payer Distribution



For monitoring and collection purposes, BIT payers are further categorized into non-estimated units (those submitting books of accounts) and estimated units (those not submitting books of accounts). During the IY 2009, there were a total of 19,418 registered BIT taxpayers in the country representing 3.9% increase from the previous IY. Non-estimated units grew by 7.1% while estimated units registered negative growth by 1.8% compared to IY 2008. The negative growth is recorded in RRCO Samtse, Gelephu and Bumthang. During IY 2009, 14,499 units (74.7% of the total BIT payers) paid their taxes under estimated method while 1605 units (8.3% of the total taxpayers) paid their taxes based on book of accounts. The growth in number of non-estimated units compared to previous IY could be due to the concerted efforts of the RRCOs through book-keeping workshops and other awareness programs. 15% (2958 units) of the total BIT payers have reported as non-operational units and 2% (356 units) have reported closed during the IY 2009.

Table 6: BIT Profile

RRCOS	Non Estimated	Estimated	NoP	Closed	Total	% Distribution
				Unit		
Thimphu	803	3743	1562	247	6355	33%
P/ling	317	1627	330	67	2341	12%
Samtse	156	841	159	0	1156	6%
Gelephu	100	2872	0	0	2972	15%
S/Jongkhar	78	1503	266	0	1847	10%
Paro	91	1390	229	36	1746	9%
Mongar	23	1876	303	1	2203	11%
Bumthang	37	647	109	5	798	4%
Total	1605	14499	2958	356	19418	100%
% Share	8%	75%	15%	2%	100%	

Business units who do not have the capacity to maintain books of accounts or who have failed to maintain books of accounts as per the rule are assessed under estimated assessment method which is based on one or all of the following information.

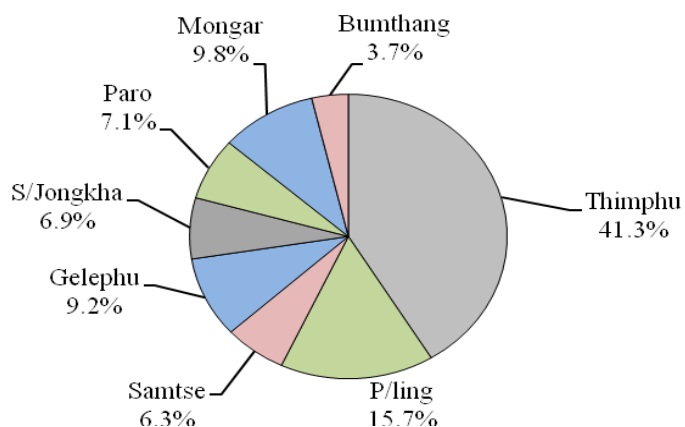
- Import and export Information,
- TDS records,
- Taxes paid on estimated basis in the preceding years.
- Taxes paid by other similar units and
- Information collected from taxpayers themselves.

In our bid to encourage more business units to maintain records, the Department in collaboration with BCCI has conducted a Training of Trainers (ToT) for the BCCI regional staff on the simplified accounting format. The focal persons will further train the small business owners in their respective jurisdiction to help them maintain the basic records for tax purposes. This initiative is targeted to eventually phase out the most fraught estimated assessment method with an account-based assessment method.

2.5 PIT TAXPAYERS

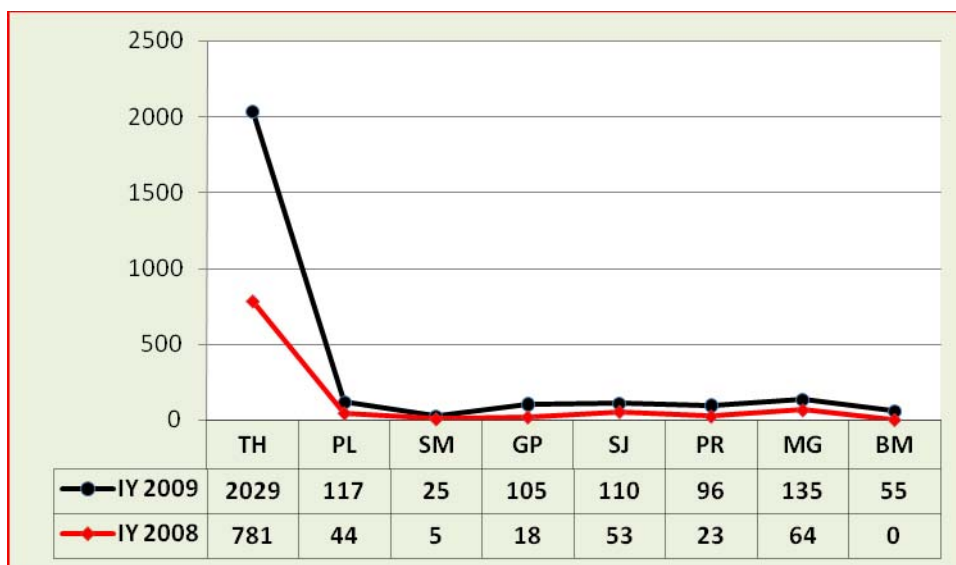
PIT taxpayers are those individual who have a taxable income from one or more of the six sources laid out in the Income tax Act, 2001. During the IY 2009, a total of 35,791 PIT payers filed tax returns, registering an increase of 30.2% over the previous IY's total of 27,490. The increase was noted mainly in salary income. Amongst the regions, RRCO Thimphu recorded the highest number of PIT payers at 41.3% (14,772 PIT payers), followed by RRCO Phuentsholing at 15.7%. (5,605 PIT payers) and RRCO Mongar at 9.8% (3,517 PIT payers). During the year, a total of 1,037 PIT taxpayers had sought change in the place of registration from one RRCO to the other. The detailed region wise distribution of PIT payers is given below.

Figure 5: PIT Payer Distribution



Meanwhile, the number of E-filers has increased from 988 filers in IY 2008 to 2,672 filers in IY 2009. This indicates that the e-filing facility is gaining popularity amongst the PIT payers due to its convenience. Out of 2672 e-filers, 144 e-filers have also availed the direct deposit facility which was introduced for the first time in IY 2009 with full support from the Bank of Bhutan Limited. For the time being, the facility is available only with the Bank of Bhutan Limited since it has branches all over the country and services can be made available to all the taxpayers. The region wise details on the number of e-filers for the IYs 2008 and 2009 are given in the chart below.

Figure 6: Distribution of E-filers



In terms of taxpayer composition by income source, 94.6% of the total PIT payers are salary income earners, followed by rental income at 3.4% and income from other sources at 0.9%. PIT payers having income from the remaining three sources constituted only 1.1% of the total PIT payers. The source wise number of taxpayer is given in the table below.

Table 7: Income Source wise PIT profile

Income Source	RRCOs								Total	% income distribution
	TH	PL	SM	GP	SJ	PR	MG	BM		
Salary	13,717	5,330	2,169	3,194	2,394	2,377	3,414	1,281	33,876	94.6%
Rental	721	132	48	66	70	67	55	40	1,199	3.4%
Dividend	101	39	28	3	5	3	18	2	199	0.6%
Interest	60	33	11	6	2	41	2	4	159	0.4%
Cash Crop	8	3	2	5	1	3	0	0	22	0.1%
Other sources	165	68	12	14	11	35	28	3	336	0.9%
Total	14,772	5,605	2,270	3,288	2,483	2,526	3,517	1,330	35,791	100.00%
% Distribution	41.3%	15.7%	6.3%	9.2%	6.9%	7.1%	9.8%	3.7%	100 %	

For the purpose of this report, taxpayers with multiple sources of income have been categorized under those sources where the income declared is the highest.

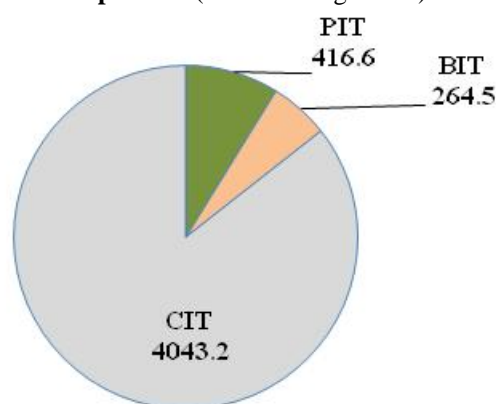
PART III

TAX REVENUE HIGHLIGHTS

3.1 OVERALL TAX COLLECTION⁴

During the year, the total tax collection from BIT, CIT and PIT amounted to Nu.4,724.3 million, recording an increase of 47% from Nu.3,219 million in the previous IY. Collection under PIT recorded the highest increase at 78.2%, followed by 48.0% under CIT and 4.3% under BIT.

Figure 7: Tax Revenue Composition (in million Ngultrum)



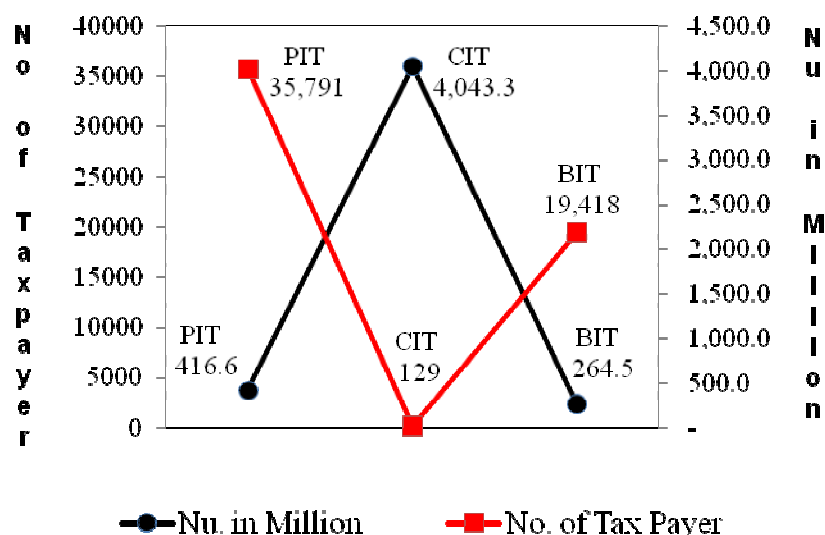
The share of CIT to the total direct tax collection continues to remain the highest at 85.6%, followed by PIT at 8.8%, and BIT at 5.6%. Compared to the previous IY, the share of PIT to the total tax revenue recorded the maximum increase at 1.6% followed by CIT at 0.7%. The increase in PIT collection can be attributed to salary revision for civil servants in 2009. The share of BIT to total tax revenue, compared to the previous has decreased by 2.3% despite increase in actual collection by Nu. 10.9 million.

The relationship between the number of registered taxpayers and the revenue collection under each type of direct tax continues to remain asymmetrical. The CIT collection during the year was 85.6% of the total tax revenue while the number of CIT taxpayers, contributing this share of revenue is 0.2% of the total registered taxpayers. On the other hand, PIT payers which constitute 65% of the total registered taxpayers accounted only for 8.8% of the total direct tax revenue. Similarly, BIT payers constitute 35% of the total registered taxpayers and accounted only for 5.6% of the total direct tax revenue.

The asymmetrical relationship between the numbers of taxpayer vis-à-vis the actual collection is graphically shown below.

⁴ Tax collection figures reflected in this report differs from figures reflected in the revenue report since this report is based on calendar year while the revenue report is based on fiscal year.
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Figure 8: Relationship between no. of taxpayer vis-à-vis actual tax collection



The percentage of the total actual collection from BIT, CIT and PIT to GDP⁵ is recorded at 7.07%.

3.2 CIT COLLECTION

CIT constituted 85.6% of the total direct tax revenue for the year, recording a 48.0% increase over the previous IY's collection of Nu. 2,731.7 million. The increase in collection is attributed to better assessment efforts, better compliance and improved performance by major corporate units such as M/s Druk Green Power Corporation Ltd., M/s Druk Holding & Investments Ltd., M/s Bhutan Power Corporation Ltd., and M/s Bank of Bhutan Ltd.

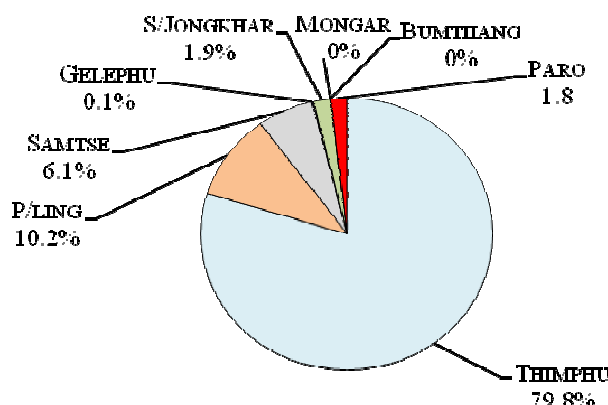
Table 8: Comparative CIT Collection

RRCOs	No. of units		NoP		Tax Amount		% of tax	% + -
	2008	2009	2008	2009	2008	2009	2009	2008-2009
Thimphu	39	49	0	0	2,113,992,133	3,234,190,648	79.8%	53.0%
P/ling	55	55	10	10	299,621,821	404,421,718	10.0%	35.0%
Samtse	10	12	1	2	201,389,475	248,228,258	6.1%	23.3%
Gelephu	1	1	0	0	8,854,801	5,875,330	0.1%	-33.6%
S/Jongkhar	6	6	1	1	65,734,701	76,457,098	1.9%	16.3%
Paro	4	5	1	1	42,071,585	74,072,013	1.8%	76.1%
Mongar	0	0	0	0	0	0	0.0%	0.0%
Bumthang	1	1	0	0	0	0	0.0%	0.0%
Total	116	129	13	14	2,731,664,516	4,043,245,065	100.0%	48.0%

⁵ Source: National Revenue Report, 2009-2010, DRC. GDP was recorded at Nu. 66,865.29 million in FY 2009/2010.

RRCO Thimphu continues to record the highest CIT collection at 80.0%, followed by RRCO Phuentsholing and RRCO Samtse with 10.0% and 6.1% respectively. In terms of increase in collection over the previous IY, RRCO Paro recorded the highest increase at 76.1% followed by RRCO Thimphu with 53% and RRCO Phuentsholing with 35%. RRCO Gelephu recorded a negative growth of 33.6% as the RRCO's only CIT unit (AWP) faced a temporary closure of North Eastern Indian market for six months. With reorganization of Kurichu Hydro Power Corporation under DGPC, there is no registered CIT payer under RRCO Mongar since IY 2008. RRCO Bumthang has one registered CIT payer but has no collection thus far. RRCO Gelephu recorded the lowest CIT collection with Nu. 5.8 million.

Figure 9: Region-wise CIT Collection



3.2.1 TOP FIVE CIT PAYERS

M/s Druk Green Power Corporation continues to emerge as the highest revenue contributor to the national kitty amongst the CIT payers, followed by M/s Druk Holding & Investments in IY 2009. The Corporate Income Tax share of DGPC to the total direct tax revenue stood at 42%. Meanwhile, M/s Jigme Mining Corporation Limited replaced Bhutan Power Corporation Limited for the third position and M/s Bhutan Power Corporation Limited occupied the fourth place. M/s Bank of Bhutan Limited replaced M/s Bhutan National Bank Limited and emerged at fifth position for the IY 2009. The share of the top five CIT payers to the total direct tax revenue is 77.8%, registering a growth of 11.8% over the previous year. On the whole, the share of the top five CIT payers to the total CIT collection is recorded at 90.9% and is still expected to increase with the completion of tax assessment of Ms/ Druk Holding and Investments Ltd. and Bhutan Power Corporation Limited. The balance 124 CIT payers contributed only 9% of the total CIT collection.

Table 9: Top Five CIT Payer

(Amount in Ngultrum)				
SL. No.	Unit Name	Tax Amount	RRCO	Remarks
1	Druk Green Power Corporation	1,988,984,755.09	Thimphu	Assessed
2	Druk Holding and Investments	672,968,745.30	Thimphu	Self declared
3	Jigme Mining Corp. Ltd	556,614,577.89	Samtse	Assessed
4	Bhutan Power Corporation Ltd	254,015,170.08	Thimphu	self declared
5	Bank of Bhutan Ltd	204,007,570.42	Phuentsholing	Assessed
		3,676,590,818.78		

3.3 BIT COLLECTION

The total collection for the year amounted to Nu. 264.5 million. This is an increase of 4.3% over the previous IY's collection of Nu.253.5 million. As usual, 8.3% of the total registered BIT payers, that is, those submitting books of accounts, contributed 73% of the total BIT collection, while 74.7% of the total registered BIT payers, constituting estimated units or units not submitting books of accounts, contributed only 27%. A total of 2958 taxpayers (15.2%) are reported as non-operational and 1.8% (356 taxpayers) as closed units.

Table 10: Comparative BIT Collection

RRCOS	Account Filers (Tax Amount)		Estimated (Tax Amount)		Total Tax Amount		% of Tax Amt 2009	% + - in tax amt 2008-2009
	2008	2009	2008	2009	2008	2009		
Thimphu	88,364,296	95,539,002	25,154,470	29,784,556	113,518,766	125,323,558	47.4%	10.4%
P/ling	53,802,478	55,817,165	10,948,766	13,636,576	64,751,244	69,453,741	26.3%	7.3%
Samtse	20,844,294	11,030,488	2,687,128	1,988,856	23,531,423	13,019,345	4.9%	-44.7%
Gelephu	3,162,153	4,187,005	4,320,813	6,051,751	7,482,967	10,238,756	3.9%	36.8%
S/Jongkhar	22,467,563	16,783,049	1,676,453	2,589,920	24,144,016	19,372,969	7.3%	-19.8%
Paro	2,651,092	5,760,151	5,556,083	7,673,537	8,207,175	13,433,689	5.1%	63.7%
Mongar	2,848,131	2,636,888	4,610,046	6,046,227	7,458,177	8,683,115	3.3%	16.4%
Bumthang	640,186	1,342,055	3,765,845	3,596,131	4,406,031	4,938,186	1.9%	0.0%
Total	194,780,194	193,095,805	58,719,604	71,367,554	253,499,798	264,463,359	100.0%	70.2%

Amongst the RRCOs, RRCO Thimphu continues to be the highest contributor of BIT revenue both under estimated and non estimated category. 42% of the total estimated collection and 49% of the total non estimated collection came from RRCO Thimphu, followed by RRCO Phuentsholing with 19% and 29 % respectively. The lowest contribution under estimated category was recorded under RRCO Samtse at 3% and for non estimated category, RRCO Mongar and Bumthang contributed 1% each. RRCO Samtse recorded negative growth in BIT by almost 45% which was due to sporadic shutdown of Lhaki Cement plant, the sole contributor to BIT collection in the region.

3.3.1 TOP FIVE BIT PAYERS

M/s Sherja Hiring Unit emerged as the top BIT payer notching one position up from the previous year's position. TCC Head Office, who is registered with RRCO Phuentsholing, dropped to second position while M/s Lhaki Cement in RRCO Samtse maintained the position of 3rd highest BIT payer for the year. M/s Bhutan Hyundai Motors took over the fourth position from M/s Druk Hotel and the fifth position was occupied by Bhutan Oil Distributor (BOD) registered with RRCO Phuentsholing. Last year's fourth position holder, M/s Druk Hotel has been relegated from the top five BIT payers during the year. The share of the top five BIT payers to the total BIT collection accounted for 14.7% and to that of the total direct tax collection at 0.82%. M/s Sherja Hiring Unit alone contributed 4.9% of the total BIT collection during the period. The share of top five BIT payers is expected to increase once the tax assessment is completed by the RRCO concerned. The details of the top five taxpayers are given below:

Table 11: Top Five BIT Payers

SL. No.	Unit Name	Tax Amount	RRCO	Remarks
1	M/s Sherja Equipment Hiring Unit	13,031,608.00	S/Jongkhar	self declared
2	M/s TCC Head Office	9,200,000.00	Phuentsholing	self declared
3	M/s Lhaki Cement	6,885,362.39	Samtse	self declared
4	M/s Bhutan Hyundai Motors	4,964,000.15	Thimphu	self declared
5	M/s BOD, TCC	4,816,177.70	Phuentsholing	self declared
		38,897,148.24		

3.3.2 ESTIMATED COLLECTION

Estimated Collection is one of the methods of tax collection made from taxpayers who do not maintain books of accounts. Such type of assessments is usually based on the available information with the department, taxpayers or the third parties. The total estimated collection during the year amounted to Nu.71.4 million recording an increase of 21.5% over Nu 58.7 million collected in the previous IY. Compared to IY 2008, the total number of estimated taxpayers recorded a negative growth by 1.8% although collection grew by 21.5%. The estimated taxpayers representing 74.7% of the total registered BIT payers contributed only 1.5% of the total direct tax revenue and 26.9% of the total BIT collection.

Amongst the RRCOs, RRCO Thimphu recorded the highest collection with Nu. 29.8 million, followed by RRCO Phuentsholing and RRCO Paro at Nu. 13.6 million and Nu. 7.7 million respectively. RRCO Samtse recorded the least collection at Nu. 1.9 million, while RRCO Bumthang recorded the least number of estimated taxpayers with only 647 taxpayers. Thimphu Dzongkhag and Gasa Dzongkhag under RRCO Thimphu recorded the highest and lowest estimated taxpayer registration at 2786 and 71 taxpayers respectively.

The national average collection per estimated unit for the IY 2009 was recorded at Nu.4,922 and the average lowest and highest collection at Nu.1,205 and Nu.194,242 respectively. There was an increase in average tax collection by 24%. The maximum tax collection increased by 3.6% whereas the minimum tax collection dropped by 13.6% each. RRCO Thimphu recorded the maximum and minimum tax collection at Nu. 552,291 and Nu.100 respectively.

Table 12: Average Estimated Collection in 20 Dzongkhags

RRCO	Dzongkhags	No. of units from whom tax was collected	Actual estimated collection for 2009	% of Total Tax Rev (Nu.4734.54 mill)	Average Tax Collected in 2009	Min. Tax Collected per TP	Max. Tax Collected per TP
Thimphu	Thimphu	2786	24,422,755	0.52%	8766	100	489,290
	Wangdue	583	3,210,207	0.07%	5506	100	90,0000
	Punakha	303	2,100,069	0.04%	6931	120	87,915
	Gasa	71	51,524	0.00%	726	150	5,000
	Subtotal	3743	29,784,556	0.63%	7957	470	672,205
P/Ling	Chukha	1627	13,636,576	0.29%	8381	500	200,630
	Subtotal	1627	13,636,576	0.29%	8381	500	200,630
Samtse	Samtse	841	1,988,856	0.04%	2365	120	11,500
	Subtotal	841	1,988,856	0.04%	2365	120	11,500
Bumthang	Bumthang	426	2,733,028	0.06%	6416	500	51,000
	Trongsa	221	863,103	0.02%	3905	500	39,200
	Subtotal	647	3,596,131	0.08%	5558	1,000	90,200
Gelephu	Dagana	406	1,086,220	0.02%	2675	500	15,700
	Sarpang	1571	3,282,658	0.07%	2090	500	35,200
	Zhemgang	412	826,020	0.02%	2005	500	17,700
	Tsirang	483	856,852	0.02%	1774	500	28,500
	Subtotal	2872	6,051,751	0.28%	2107	4,000	277,500
S/Jongkhar	S/Jongkhar	841	1,639,763	0.03%	1950	500	47,500
	Pemagatshel	662	950,157	0.02%	1435	500	21,500
	Subtotal	1503	,589,921	0.05%	1723	1,000	69,000
Paro	Haa	191	1,646,212	0.03%	8619	500	33,500
	Paro	1199	6,027,325	0.13%	5027	600	69,000
	Subtotal	1390	7,673,537	0.16%	5521	1,100	102,500
Mongar	Mongar	641	2,221,593	0.05%	3466	500	60,000
	Trashigang	787	2,262,374	0.05%	2875	250	50,000
	Tashiyangtse	260	978,660	0.02%	3764	200	20,000
	Lhuntse	188	583,600	0.01%	3104	500	14,000
	Subtotal	1876	6,046,227	0.13%	3223	1,450	144,000
OVERALL		14499	71,367,555	1.51%	4,922	1,205	195,942

3.4 PIT COLLECTION

During the year, PIT collection amounted to Nu. 416.6 million. PIT collection for the year registered an increase of 78.2% over Nu. 233.84 million in the previous IY. The region wise PIT collection vis-à-vis the number of PIT payers is given in the table below.

Table 13: PIT Collection

RRCOs	No of Taxpayers		Tax amount		% share of total PIT collection		% + - (Taxpayer)	% + - (tax Amt)
	2008	2009	2008	2009	2008	2009	2008-2009	2008-2009
Thimphu	11387	14,772	115,060,246	202,390,553	49.2%	48.6%	22.9%	75.9%
P/ling	4836	5,605	61,924,037	80,096,824	26.5%	19.2%	13.7%	29.3%
Samtse	1703	2,270	13,276,231	19,771,785	5.7%	4.7%	25.0%	48.9%
Gelephu	1850	3,288	6,586,390	22,618,959	2.8%	5.4%	43.7%	243.4%
S/Jongkhar	2022	2,483	11,772,956	36,372,050	5.0%	8.7%	18.6%	208.9%
Paro	1924	2,526	14,087,067	24,804,148	6.0%	6.0%	23.8%	76.1%
Mongar	2452	3,517	7,299,565	22,869,102	3.1%	5.5%	30.3%	213.3%
Bumthang	1316	1,330	3,831,560	7,670,024	1.6%	1.8%	1.1%	0.0%
Total	27,490	35,791	233,838,052	416,593,445	100.00%	100.00%	30.20%	78.15%

Amongst the RRCOs, RRCO Thimphu alone accounted for 48.6% of the total PIT revenue. The second highest contributor is RRCO Phuentsholing at 19.2%, followed by RRCO S/Jongkhar at 8.7%. The contributions from the remaining five RRCOs were in the order of 6% under RRCO Paro, 5.5% under RRCO Mongar, 5.4% under RRCO Gelephu, 4.7% under RRCO Samtse and 1.8% under RRCO Bumthang. The highest number of PIT payers is recorded under RRCO Thimphu at 41.3% followed by RRCO Phuentsholing at 15.6%. The two regions together constitute around 57% of the total registered PIT payers and accounted for 68% of the total PIT revenue. The top ten PIT payers contributed 7% of the total PIT collection noting a decrease by 2.42% compared to the previous IY.

3.4.1 INCOME SLAB WISE ANALYSIS

Going by the income slab, it is observed that 75% of the total PIT payers contributed 40% of the total PIT collection at a tax rate of 10%. PIT payers at the highest tax rate (25%) which constitutes 1% of the total PIT payers, contributed 21% of the total PIT collection and 14% of the total PIT payers, falling in the middle category, contributed 39% of the total PIT revenue. The remaining 11% contributed zero tax since their net taxable income was less than or equal to Nu. 100,000.

Table 14: PIT Analysis

Income Slab	Rate	No. of TP	Tax Amount	% of Tax paid	Average tax paid
0 -100,000	0%	4,106	0.00	0	0
100,001 - 250,000	10%	26,519	165,233,893	40%	6,231
250,001 - 500,000	15%	4,331	108,384,036	26%	25,025
500,001 - 1,000,000	20%	650	54,223,603	13%	83,421
1,000,001 & above	25%	185	88,751,913	21%	479,740
Total		35,791	416,593,445	100%	594,417

3.5 TAX REFUND

During the year, a total Nu.75.28 million, representing 1.6% of the total direct tax collection Nu.4,724.4 million, was refunded to the PIT and BIT payers. PIT refund accounted for 95% and BIT refund accounted for 5% of the total refund. There was no refund being made under Performance Indicator Report 2011

the CIT. The total refund, compared to the previous IY has grown by 51.6% (Nu. 25.6 million). PIT and BIT refund increased by 55% and 33% respectively. The increase could be due to increase in number of taxpayers. However, during the year, CIT refund was nil compared to IY 2008 (Nu. 0.77 million).

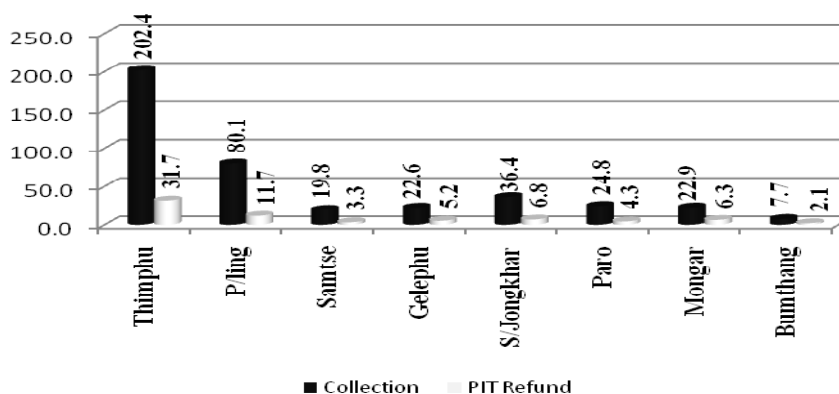
Table 15: Comparative Tax Refund

(Figure in million Ngultrum)

RRCOS	PIT		BIT		CIT		% + - (2008-2009)			Total Refund	% distribution
	2008	2009	2008	2009	2008	2009	PIT	BIT	CIT		
Thimphu	22.12	31.69	0.26	0.10	0.00	0.00	43%	-61%	0%	31.79	42%
P/ling	7.55	11.72	2.45	3.76	0.77	0.00	55%	53%	-100%	15.48	21%
Samtse	2.60	3.26	0.00	0.00	0.00	0.00	25%	0%	0%	3.26	4%
Gelephu	2.92	5.21	0.00	0.00	0.00	0.00	78%	0%	0%	5.21	7%
S/Jongkhar	2.50	6.82	0.00	0.00	0.00	0.00	173%	0%	0%	6.82	9%
Paro	3.54	4.31	0.25	0.00	0.00	0.00	22%	0%	0%	4.31	6%
Mongar	2.94	6.26	0.00	0.07	0.00	0.00	113%	0%	0%	6.34	8%
Bumthang	1.74	2.08	0.00	0.00	0.00	0.00	19%	0%	0%	2.08	3%
Total	45.91	71.34	2.96	3.94	0.77	0.00	55%	33%	-100%	75.28	100%

A total of 26,594 refund cases were recorded during the year. Out of the total, 26,584 refund cases pertain to PIT and only 10 cases pertain to BIT. No refund cases are recorded under CIT. Compared to the previous IY (21,056 cases), the refund cases have increased by 26%. RRCO Thimphu processed 41.3% (10,974 cases) of the total refund cases followed by RRCO Phuentsholing at 13.4% (3,558 cases) and RRCO Gelephu at 10.1% (2,680 case). The least refund is processed by RRCO Bumthang with only 1,085 cases. Amongst the regions, RRCO Gelephu recorded the highest increase in refund cases by 63% followed by RRCO Mongar at 49% and RRCO S/Jongkhar at 26%. The details of the total PIT collection and total PIT refunded under each RRCO are given below in the graph.

Figure 10: Total PIT Collection Vis-à-vis Total PIT refund (in million Ngultrum)



3.6 TAX OUTSTANDING

Total tax outstanding as a percentage of the total tax liability is recorded at 0.6% during the IY 2009. This is a decrease of 1.9% from the previous IY indicating improved taxpayer compliance and renewed recovery efforts by the RRCOs. The total outstanding during the year was at recorded at Nu. 28.3 million. Based on tax type, BIT recorded the highest outstanding

with Nu.15.8 million followed by CIT with Nu. 11.1 million and PIT with Nu. 1.32 million. Compared to the previous IY, outstanding amount under PIT showed an increase of Nu. 0.25 million. However, outstanding amount under BIT and CIT has decreased showing good compliance by BIT and CIT payers. Amongst the RRCOs, RRCO Mongar recorded the highest percentage of outstanding taxes to total taxes under PIT at 3.5% followed by RRCO Phuentsholing at 0.2%. Under BIT, RRCO S/Jongkhar recorded the highest at 11.3% followed by RRCO Thimphu at 9.2%. Under CIT, RRCO Samtse recorded the highest percentage of outstanding taxes at 1.6%.

Table 16: Tax Outstanding Profile

(Figure in million Ngultrum)

RRCOS	PIT		BIT		CIT		Total Tax Amount (2009)			% Arrears (2009)		
	2008	2009	2008	2009	2008	2009	PIT	BIT	CIT	PIT	BIT	CIT
Thimphu	0.19	0.27	64.49	12.63	7.74	5.09	202.66	137.95	3,239.28	0.1%	9.2%	0.2%
P/ling	0.37	0.13	0.33	0.10	3.94	1.37	80.23	69.57	405.79	0.2%	0.1%	0.3%
Samtse	0.00	0.01	4.25	0.09	0.14	4.16	19.79	13.11	252.39	0.1%	0.7%	1.6%
Gelephu	0.01	0.03	0.07	0.02	0.00	0.00	22.65	10.26	5.88	0.1%	0.2%	0.0%
S/Jongkhar	0.44	0.02	0.10	2.46	0.00	0.00	40.18	21.83	76.46	0.1%	11.3%	0.0%
Paro	0.00	0.00	0.46	0.45	0.00	0.50	24.80	13.88	74.57	0.0%	3.2%	0.0%
Mongar	0.01	0.84	0.02	0.01	0.00	0.00	23.71	8.69	0.00	3.5%	0.1%	0.0%
Bumthang	0.04	0.01	0.47	0.07	0.00	0.00	7.68	5.01	0.00	0.1%	1.4%	0.0%
Total	1.07	1.32	70.18	15.83	11.82	11.11	421.70	280.30	4,054.35	4.2%	26.2%	2.1%

3.7 ASSESSMENT HIGHLIGHTS

The Income Tax Act mandates every tax return to go through a desk assessment (DA) within 90 days of the filing of return and a field assessment (FA) once in every 2 years.

At the DA stage, every return is subject to logical and arithmetical checks on the figures submitted and reasonableness checks on the level of self declared tax. Every return is then further examined to see whether FA is required or not. Accordingly the returns are either finalized or marked for further assessments. Generally, units are prioritized for field assessment where there are substantial tax refunds claimed or where the unit is a loss making concern or where the unit has not been assessed for the past two IYs.

FA entails three major stages that are planning, assessment and review. The planning process includes planning of field assessment and planning of individual field assessment, developing a general strategy and a detailed approach for the expected nature, timing and extent of assessment procedures. FA is a more in-depth assessment carried out at the business premises and tax returns and financial statements filed by taxpayers are reviewed and assessed as per the Income Tax Act and Rules. Further, compatibility test to the tax ratios for their respective sector and size of the businesses are also carried out. The assessment report and notice of assessment are then finally issued to the taxpayer.

The performance of RRCOs vis-à-vis targets and achievements in DA and FA for IY 2008 is given below:

Table 17: Assessment coverage 2009

PARTICULARS	T/PHU	P/LING	S/TSE	G/PHU	S/J	PARO	MG	BM	OVERALL
PIT									
DA Targeted	14228	5426	2191	3288	2483	2486	3376	1260	34738
DA Completed	13972	5426	2191	3288	2483	2486	3376	1260	34482
% Completed	98.2%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.26%
DA Pending	256	0	0	0	0	0	0	0	256
FA Targeted	0	16	0	0	0	20	0	0	36
FA Completed	0	16	0	0	0	20	0	0	36
% Completed	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
FA Pending	0	0	0	0	0	0	0	0	0
CIT									
DA Targeted	0	0	10	0	0	0	0	1	11
DA Completed	0	0	10	0	0	0	0	1	11
% Completed	0%	0%	100%	0%	0%	0%	0%	100%	100%
DA Pending	0	0	0	0	0	0	0	0	0
FA Targeted	16	34	6	1	4	3	0	1	65
FA Completed	12	22	6	1	2	3	0	1	47
% Completed	75.0%	64.7%	100.0%	100.0%	50.0%	0.0%	0.0%	100.0%	72.3%
FA Pending	4	12	0	0	2	0	0	0	18
BIT									
DA Targeted	148	245	156	62	0	57	23	37	728
DA Completed	119	209	152	62	0	57	23	37	659
% Completed	80.4%	85.3%	97.4%	100.0%	0.0%	100.0%	100.0%	100.0%	90.5%
DA Pending	29	36	4	0	0	0	0	0	69
FA Targeted	89	46	83	19	56	34	23	30	380
FA Completed	65	39	77	19	41	26	13	30	310
% Completed	73.0%	84.8%	92.8%	100.0%	73.2%	76.5%	56.5%	100.0%	81.6%
FA Pending	24	7	6	0	15	8	10	0	70
Overall Coverage									
DA Completed	98.0%	99.4%	99.8%	100.0%	100.0%	100.0%	100.0%	100.0%	99.1%
DA Pending	285	36	4	0	0	0	0	0	325
FA Completed	73.3%	80.2%	93.3%	100.0%	71.7%	86.0%	56.5%	100.0%	81.7%
FA Pending	28	19	6	0	17	8	10	0	88
Tax Officer to Taxpayer ratio	897	301	608	391	394	710	930	411	552

3.7.1 DESK ASSESSMENT (DA)

Out of a total of 35,971 PIT returns received, 34,738 returns were targeted for desk assessment. From the total desk assessment (34,482 returns), 256 returns remained un-assessed. All RRCOs recorded 100% DA coverage except under RRCO Thimphu with 98.2%. However, on the whole, DA coverage was recorded at 99.3% recording a decrease by 0.3% compared to the previous IY.

The DA coverage for CIT units under RRCO Samtse and Bumthang was 100%. The same units are again marked for field assessment. However, rest RRCOs did not target any CIT units for DA and instead took up the FA directly.

Under BIT, RRCO Gelephu, RRCO Paro, RRCO Mongar and RRCO Bumthang recorded 100% coverage. RRCO S/Jongkhar did not target any BIT units for DA. The overall DA coverage was 90.5% with pending assessments of only 69 units.

3.7.2 FIELD ASSESSMENT (FA)

Except for RRCO Phuentsholing and RRCO Paro, rest RRCOs have not targeted any PIT payers for field assessment in the IY 2008. The assessment coverage for the PIT taxpayers under the RRCO Phuentsholing and Paro was 100%. Under CIT, FA was carried out in most RRCOs as the revenue risk involved was much higher than the BIT units. A total of 65 CIT units were identified for FA but had assessed only 47 units making the assessment coverage of only 72.3% and pending assessments of 18 units. The FA coverage under BIT was 81.6% leaving a pending assessment of 70 units.

3.7.3 OVERALL ASSESSMENT EFFORTS

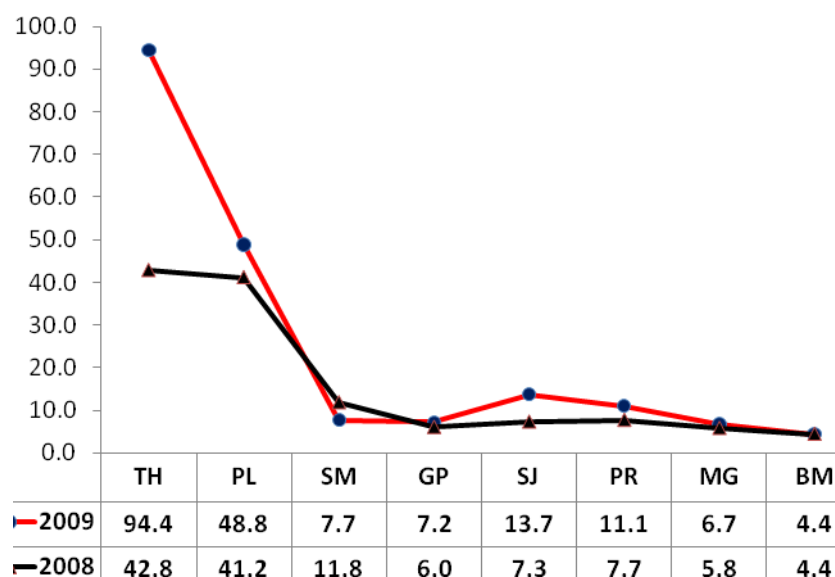
The overall coverage under DA for all three types of taxes (BIT, PIT and CIT) at the national level remained at 99.1% as compared to 99.9% in the previous IY leaving pending assessments of 325 units. Similarly, the overall coverage under FA for all three types of taxes at national level stood at 81.7% recording an increase in field assessment by 3.4% as compared to the previous IY's coverage of 78.3%. The increase in the number of taxpayers is not matched by corresponding increase in the manpower and problem continues exit.

The ratio of assessing officials to taxpayers for the year stands at 1:552. RRCO Thimphu has the highest ratio of assessing officials to taxpayers at 1:897.

3.8 ASSESSMENT EFFORTS

Any additional revenue raised or collected purely through the assessment efforts of the RRCOs is taken as a yardstick to measure the effectiveness and efficiency of the division as well as the individual RRCO concerned. As usual, the larger regions continued to outdo the smaller regions in terms of tax collection. Unlike in the previous year, RRCO Thimphu topped the list by posting an additional tax collection of Nu. 94.4 million, followed by RRCO Phuentsholing with Nu.38.7 million and RRCO S/Jongkhar with Nu.13.7 million. Compared to the previous IY, RRCO Samtse recorded a negative growth by 35%. The overall additional collection increased to Nu. 184.5 million from Nu 126.9 million in the previous IY recording an increase by 45%.

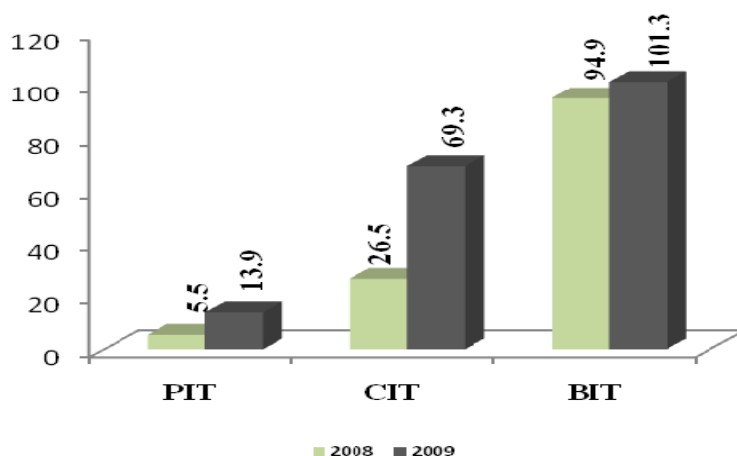
Figure 11: Assessment Efforts (in million Ngultrum)



The overall assessment effort is recorded at 4% maintaining status quo with the previous IY. From the total direct tax collection of Nu. 4,724.4 million, 4% is collected through the administrative and assessment efforts, while the remaining 96% of the collection is through self/voluntary declaration by taxpayers and TDS arrangements.

Out of the total additional collection, BIT collection notched the highest collection with 54.9%, followed by CIT with 37.6%, and PIT with 7.5%. Compared to the previous IY, assessment effort (collection) under CIT has increased by 161% i.e. from Nu. 26.5 million in IY 2008 to Nu. 69.3 million in IY 2009. Additional PIT collection recorded a growth of 151% i.e. from Nu. 5.5 million in IY 2007 to Nu. 13.9 million in IY 2009. Similarly, additional BIT also increased by 7% i.e. from Nu. 94.9 million in 2008 to Nu.101.3 million in 2009.

Figure 12: Assessment Effort by Tax Category (In million ngultrum)



3.9 APPEALS

When a taxpayer's rights are infringed by actions of the tax authorities or when the taxpayers disagree with one or more findings in the demand notice issued by the RRCOs, tax appeals arise.

The three tier appeal systems are at RRCO level, Head Office level and at Ministry level (Tax Appeal Board). Tax appeals are first heard by the Regional Tax Appeal Committee (RTAC) set up at the RRCO level. If the taxpayer disagrees with the decision passed by the RTAC, the taxpayer can appeal to the DRC appeal Committee for further review. Otherwise the decision of the RTAC is final. If the taxpayer is not happy with the decisions of the DRC Appeal Committee, he/she can appeal to the Appeal Board at the Ministerial level. If the decision of the Appeal Board is not agreeable, then the taxpayer has the option to appeal to the court of law. However, in no case, the taxpayer is barred from filing their appeal directly in a court of law.

76% of the total appeals were on waiver of fines and penalties levied for late deposit of taxes or late filing of tax returns. The balance 31% was on disallowances made by the assessing team. During the year, the division recorded a total of 269 appeal cases. Compared to the previous IY (333 cases), number of appeal cases dropped by 19.2% reflecting improved taxpayer compliance. Out of the total appeal cases received, 59% pertains to BIT, 33% to PIT and 8% to CIT. During the period, the RTAC resolved 195 cases (61 PIT cases, 14 CIT cases and 120 BIT cases) and forwarded 74 cases to the Head Office for further decision. The DRC Tax Appeal committee resolved 64 cases and forwarded 10 cases to the Appeal Board. However, eight tax payers have re-appealed to the Appeal Board. During the period, fines and penalties were imposed on 3694 offences and a total of Nu. 7.6 million were collected by the RRCOs.

Table 18: Appeal Details

PARTICULARS	Type of Tax			TOTAL
	PIT	CIT	BIT	
Filers	34,754	124	19,062	53,940
Filing Time Extension cases	33	7	218	258
Non Operational Taxpayers	0	14	2958	2,972
No. of late submission fines imposed	285	5	575	865
No. of 24% late interest imposed	1,921	37	834	2,792
No. of fines imposed on concealment	15	0	22	37
Total fines and penalties imposed	2,221	42	1,431	3,694
Amount of late submission fines collected	165,900	1,205,676	1,154,024	2,525,600
Amount of 24% late interest collected	199,444	1,918,307	2,690,631	4,808,383
Amount of fines collected on concealment	80,927.05	-	215,247.60	296,175
Total fines and penalties collected	446,271.22	3,123,983.49	4,059,902.83	7,630,157.54
TAX APPEALS				
No of Appeals Received	88	23	159	270
- on Fines and Penalties	74	17	115	206
- on disallowances	14	6	44	64
Appeal Resolved at RRCO Level	56	14	120	190

Amount Waived by RTAC on:	2,971,661	10,553,984	14,694,222	28,219,868
- Fines and Penalties	2,844,237	10,270,595	1,213,939	14,328,771
- Disallowances	127,424	283,389	13,480,283	13,891,096
No. of Appeals forwarded to Head Office	32	9	39	80
Cases rejected or returned to RRCOs	1	4		5
Appeals Resolved at HQ Level	31	5	39	75
Amount Waived in appeal at HQ level	4,705,271	3,260,772	12,269,477	20,235,521
Appeal Forwarded to Appeal Board *	-	-	10	10

- *All the 10 cases were appealed directly to the board by the taxpayer themselves*

3.10 COST OF COLLECTION

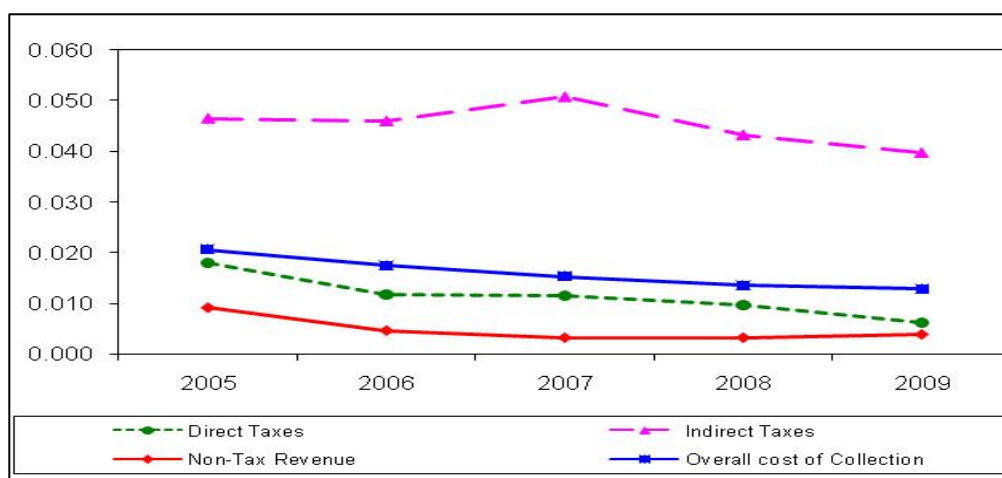
The cost of collection, inter alia, is used as a yardstick to measure the efficiency and effectiveness of the tax administration efforts. In order to study the effectiveness, the actual capital and current expenditure and project contribution is taken into account by discounting the unused approved budget, if any. Taking into account the actual expenditures incurred vis-à-vis total revenue collected during the period; the cost of collection incurred for collecting 1 Ngultrum is about 0.6 Chetrum for direct tax revenue, 4.0 Chetrum for indirect tax revenue, and 0.4 Chetrum for non tax revenue. In order to collect direct tax revenue of Nu. 5,659.32 million (Re-computed on calendar year basis based on fiscal year wise collections), the government has incurred 0.62% of the total collection as the collection cost.

Table 19: Cost of Collection details

Tax Type	2005	2006	2007	2008	2009
Direct Taxes	0.018	0.012	0.012	0.010	0.006
Indirect Taxes	0.047	0.046	0.051	0.043	0.040
Non-Tax Revenue	0.009	0.005	0.003	0.003	0.004
Overall cost of Collection	0.021	0.017	0.015	0.013	0.013

The cost of collection for direct taxes has decreased by 0.4 chetrum indicating improved tax administration efforts and good compliance by the taxpayers. Cost of collection for indirect tax has also decreased by 0.3 chetrum while non tax revenue has increased by 0.1chetrum. The overall cost of collection remained same like previous year at 0.13 chetrum.

Figure 13: Trend Line Cost of Collection



PART IV

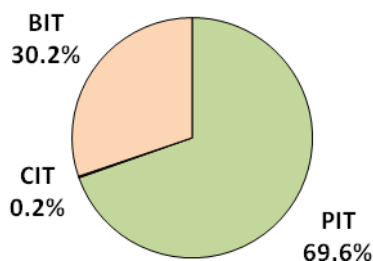
IY 2010

(Information up to 31st March 2011)

4.1 TAXPAYER HIGHLIGHTS

A total of 61,983 taxpayers had filed returns with eight RRCOs as of 31st March 2011. The total number of filers will increase when the extended filing period for some taxpayers become due. With few late filers, the number is also expected to increase. The taxpayer composition for the IY 2010 as on 31st March 2011 is given below.

Figure 14: Taxpayer Composition



PIT filers constituted the largest taxpayers at 69.6%, followed by BIT filers at 30.2%, and CIT filers at 0.2% only. Amongst the regional offices, RRCO Thimphu recorded the highest number of taxpayers at 35.7%, followed by RRCO Phuentsholing and RRCO Gelephu at 14.4% and 14.1% respectively. RRCO Bumthang recorded the lowest number of taxpayers at 3.4%.

Table 20: Taxpayer Details:

RRCOS	PIT			CIT		BIT				C ⁸	Total	% Distn.
	Filer	E-Filers	C ⁶	Filer	C ⁷	Non Estimated	Estimated	NoP	Closed units			
Thimphu	12402	4175	0	43	0	497	3457	1236	297	3	22110	35.7%
P/ling	5911	309	266	48	5	311	1756	286	22	0	8914	14.4%
Samtse	3367	53	79	8	5	121	978	150	0	0	4761	7.7%
Gelephu	4308	331	0	0	1	103	3727	215	66	0	8751	14.1%
S/Jongkhar	3245	320	43	5	2	71	1253	289	4	0	5232	8.4%
Paro	2759	238	10	4	0	54	898	281	10	0	4254	6.9%
Mongar	3335	583	3	0	0	27	1569	336	0	0	5853	9.4%
Bumthang	1209	117	68	1	0	32	540	122	0	0	2089	3.4%
Total	36,536	6,126	469	109	13	1,216	14,178	2,915	399	3	61,964	100%
Percentage	69.61%			0.20%		30.20%						100%

C⁶ = Transferred from RRCOs /closed files

C⁷ = NoP/Closed units/Converted to CIT

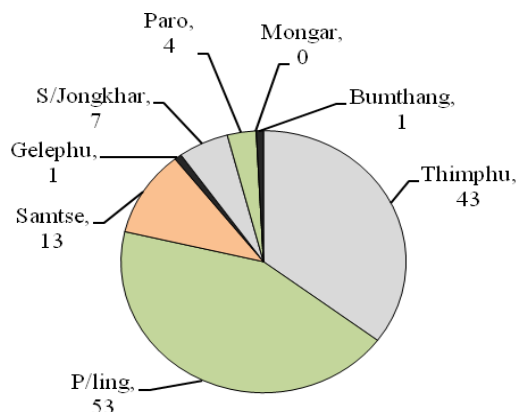
C⁸ = Transferred to other RRCOs/ converted to BIT

Performance Indicator Report 2011

4.1.1 CIT PAYERS

The number of CIT filers, as of 31st March 2011 was recorded as 122 units recording an increase by 13% compared to the previous year record up to 31st March 2010. The region wise distribution of CIT payer is shown below.

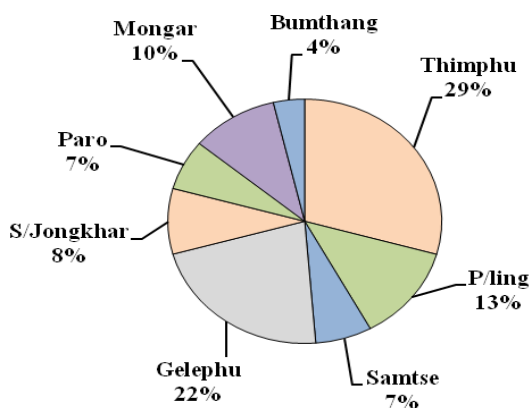
Figure 15: Distribution of CIT Taxpayer



4.1.2 BIT PAYERS

BIT units accounted for 30.2% of the total filers as of 31st March 2011. Amongst the RRCOs, RRCO Thimphu continues with maximum BIT payer registration followed by RRCO Gelephu and RRCO Phuentsholing. RRCO Bumthang recorded the minimum BIT payers registration at 694 BIT payers.

Figure 16: BIT filer Distribution



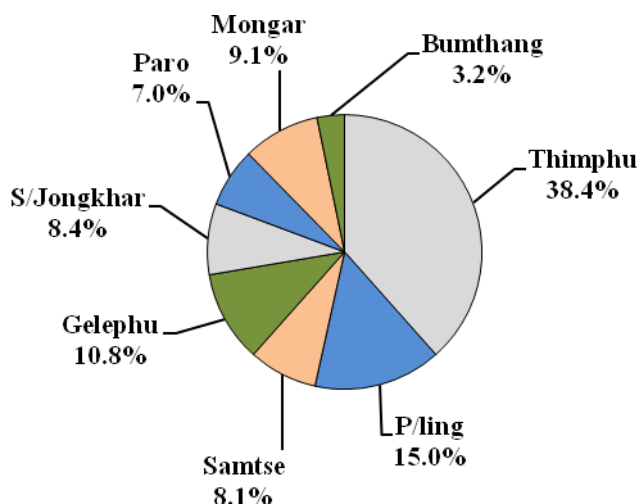
Out of a total of 18,711 BIT filers as of 31st March, 2011 for IY 2010, 75.8% paid their BIT under estimation, 6.5% submitted book of accounts and paid on a self assessed basis, 15.6% was reported as non operational and 2.1% as units closed or transferred to other RRCOs.

Table 21: BIT Profile

RRCOs	Non Estimated	Estimated	NoP	Closed units	Transferred to other RRCOs	Total
Thimphu	497	3457	1236	297	3	5490
P/ling	311	1756	286	22	0	2375
Samtse	121	978	150	0	0	1249
Gelephu	103	3727	215	66	0	4111
S/Jongkhar	71	1253	289	4	0	1617
Paro	54	898	281	10	0	1243
Mongar	27	1569	336	0	0	1932
Bumthang	32	540	122	0	0	694
Total	1,216	14,178	2,915	399	3	18,711
% share	6.50%	75.77%	15.58%	2.13%	0.02%	100.00%

4.1.3 PIT PAYERS

As of 31st March 2011, the division recorded a total of 43,131 PIT filers out of which 6,126 taxpayers filed their PIT returns electronically. As usual, RRCO Thimphu registered the highest number of filers at 38.4%, followed by RRCO Phuentsholing at 15.04% and RRCO Gelephu at 10.76%. A detailed region wise PIT filer distribution is shown in the figure below.

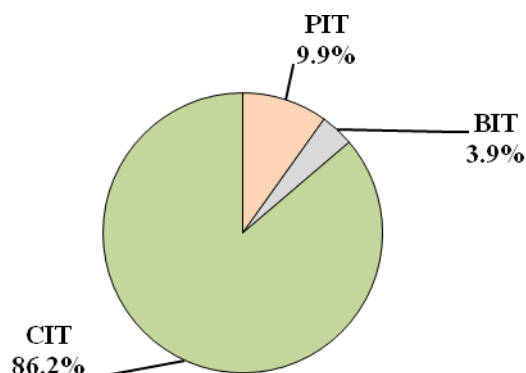
Figure 17: PIT filer Distribution

4.2 SELF DECLARATION HIGHLIGHTS

Taxes are either collected in the form of advance tax, provisional tax or Tax Deducted at Source (TDS). The tax collection figure under this part refers to the self declared amount computed from the returns received as of 31st March 2011.

The total self declared BIT, CIT and PIT amounted to Nu. 4,502.8 million recording a marginal increase by 0.5% compared to the previous year's collection of 4,479.2 million. Based on the tax type, BIT registered the maximum increase by 36.8% followed by PIT at 23.7%. However, CIT recorded negative growth by 3.1% compared to the previous year. The decrease could be due to time extension granted to few major CIT payers. The additional PIT raised after desk assessment amounted to Nu. 0.23 million and 42% of the total tax raised is collected.

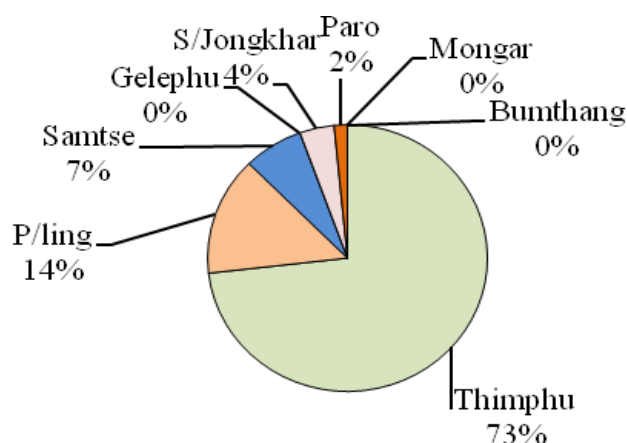
Figure 18: Tax Revenue Composition



4.3 CIT COLLECTION

The total CIT collection amounted to Nu. 3830.5 million. This accounts for 86.2% of the total direct tax revenue collected till 31st March 2011. PIT and BIT taxpayers, who constitute 99.8% of the total filers, accounted for only 13.8% of the total tax revenue.

Figure 19: Region wise CIT collection:



Amongst the RRCOs, RRCO Thimphu collected 73% of the total CIT declared for the IY 2010 followed by RRCO Phuentsholing at 14% and RRCO Samtse 7%. RRCO S/Jongkhar and RRCO Paro collected 4% and 2% respectively. RRCO Bumthang did not receive any CIT although there is one CIT payer. RRCO Gelephu and RRCO Mongar do not have any CIT collection since they do not have any CIT payers after the transfer of Army Welfare Project

from RRCO Gelephu to RRCO Phuentsholing and Kurichu Hydro Power Corporation from RRCO Mongar to RRCO Thimphu.

4.4 BIT COLLECTION

The total self declared BIT (Estimated and non-estimated) amounted to Nu. 233.2 million notching an increase by 36.8%. compared to the previous year's BIT collection. From the above total collection, 74% was realised from the accounts filers and the balance 26% was realised from the estimated taxpayers. Among the regions, the highest collection was recorded under RRCO Thimphu with 39.9%, followed by RRCO Phuentsholing with 25.8% and RRCO Samtse with 19%. RRCO Bumthang realised the lowest BIT collection at 0.9 % of the total BIT collection. Compared to the previous year, the collection has decreased since BIT was not collected from the shops gutted by the fire.

Table 22: Region wise BIT Collection as of 31st March 2011

RRCO	Estimated	Non Estimated	Total	% Distn.
Thimphu	22,104,739	71,026,036	93,130,775	39.9%
P/ling	10,148,091	50,085,706	60,233,798	25.8%
Samtse	1,922,385	42,488,909	44,411,294	19.0%
Gelephu	7,973,808	2,706,218	10,680,026	4.6%
S/Jongkhar	3,963,798	4,045,818	8,009,617	3.4%
Paro	4,120,254	1,115,006	5,235,260	2.2%
Mongar	8,281,134	1,121,268	9,402,402	4.0%
Bumthang	1,821,330	256,353	2,077,683	0.9%
Total	60,335,540	172,845,315	233,180,854	100.0%
% Share	26%	74%		

4.4.1 ESTIMATED COLLECTION

The total estimated collection as of 31st March 2011 amounted to Nu. 60.3 million. This is an increase by Nu. 8.6 million compared to the previous year. Estimated collection as of March 2011 made up 26% of the total BIT collection and 1.4 of the total self declared direct tax revenue. As usual, RRCO Thimphu continues to top the list of RRCOs in terms of estimated collection with Nu. 22.1 million followed by RRCO Phuentsholing with Nu. 10.15 million and RRCO Mongar with Nu.8.3 million.

Table 23: Region wise Estimated Collection

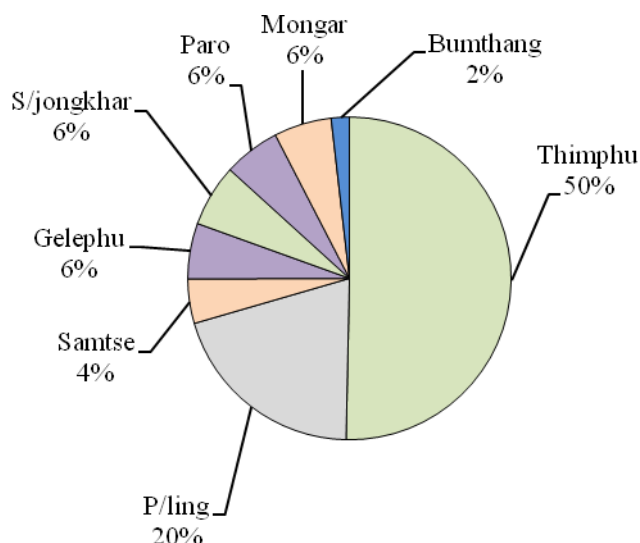
RRCO	Estimated Collection		% (+ -)	% Distribution
	For IY 2010 (As of 31.03.2011)	For IY 2009 (As of 31.03.2010)		
Thimphu	22,104,739	20,242,628	9%	37%
Phuentsholing	10,148,091	11,780,145	-14%	17%
Samtse	1,922,385	1,906,920	1%	3%

Gelephu	7,973,808	6,051,751	32%	13%
S/Jongkhar	3,963,798	2,589,921	53%	7%
Paro	4,120,254	3,862,673	7%	7%
Mongar	8,281,134	2,930,630	183%	14%
Bumthang	,821,330	2,370,790	-23%	3%
Total	60,335,540	51,735,458		100%

4.5 PIT COLLECTION

PIT collection (self declared plus additional raised through DA in some RRCOs) amounted to Nu.439.14 million recording an increase of 23.7% from Nu.354.8 million in the previous year. PIT collection constituted 10% of the total direct tax collection as of 31st March 2011 showing an increase by 2% compared the previous year.

Figure 20: Region wise PIT Collection: (in million Ngultrum)



Although, RRCO Thimphu has contributed 50% of the total PIT collection, compared to previous year, its contribution has decreased by 2%. RRCO Phuentsholing continued to emerge as the second highest PIT contributor. The contribution from RRCO Paro, Mongar, S/Jongkhar and Gelephu were same at 6% followed by RRCO Samtse at 4%. RRCO Bumthang made the least contribution since they have the least number of PIT payers amongst the RRCOs.

4.6 TAX REFUND

Total direct tax collection as of 31st March 2011 amounted to Nu.4,502.8 million for the IY 2009. This is an increase of 0.5% from previous year's collection of Nu.4,479.4 million. Total refund amount claimed as of 31st March 2011 amounted to Nu. 119.1 million, which accounts for 2.64% of the total self declared amount.

PIT refund claim accounted for 82.9% of the total refund claim, followed by BIT refund claim at 10.8% and CIT refund claim at 6.3%. Amongst the regional offices, RRCO Thimphu recorded the highest refund claim at Nu. 43.2 million followed by RRCO Phuentsholing at Nu. 34.5 million. The lowest refund claimed was in RRCO Bumthang amounting to Nu. 2.9 million.

Table 24: Region wise refund claimed as per self declaration

Refund	PIT	BIT	CIT	total	% share
Thimphu	43,202,679	-	-	43,202,679	43.8%
P/ling	14,169,758	12,841,602	7,509,740	34,521,099	14.4%
Samtse	5,710,147			5,710,147	5.8%
Gelephu	9,678,143			9,678,143	9.8%
S/Jongkhar	6,824,308	-		6,824,308	6.9%
Paro	7,068,442			7,068,442	7.2%
Mongar	9,119,921			9,119,921	9.2%
Bumthang	2,942,601			2,942,601	3.0%
Total	98,716,000	12,841,602	7,509,740	119,067,341	100%
% Share	82.91%	10.79%	6.31%	100.00%	

PART V

FISCAL INCENTIVES

5.1 Fiscal Incentives

The Royal Government, with an objective to stimulate private sector growth, generate employment, and attract foreign investments, announced various fiscal incentives on 2nd April 2010. The present incentive package, unlike the 2002 incentive scheme, is targeted and poised to promote thrust sectors of the economy viz. ICT, Tourism, CSI's, etc for balanced economic growth.

As on 31st December 2010, a total of 29 businesses were under the tax holiday. Some companies & businesses are currently under tax holiday as per the 2002 Incentive Scheme. The sector wise list of units availing the tax holiday are given in the table below.

Table 25: List of Incorporated Companies/Corporations availing Tax Holiday

Sl. No.	Name of Unit	Location	Holiday Period		No. of years
			From	To	
1	Bhutan Broadcasting Services Ltd.	Thimphu	2009	2013	5
2	Bhutan GRC	Thimphu	2004	2011	7
3	Druk Plaster and Chemicals	S/Jongkhar	01.08.2003	31.07.2010	7
4	SD Eastern Bhutan Ferro Silicon Pvt. Ltd.	S/Jongkhar	2007	2010	3
5	Bhutan Times Ltd.	Thimphu	2006	2010	5
6	Bhutan Observer Pvt. Ltd	Thimphu	2006	2010	5
7	Business Bhutan Private Ltd.	Thimphu	01.09.2009	31.08.2014	5
8	The Journalist Pvt. Ltd	Thimphu	20.12.2009	19.12.2014	5
9	Druk Neytshuel Private Ltd.	Thimphu	29.08.2010	31.08.2015	5

Table 26: List of Manufacturing and Service Units availing Tax Holiday

Sl. No.	Name of Unit	Location	Holiday Period		No. of years
			From	To	
1	Bhutan Concrete Bricks	Thimphu	2007	2010	3
2	iTechnologies	Thimphu	01.09.2010	31.08.2013	4

Table 27: List of Schools and Institutes availing Tax Holiday

Sl. No.	Name of Unit	Location	Holiday Period		No. of years
			From	To	
1	Bhutan Centre for Excellence	Thimphu	2007	2010	3
2	E-Druk IT Institute	Thimphu	2007	2010	3
3	Royal Thimphu College	Thimphu	01.07.2009	30.06.2014	5
4	Sherub Reldri Higher Secondary School	Mongar	01.01.2010	31.12.2014	5

Table 28: List of Hotels availing Tax Holiday

Sl. No.	Name of Unit	Location	Holiday Period		No. of years
			From	To	
1	Namsay Choling Resort	Paro	2005	2010	5
2	Yoezerling Hotel	Bumthang	2006	2010	5
3	Bhutan Resort Corporation Limited:				5
i	Amankora, Punakha	Punakha	01.08.2005	31.07.2010	
ii	Amankora, Gangtey	Wangdue	01.11.2005	31.10.2010	
4	Ms. Chumey Nature Resort	Bumthang	01.01.2010	31.12.2018	9
5	MS. Yugharling Resort	Bumthang	01.01.2010	30.09.2019	9
6	Namsey Choling Resort	Paro	19.03.2005 19.03.2008	18.03.2008 17.03.2010	5
7	Haven Resort	Paro	01.11.2010	01.10.2020	10
8	Tenzin Higher Secondary School	Paro	01.01.2010	31.01.2024	14
9	Tenzinling Resort	Paro	01.01.2010	30.09.2018	8
10	Namgay Heritage Hotel	Thimphu	01.01.2010	31.12.2014	5
11	Migmar Hotel	Thimphu	01.01.2010	31.12.2014	5
12	Bhutan Suites	Thimphu	01.01.2010	31.12.2014	5
13	Hotel Taj Tashi	Thimphu	01.01.2010	31.12.2014	5
14	Hotel Tashiling	Wangdue	01.01.2006	31.12.2010	5

5.2 Exempted Organizations

Donations made to the following organizations are exempted from taxes as per Rule No.1.7, Part III of the Rules on the Income Tax Act 2001. However, the exemptions are not automatic and shall be required to be registered under the relevant act and authorities governing such entities.

- a. Youth Development Fund
- b. Bhutan Health Trust Fund
- c. National Women's Association of Bhutan,
- d. Royal Society for the Protection of Nature
- e. Bhutan Trust Fund
- f. HRH Prince Namgyal Wangchuk Charitable Trust
- g. World Peace Moenlam Tshokchen
- h. India-Bhutan Foundation Trust Fund
- i. RENEW
- j. Tarayana Foundation
- k. Jangsa Animal Saving Trust
- l. Rangjung Foundation
- m. Hindu Dharma Samudaya of Bhutan
- n. Tshokey Dorji Foundation
- o. Dungyel Rangdroel Drupchen Trust Fund
- p. Padma Fellowship
- q. Bhutan Media Foundation
- r. Trust Fund for Environment Conservation
- s. Ton Chhos Khor

Similarly, the shareholding and fixed deposits in the name of the following organizations were also exempted from PIT as per Part III Rule No. 1.7 of the Income Tax Rules, 2001.

- a. Royal Government of Bhutan
- b. Royal Bhutan Army
- c. Central Monastic Body
- d. Other monk bodies such as Rabdeys under the administrative control of the Central Monastic Body
- e. Kajung Phunsum Lhakhang, Kurjey, Bumthang
- f. Yum Rani Choing Wangmo Dorji's Trust Fund