

# YONGSEL



**ISSUE 19**  
*Jan to Dec 2008*

**Public  
Information  
Services**



**DEPARTMENT OF  
REVENUE AND  
CUSTOMS**



*For 100 years  
we've believed in our  
beloved Kings*

*Our belief  
has led to  
unprecedented  
GROWTH  
and  
PROSPERITY*

*We at DRC continue  
to believe in the  
vision of our Kings*

*We are confident that  
Your Majesty's vision  
will guide us  
in our endeavours to  
ensure a  
bright future  
for our own  
and  
future generations*



**PROUD TO BE PART OF NATION BUILDING**



**We talk about transparency and accountability in all forums today; in the government, in parliament, and in the workplace. However, transparency and accountability should not remain just government policy. It must be translated into clear results, especially in our everyday workplaces.**

**IN DRC,** we must explore and initiate strategies to foster better transparency and accountability in the department - to come together to share approaches, to develop strategies for more synergistic work, and to think further about how to build the bridge that sustains organizational growth. Towards this, we must give our full support to the development and implementation of systems that promote transparency, accountability and delivery of services.

I would like to congratulate the Yongsel team for bringing out the annual newsletter in the form of a magazine - an edition dedicated to inspiring us to serve our nation with pride and integrity. This magazine, I hope, will be of immense interest to all our readers and provide valuable knowledge on issues related to accountability and transparency in the workplace.

With best wishes,  
Tashi Delek

**Choyzang Tashi**  
**Director**

# *The greatest achievement is selflessness The greatest quality is seeking to serve others*

Buddhist Sayings

**Special thank you  
to the contributors**

**Mr. Phuntsho Wangdi  
Asst. Commissioner Customs  
Mr. Sonam Penjor  
Sales Tax Officer**

**This edition of Yongtsel explores how the slogans:  
transparency and accountability, one stop/one window or  
customer service and reducing administrative burden are  
understood.**

The articles on transparency and accountability are very enlightening; indicating that it could also be about having a progressive system to encourage best practices that reduce bureaucratic red tape - promoting transparency and accountability in the workplace. The result can be an environment that is conducive to economic growth and hence more revenue.

And for those of us who think that accountability is about pointing fingers at non-performers, finding someone to blame, explaining and justifying poor results etc., we have to THINK POSITIVE. A positive attitude can do more to achieve outstanding results than all the blame games.

We must choose to rise above our personal circumstances and demonstrate the ownership necessary to achieve desired results; to see it, own it, solve it and do it. Help ourselves and others do everything possible to overcome difficult circumstances and achieve desired results. There is more to gain from a proactive posture than from a reactive one.

In line with this proactive spirit, we seek the support of our colleagues to implement the DRC service delivery standards (see page 61). Let us translate rhetoric into action and ensure that the one stop service does not become a full stop service.



**From the editor**

**20 October MPs and NCs (Economic Committee) being briefed on DRC**



**Signing of MOU  
Director General  
(NASEN) Sri. Anil  
Bhatnagar and  
Director (DRC)**



**19 June Finalization of NASEN training program with  
Indian Customs sponsored by Government of India**

# **RETROSPECT 2008**



**Updating Customs information at Paro airport**

**12 to 16 May RMS user training**



**11 to 15 August  
BAS workshop**



**འབྲུག་རྒྱལ་ཁབ་འབྲུག་གཞུང་།** Royal Government of Bhutan  
**ལྷོ་ཚེ་མ།** Prime Minister

CS/PMO/05/09/ 130

January 28, 2009

The Director,  
Department of Revenue and Customs,  
Thimphu, Bhutan.

Dear Choyzang Tashi,

I was pleased to learn from the officials of the National Steering Committee for Coronation and Centenary Celebration (NSCCC) that the Liaison and Transit Office of the Royal Bhutanese Customs Department in Kolkata and the officials of the Import Division of Customs at Phuentsholing had extended every required assistance and service with exceptional promptness in facilitating the procurement of material and goods required for the occasion.

The unflinching cooperation and prompt actions by your concerned officials in the procurement and delivery of materials and services required by different agencies of the Royal Government involved in the preparations for the Coronation and Centenary Celebrations had contributed greatly to the success of the historic events.

We have taken note of the unstinted commitment and cooperation of you and your staff who had to work for many odd hours under strenuous circumstances. Through you, I would like to extend my sincere appreciation to all concerned.

Tashi Delek and with best regards,

  
Jigmi Y. Thinley  
Chairman  
National Steering Committee for  
Centenary and Coronation  
Celebrations.

Mr. Choyzang Tashi,  
Department of Revenue and Customs,  
Thimphu, Bhutan.



**29 September to 1 October  
BST meet**



**25 July TDS workshop with Bhutan motion pictures association**

**Thai revenue director and officials with DRC director**

**Workshop on value added tax of Thailand conducted in Thimphu for DRC officials**

**9 to 10 April**



# Trade facilitation in Customs context and its Impact Bhutan Prospective

The following is an extract from an assignment of Mr. Phuntsho Wangdi's while undergoing the MA in Public Finance program in Japan

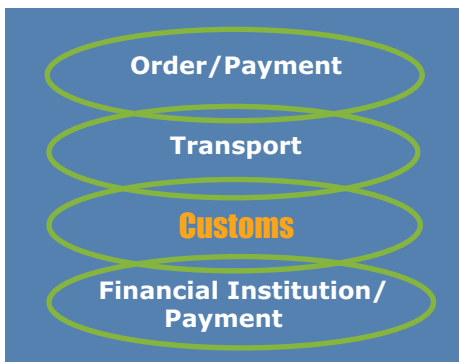


**Phuntsho Wangdi**  
Asst. Commissioner  
Customs & Excise Division

***In recent years, the term, "trade facilitation" has become popular and is being recognized as an important component of national trade reform agenda.***

## **Defining Trade Facilitation**

According to the WTO, trade facilitation refers to "the simplification and harmonization of international trade procedure". The trade procedure referred here means the activities, practices and formalities involved in collecting, presenting, communicating and processing data required for movement of goods in international trade (WTO2002a). Trade facilitation is also influenced greatly by Regional Trade Agreements (RTAs), Bilateral Agreements, Free Trade Agreement and Customs Union etc. Trade facilitation in the words of Marcus Hellquist, "is not about limiting countries abilities and right for protection and sovereign decision making but about lowering cost of complying with rules, procedure for both government and business".



**Figure 1**  
**Supply chain in trade facilitation**

In-fact, trade facilitation involves many agencies as shown in the figure 1. "Trade facilitation" as discussed here is in relation to Customs procedures. Customs is considered an important element of global supply chain - as custom administrations throughout the world play a critical and important role in implementing government trade, economic and social policies, and contribute to the achievement of a number of national development objectives. However, this analysis does not underestimate the importance of other aspect of trade facilitation and integrates them wherever relevant.

## **At a glance**

Bhutan was subjected to the forces of open economy in 1972 when it signed the free trade agreement with India<sup>1</sup>. Since then Bhutan's integration with the outside world has increased tremendously. At multilateral level, Bhutan is a member of World Customs Organization, World Trade Organization and signatory to many international conventions. In a WTO ministerial meeting in Hongkong, Bhutan's Trade and Industry Minister, Lyonpo Yeshe Zimba brushed off many critics and stated that "by joining WTO Bhutan has nothing to loose and trade is the only solution to the country's growing unemployment problem as well as elimination of poverty"<sup>2</sup>.

<sup>1</sup>Free trade agreement was signed India and Bhutan in 1972 and renewed every after ten year.

<sup>2</sup>Kuensel, 17<sup>th</sup> Dec, 2005

<sup>3</sup>The two governments agree to enter into immediate consultations with each other at the request of either side in order to to overcome such difficulties as may arise in the implementation of this agreement satisfactorily and speedily.



## **Rationale for trade facilitation**

For any landlocked country, one of the striking feature in trade facilitation is their dual vulnerability; vulnerable for their own accounts and on account of being dependent on one or more transit countries. Owing to the geographic and other related attributes, landlocked developing countries are confronted with special range of constraint that restrains their full participation in global process. The greatest challenge that Bhutanese importers or exporters face is the geographical handicap of Bhutan being a landlocked country. The nearest seaport is located 700 km away i.e. in Kolkata, India.

Therefore, Bhutan maintains good bilateral relationship with India, and any friction between the two nations on transit trade is minimized through consultation between the two governments as provided in the article X of the free trade agreement.<sup>3</sup> India is not only the major trading partner but also the only transit country where trade with third country<sup>6</sup> takes place. Further, Bhutan receives favorable treatment in movement of goods through Indian territory, although, operational problems exists in terms of delay in clearance at various checkpost. The Indian National Transport Policy Committee estimated that road haulers wasted 30-40% of effective travel time on inspection formalities at various internal state borders and checkpost (Evdokia Moise, 2003).

## **Trade facilitation measures**

In considering the status of trade facilitation, it is evident that many countries have taken initiatives at the national, bilateral and regional levels. However, members of WTO face constraint as articles are interpreted in different ways and trade distortion are still in place. Bhutan, has initiated a number of legislative changes in trade and Customs procedure to meet the challenges of globalization and international best practices. However, there is greater need to improve to meet the conditions in the *GATTs article V, VIII, and X*.

## **Department of Revenue and Customs**

Considerable reform measures have been undertaken by the Department of Revenue and Customs with the enactment of 'Sales Tax, Customs and Excise Act 2000' and 'The Sales Tax, Customs and Excise Rules 2001'. Adoption of HS nomenclature and partial automation of the clearance procedures. Major changes have also been initiated in the organizational set up and functioning at both the head office as well as in the regional offices.

Even then, Bhutan is still considered slow, unresponsive, inconsistent and vulnerable to corrupt practices. There is a lack of long-term vision that includes clear strategic goals and necessary instruments that can assist reform implementation. The Customs administration will need to change significantly, shifting its mindset from a culture of domestic protection and control of all transactions, aggravated by an over-reliance on bureaucratic controls, to one that facilitates trade and promotes

***... apart from having a free market economy, location and access to the sea and to the trade route - play a significant role in country's economic performances...***

**Adam Smith**



private sector development. The current structure of customs control is based on pre-clearance verification and over reliance on physical examination of goods. Most, if not all, consignments are extensively subject to physical examination with little or no concept of risk management. The above situation exists because, Bhutan customs administration lacks many basic facilities like a laboratory, X-ray machine and proper dry dock facilities etc.

There is also a great need to review rules and operation in context of international standards and best practices in areas of legal reforms, capacity building, enforcement issues and implementation of trade facilitation measures. It may require setting up of new units like risk management, post-clearance audit, and enquiry point etc.

Bhutan Customs also lack qualified staff at all levels (lower, medium and senior level). Too much routine responsibilities are placed on the mid and lower level which undermines professionalism and integrity in the administration. So, there is urgent need to either **train the staff, replace or recruit new staff** to meet the present challenges.

The computer system *i.e. Bhutan Automated Customs System*, when introduced served its purpose of the day, but with changing environment (both in-country and ex-country), it must be continually updated and may eventually even have to be **replaced by a new system**.

## Case study

A case study was conducted on the implementation priority of trade facilitation measures through the survey of 12 Colleagues who were pursuing Master Program in Public Finance through the scholarship of WCO in Japan. The basis of the study was to check whether the priority accorded in adoption of trade facilitation measures by customs Officer is in consistent with the expert view conducted by Yann Duval. The difference of the study is that Yann Duval focused on 12 trade facilitation measures in the revised GATT article where I focused on the implementation priority. The comparative study of the result are enumerated in table 4<sup>4</sup>.

## Findings

It is observed that there is consistency between the two studies from serial number 1 to 6 and disparity from the serial number 8 to 12. The students gave the highest priority to serial numbers 7,9, 10 and 12 whereas the expert gives lower priority. The students have noted that the customs have a dual function of facilitation on one hand and intercepting the illegal trade through verification of documents and goods.

To balance these activities, the implementation of risk management and post clearance audit along with alignment is given highest priority. Further, in most of the developing countries, the trade facilitation measures like alignment of trade documents and adoption of HS nomenclature, appeal system, and express shipments etc are either partially or fully regulated.

Hence, it has to be strengthened further. On other hand, measures like risk management, post clearance audit and single window system are not yet implemented in most of the developing countries: partly due to lack of human resources capability and partly because of lack of basic infrastructure/equipment. Therefore, they are important measures that need to be adopted promptly to balance the "two sides of the coin".

<sup>4</sup>The survey for Master Student, the questionnaire is based on the Yann Duval exploratory survey (2006).

It is downloaded from [www.artnetontrade.org](http://www.artnetontrade.org)

Table1

## Ranking of the importance of trade facilitation measures

Sl. No.	Trade facilitation measures	Expert ranking	Public Finance program Customs
1	Alignment of trade documents as per the UN layout key for the trade documents, adoption of the HS nomenclature and use of internationally agreed standard data element for the trade document.	1.8	1.9
2	Systematic and timely online publication of relevant trade regulation and procedures, including fees and charges, in the national language and English	3.3	3.0
3	Establishment of enquiry point and single national focal point for trade regulations and other trade facilitation issues	2.8	2.6
4	Establishment of national trade facilitation committee to comment of new and amended rules prior to their entry in force as well as to conduct periodic review of the trade procedures.	3.5	3.2
5	Provision of advance ruling on tariff classification, valuation and origin that are binding(for specific time period)	3.6	3.1
6	Establishment of an effective appeal procedure for customs and other agencies ruling	3.8	3.5
7	Establishment of Single Window system, defined as a system allowing traders to submit all the relevant documents at one time and place for an approval by all government agencies. This system may or may not be IT based.	4.1	2.1
8	Establishment and systematic use of pre-arrival clearance mechanism ( processing of goods declaration received in advance of goods arrival, and pre-clearance)	4.0	2.3
9	Implementation of modern risk management system for release and clearance of goods	3.5	1
10	Establishment and wider use of audit based customs (Post Clearance Audits)	4.5	1.9
11	Expedited clearance of goods (subject to PCA) based on bonds, guarantee, or deposit arrangement.	4.6	2.4
12	Expedited procedures for express shipment and qualified traders / companies	4.8	2

Source: Yann Duval, 2006, 1=highest priority; 5= lowest priority



# Benefits of trade facilitation

The benefit of trade facilitation may not come automatically but may largely depend on the ability to identify and capitalize through implementation of trade facilitation measures. Any country that is unable to adopt appropriate trade facilitation measures would be uncompetitive in a global trading system. Hence, it must be viewed not as an end but as a means to pursue national economic development strategies.

At the centre of the trade facilitation lies the role of customs and other controlling government bodies. It is within this area that vast majority of administrative demand and procedural requirement comes up. Wolkenhorst and Yosui (2003) estimate that, if the transaction costs are reduced by 1% globally, welfare gain would amount to US\$40 billion and all country benefit and non-OECD country experience the biggest gain.

Singapore implemented an electronic declaration system for traders that generated saving estimated at 1% of GDP, with an expectation that it would cover its cost in three years (Woo and Wilson, 2000). And Bolivia found that revenue collection rose by 25% after it reformed its customs system (Bolivia, 2001) and implemented the trade facilitating measures. Bhutan has also seen revenue increase after implementation of some of the trade facilitation measure like adoption of HS nomenclature and partial automation of the clearance procedure. The benefit of trade facilitation can be enormous and Bhutan could benefit in the following way:

## Benefit to trading community

The trader will benefit from adoption of simple, clear regulation which is predictable and certain. The elimination of unnecessary delays at the borders will increase the compliance of the taxpayer and contributes to the increase in their competitiveness. Minimizing delay at the border can thus mean faster trade flow. A natural consequence of this is increased profit for traders due to higher cash flow and increased possibility of selling and buying goods. This is particularly evident for the Small and Medium Enterprise (SME) as cost of complying with the cumbersome procedure are proportionately higher than for the larger firm.

## Increase in revenue and reduction of fraud or illegal Import

The speedy and reliable clearance at the borders by customs through intelligence-based risk profiles will increase the collection and reduce frauds. This is particularly important for developing countries that are dependent on taxes for financing public administration. Through trade facilitation, compliant traders will be identified, acknowledged and rewarded. Those who resort to evasion and fraud will be punished.

This will motivate the illegal traders to comply with the system, to ensure trust and confidence on the public service sector. Raising the efficiency of weak customs administration is thus likely to have positive impact on the revenue collection. This can be achieved by implementation of trade facilitation measures mentioned in serial no 2, 9, 10 and 11 in table 1.



... if transaction costs are reduced by 1% globally, welfare gain would amount to US\$40 billion

**The anti-corruption agency of Bhutan ranked Customs official as number two of the agencies list of officials prone to corruption**

*x-ray facilities provided by civil aviation department (mainly for security purposes) and is available for out going passengers only*

**Reduce corruption**

It is probably safe to assume that some degree of corruption is present in all countries and in all the public institution<sup>13</sup>. The World Bank estimates that corruption can reduce country’s growth rate by 0.5% to 1% per year (World Bank Annual Report). The presence of corruption can destroy the legitimacy of a customs administration and severely limit its capacity to effectively accomplish its mission.

The Anti-corruption Agency of Bhutan ranked Customs official as number two of the agencies list of officials prone to corruption (Good Governance, 2005).The integrity of the customs officials are questioned, when the customs procedure are not transparent, cumbersome, and too much responsibility fixed on routine job. With the trade facilitation measures in place; customs can be more efficient and effective - reduce many opportunities for corruption - increase the level of accountability and provide an audit trail for later monitoring and review of administrative decision and exercise of official discretion. Corruption can be reduced to minimum by implementing the trade facilitating measures mentioned in serial no. 2,3,5,7,9,10 and 12 of table 1.

**Security enhancement**

Through simplification of customs procedure, discovery of criminal activities will be increased. The simpler and more transparent the system, the easier it gets to detect suspicious behavior. Further, it will free staff from routine clerical work to core work of customs i.e. implementing law and preventing smuggling of drugs, weapons and other illegal activities. This can be achieved through risk and information management.

**Encourage foreign direct investment**

Encouragement of foreign direct investment depends on several factors and one is through provision of quick, transparent and predictable customs services. If customs procedures are cumbersome and is interrupted by many officials, this may discourage the investors. Poor customs procedure that increase the waiting time often limit the number and value of profitable projects relying on international trade and hinders FDI and investments as a whole. This is under scored by the empirical evidence provided by Radelet and Sach (1998) which shows that countries with lower transaction cost have experienced higher economic and manufacturing export growth over last three years decades than those with higher transaction cost.

**Reduce informal trade**

The informal trade with India has been on the rise partly due to porous borders and delay in clearance procedure. Many traders prefer to take risk by avoiding the legal channel due to cumbersome procedure and delay in clearance. With simplified procedure more traders will be willing to comply with the law and thereby increasing revenue. This will further help in broadening the tax base since, information of customs are used for the assessment of the Business Income tax. The informal trade with India amounts to more than Nu.1.9 million Ngultrum (*Nisha Taneja*). The informal trade can be reduced by implementing modern risk management system for release and clearance of goods.



# Recommendations

## 1

### **Establishment of Dry Port to stimulate private sector led growth of the economy**

**Customs to followup on the recommendations made by the fact finding mission from the Asian Development Bank (ADB) who visited Bhutan in 2002, to formulate technical assistance for the development of the project.**

- Development of **dry port** facilities under customs control with associated capabilities for clearing, forwarding goods, warehousing, trans-shipment and transit to facilitate the cross border trade.
- This type of port should provide the same facilities as a seaport of a coastal country.
- A dry port with efficient customs clearance procedure, will substantially reduce transaction time at Bhutan -India cross border in Phuentsholing, where 90% of country's trade is transacted.
- It would drastically reduce the work load and cost at the Kolkata port.

## 2

### **Enhancement of Bhutan Automated Customs System to a single window system reflecting modern customs management practices**

- The declaration processing system which is basically manual and paper based to be enhanced to electronic filing of the declaration i.e. move towards paperless transactions(*with the present system, the declarer has to hand carry paper declaration from one office to another and one customs officer to another*).
- The ability to track the status of their applications online.
- Felicitate minimum contact with Customs personnel(*Face to face interaction in the processing process provides way to corrupt practices and delay in clearance*)i.e. minimizing opportunities for corruption.
- Incorporate post-clearance audit regimes - promoting clearance on minimum information.
- Upgrade from decentralized environment (standalone regional servers) to centralized data base and server.
- Provide intelligence data and targeted risk management information in clearance of consignments.



- Real time data to monitor average time taken between the arrival of goods and their release.
- Provide real time information to and from various ministries, financial institution and traders (Supply Chain) involved in import and export.
- Be linked to other agencies such as quarantine, financial institution, traders and post office etc.
- Is compatible to the international best practice standards and meets the demand of the private as well as the other government organizations.
- Conduct system analysis on periodic basis.
- Provide custom made relevant trainings to users.

# 3

## **Effective enhancement and of application of Risk Management to achieve balance between facilitation and control**

***The Department's risk management program is limited to the enforcement concern. There is a need to change from traditional approach of "enforced compliance" to the modern approach of "informed compliance".***

- Establish risk data base with a selectivity program to run automatically on registration of declaration - whereby goods and travelers can be segregated into three channels (Green, Yellow and Red) as shown in figure 4.
- Segregation of payment from the clearance so that the alternative selectivity may be triggered upon receipt of payment of duty/taxes at bank.
- A data base of required government certificate, licenses and other form of authorization by HS code must be made as part of integrated tariff data base of Bhutan Automated System. The module must automatically display the authorization required when restricted/ regulated/prohibited goods as per HS code are included in the declaration.
- Proper programs to be in place for risk management or automated estimation of risk level, based on risk data base and assignment of processing channels.
- Processing channel to be in place at all land borders although two channels are in place at the international airport.
- Enhance present clearance procedure (Bhutan Automated Customs System) to include programs of risk management.
- Enhance manpower of vigilance section.
- Manpower of vigilance section to be segregated from Customs division and no inter-unit transfers to take place.

# 4

## **Introduce and implement Post Audit based control to take advantage of global, liberalized trade**

***In 2003, a four member committee was formed to draft a proposal for the institution of PCA which was not followed up on for various reasons...***

- Provide speedier clearance of the goods at the borders as it replaces the traditional customs practice of physical examination /checking of documents/goods connected with importation and exportation before the release of goods - to the modern practice of checking the document at importer premises.
- Strengthen enforcement and provide necessary support and confidence in the implementation of trade facilitating measures in cargo processing, classification and valuation specifically.
- Assist in carrying out the customs function through the flow of information between clearance section and enforcement section since control can be carried out at a later stage.



# Sales Tax System

## Transparency and Accountability

**Spreading of democratization, a shift in balance among the state, the market and civil society, globalization, and changing social mores, among other factors are altering the environment in which governments are operating. In addition the explosion of new information and communication technologies encourages rapid, global diffusion of ideas and practices, enabling the public to demand higher standards of ethics, transparency and accountability in the public sector.**

**These pre-requisite values of good governance and sustainable development not only buttress responsible public policy and high levels of public sector performance but also play a crucial role in preventing the onset of systemic corruption. There is now international recognition that corruption impedes economic development, undermines stability and erodes trust in public institutions. The pernicious effects of corruption, the lack or poor quality of essential public infrastructure and services are borne by those the least able to do so "The Poor".**

Department of Revenue & Customs have a mandate to enhance and meet domestic revenue collection targets, in an ethical and transparent manner. Therefore, it is very important to have an **"ethics mechanism"** in place to encourage **"honest"** officials and also voluntary tax compliance from the taxpayers. Towards achieving these objectives, the department has very cautiously implemented computerization and systematization to enhance efficiency and provide better and impartial service to taxpayers.





... an “ethics mechanism” in place to encourage “honest” officials and also voluntary tax compliance from the taxpayers...

Over the years, the department introduced various IT systems such as RMS (*Revenue Management System*) and BACS (*Bhutan Automated Customs System*) which provide some basis of consistency and uniformity.

With the implementation of the international standard of harmonization and integrated system in customs administration, **BACS** was introduced and implemented at all regional offices and major checkpoints. With nine modules, the system provides uniform application in clearance of import and export transactions through out the country. The Bhutan Trade Statistics Report is generated from BACS. Besides, if required it can be a reliable source for tax assessment, analysis, studies, etc. On the other hand, **RMS** an integrated version of **TMS** and **RAS** provided applications for revenue management and accounting of existing types of government revenue in generalized interfaces.

In analysing the existing systems, it was realized that the various IT systems needed to be upgraded and if possible be integrated to meet new demands i.e. level of modularity, flexibility and scalability. So far, the Department has been able to identify and update some very essential elements required for enhancing services. For over a year, the department has been developing an integrated system “**Sales Tax System**” (**STS**) for the Sales Tax Division.

The **SRS** (*System Requirement Specification*) of the STS was designed to resolve the problems and challenges currently faced by the officials of the division using conventional manual procedures which are inefficient, tedious and time consuming. Upon implementation, there will be standardization of procedures and system throughout the regions. The STS has some of the components typically well-defined, with uniform interfaces and coding of check and balance to various back-end systems and databases. It will enable carrying out of



*Sonam Penjor*  
Sales Tax Division

**corruption  
impedes  
economic  
development,  
undermines  
stability and  
erodes trust  
in public  
institutions**

comprehensive assessment of **Sales Tax (ST)**, either in terms of payments, refund or exemptions, appeal, etc. and maintenance of records with reliability and accountability.

When fully integrated with other systems, it is expected to improve the efficiency of the division very significantly. The system will support E-Declaration and Direct Deposits which would expedite assessment and collection of Sales Tax. The problems related to **"duplication"** of works were also addressed, which will shorten the bureaucratic processes. Link features will allow access to the existing records allowing system users to process or execute any functions in a short span of time.

For example, STS can use the records of TMS registration details for registering the Sales Tax Collecting Agents and instantaneously generate registration certificates. Similarly, E-declaration data can easily be imported into assessment interfaces, allowing continuing verification processes and generate demand notice instantly. With the updated taxpayer profile and all other required information available in a single interface, the division can easily verify, ascertain and or respond to any issues related to Sales Tax. Such features will enable delivery of impartial taxpayer services.



*Right...  
The new system  
is up and  
running...  
I want everyone  
of you to attach  
a lucky sign to  
your work  
station*

## Challenges

DRC is confronted by the challenges and problems of maintaining diverse applications running on two independent systems (BACS & RMS). Maintaining a system is proving as complex as that of developing a new system. With the addition of yet another system (STS), the department will be confronted with a new set of challenges.

In the event DRC sets up WAN (Wide Area Network), it will enable and make centralized data base a reality with the possibility of developing a single window system integrating all three applications BACS, RMS and STS. System users will be able to access real-time information on all the transactions taking place across the regions. Although such a setup may require large amount of resources, the long term benefits will be worth the cost. One such benefit would be the creation and implementation of MIS (Management Information System). MIS would enable access to real-time information of various systems and facilitate in generation of analytical reports required for policies issues.

It is difficult to predict the future in the field of information technology where today's news is yesterday's news. Hence, it is not an easy task to forecast what will be the **"dominant"** system required. But, since, some of the key elements to creating an ethical organization are well-defined programs and policies that evolve in response to changing conditions...and as of now the **Sales Tax System** promises to be a step in the right direction.

# Benefits of the Sales Tax System

<b>Sales Tax Master Files</b>	<b>Standardization of files to maintain uniformity of records</b>
<b>System User Records</b>	<b>User ID for Accountability</b>
<b>Details of Sales</b>	<b>Registration details and the current status of the unit Tax Collecting Agents</b>
<b>Integration with BACS and RMS</b>	<b>Information flowing from BACS and RMS makes assessments very realistic and easy</b>
<b>Inventory Details of STCA</b>	<b>Purchases/Production/Stock Transfer/Damages and losses; to maintain a reliable source for reconciliation with Sales</b>
<b>Sales Details of STCA</b>	<b>Exempt/Export/Taxable Sales for ascertaining actual sales type with definite value</b>
<b>Assessment of Sales Tax</b>	<b>Declaration/Provisional and Field Assessments; for a transparent approach of deriving Sale Tax</b>
<b>Payment Details</b>	<b>Advance/Provisional/Fines &amp; Penalty/Direct Deposits/Final Payment; to provide flexible means of paying/depositing Sales Tax</b>
<b>Sales Tax Exemptions</b>	<b>Exemptions at Point of Sale/Entry (PoE &amp; PoS) both for Goods and Services</b>
<b>Sales Tax Refund</b>	<b>Refund of ST paid either on PoE or PoS with proper verification processes and maintaining check and balance in actual ST Paid with refund claims admitted</b>
<b>Appeal Details</b>	<b>Committee Member Details, Appeal Registration, Details and Decision Details</b>
<b>Dynamic Reporting System</b>	

citizens  
expect to see  
results for  
the duties  
and taxes  
they pay,  
e.g. better  
schools,  
hospitals,  
and roads



Kaysang W. Samdup  
source

U4

Anti-  
Corruption  
Resource  
Centre  
[www.U4.no](http://www.U4.no)



# Key steps to address corruption in tax and customs

by David Child

Anti-Corruption Resource Centre [www.U4.no/themes/pfm](http://www.U4.no/themes/pfm)

**Tax and customs authorities are frequently among the most corrupt institutions in many countries. For staff, opportunities for corruption and temptation to engage in it are numerous, including speeding up services, undervaluing cargo and helping with tax evasion. Based on experiences from a wide range of countries, this U4 Brief gives some examples of corrupt activities and outlines practical steps to minimise the problem through appropriate staff management, training, operational procedures, and internal investigations.**

## The external environment

It is unlikely that tax and customs services will maintain high standards of integrity if other state institutions – such as the police, judiciary, other parts of revenue administration, and the overall civil service – do not. Revenue administration will inevitably be a microcosm of the society at large, and payers of bribes are likely to be doing so across the board and not just to tax or customs staff. Hence, cooperation across government institutions is vital if revenue corruption is to be tackled. This includes collaboration with, for instance, the immigration, border police, and the ministry of finance. Furthermore, strong ministerial and political support for change in revenue sector integrity is vital if these external pressures are to be overcome.

For example, politicians often expect or require **'special treatment'** from customs when they import goods either in their baggage or in freight. However, such actions undermine the integrity of customs and should be resisted.

The perceived fairness of the tax system influences taxpayers' behaviour, whilst a fair customs system and duty rate structure impact on importers' behaviour. If the revenue administration is highly selective in treatment or **rates are very high**, the perceived unfairness may prompt some taxpayers to reduce their burden by corrupt means. Furthermore, citizens expect to see results for the duties and taxes they pay, e.g. better schools, hospitals, and roads. If they believe that **'their' money** is being wasted or stolen, then there is a greater motivation to evade paying their liabilities. Laws regulating revenue collection should be transparent and contain as **few exemptions** as possible.

Procedures should be simple to operate and contain provisions that minimise official discretion. The legal requirements should be publicised, and there must be readily accessible appeal mechanisms including an **independent adjudicator** such as an appeals tribunal or ombudsman.



**If wages ... are lower than in comparable positions outside, yet little staff turnover occurs, that should be reason for management concern**

## **Staff management**

### **Recruitment, training and career development**

Good human resource management starts with transparent recruitment procedures **based on qualifications**. Once recruited, staff should undergo a comprehensive induction training programme followed by the specific training needed to perform the job to which they are assigned. In addition, staff should have clear and agreed-upon job descriptions, while performance targets should be realistic and achievable. Showing staff that revenue administration is a career, **rather than one stop in a series of jobs**, is crucial. A generous pension scheme may be a valuable means of achieving this. Employees must feel that they have promotion prospects, that their performance will be appraised regularly and fairly, and that promotions will be made on merit through transparent processes. Likewise, when things go wrong, there should be fair disciplinary procedures.

### **Salaries**

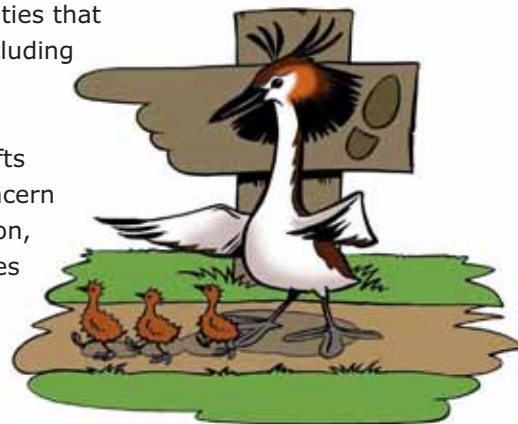
Personnel policies have a bearing on the propensity of staff to engage in corrupt behaviour. Obviously salaries are a factor. If staffs are paid a wage that they cannot live on, they will, almost certainly, **'help themselves'** to survive. If the wages within the revenue administration are substantially lower than in comparable positions outside, yet little staff turnover occurs, that should be reason for management concern.

### **Welfare**

Addressing staff welfare is also important in reducing staff's inclination to corrupt practices. One practical step is to recognise that staff may experience periods of financial difficulty, for instance caused by family medical bills. An accessible staff loan facility may help overcome this. Staff welfare is a particular issue in customs, as officers are often required to work either during anti-social hours (*shift work*), or at remote stations away from their families where offices are often rudimentary with poor living accommodation and harsh conditions.

### **Codes of conduct**

Revenue services should have a code of conduct. This might include rules about and declarations of outside business activities that present a possible conflict of interests, including those of close family members. Likewise, regular declarations of assets should be instituted and regularly cross-checked. Gifts and hospitality are a common issue of concern for revenue collectors, as they, by definition, have regular dealings with clients. Practices vary widely between countries and cultures, but the key is to define clearly what is permitted and what is not.



## Management

Managers can obviously have a marked influence on corruption. Staff may well tend to follow the good or bad examples set by managers. Managers should be encouraged to design and institutionalise checks and balances so that individual lapses are both more difficult to perpetrate and easier to detect. They should also require record-keeping of decisions, particularly in exercising discretion. The deployment of staff needs to be actively managed.

Staff should not be permitted to switch shifts, alter days off, or change their work location (*e.g. within a port or airport*) without the agreement of management. Managers must be alert to staff seeking to be **'in the right place at the right time'** in order to facilitate illegal acts (*e.g. smuggling by arriving friends or relatives*).



## Work relations

At a practical level, there are many steps that can be taken to **'disrupt'** corruption, such as the regular rotation of staff from risky locations and posts. In the office, access control systems (*e.g. key pads or swipe cards*) can be introduced to prevent staff from visiting areas where they do not work. Restricting the access of unofficial visitors is also good practice.

It is important to channel interactions between the client and the officer and to have **designated contact points for enquiries**. Importers and customs clearing agents should not be allowed to wander about in import entry processing areas, for example. Mobile phones are one way of maintaining corrupt relationships, and restricting the use of private phones in the office might be considered. Where visits to taxpayers, warehouses, or to importers' premises for post-clearance audits are required, they should generally be made by appointment. The mandatory recording of all contacts with the client is good practice. Managers should make occasional spot checks.

## Facilities and equipment for staff

Staff regard their working environment as particularly important for job satisfaction. Accommodation and working equipment are probably most important, as these can send a signal to staff on how they are valued. The revenue administration should provide the equipment that staff need to perform the job. In addition to computers, this implies – for example in the case of customs staff doing physical examinations – having available a selection of tools (*such as knives, mirrors, screwdrivers, etc.*). It is equally important that suitable transport arrangements be made when official duties require an officer to travel, including the use of public transport if available and safe, the use of personal vehicles, and the provision of official transport. Clients should not be permitted or required to provide for transport.

**Managers must be alert to staff seeking to be 'in the right place at the right time' in order to facilitate illegal acts (e.g. smuggling by arriving friends or relatives)**

## Operational procedures

All procedures in the revenue administration should be fully documented in procedure manuals and/or desk instructions, specifying both what is required and what is not required or permitted. A realistic segregation of duties can also help to deter corrupt practices. At all stages there should be personal accountability provisions and hand-over mechanisms with fully documented audit trails. This should include requiring signatures on all documents handled, safeguarding movement registers of goods (*electronic if possible*), and managerial signature requirements for amendments to accounts.



## Licensing and approvals

There must be transparent licensing and approval processes of agents, warehouses, etc., requiring applicants to meet clearly defined criteria. Clearing agents should have to pass an examination. Where importers are accredited, the approval process must also be transparent. The aim must be to reward good compliance with faster clearance times and lower administrative costs.

## Customs warehouses

Physical inspections and occasional stock taking are vital at all locations where duty free or uncleared goods are stored. These can either be supervised by managers or undertaken by special mobile task forces.

## Processing cases and documents

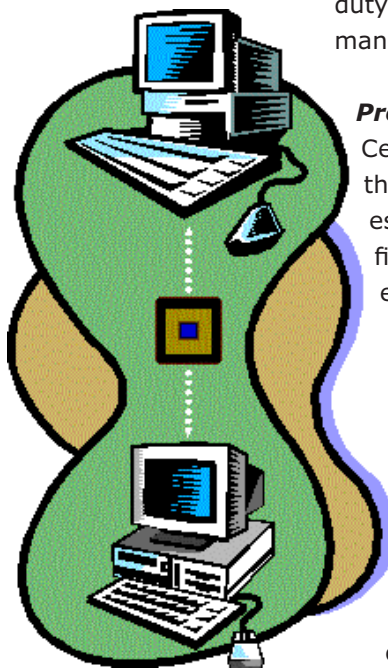
Centralised processing using keyed data and scanned documents can separate the processing officer from the client and make collusion more difficult – especially with the greater availability of electronic means of tax and customs filing. In customs, remote processing via the internet is feasible when, for example, clients submit customs entries electronically (*Direct Trader Input*).

Risk assessment methodologies should be used to modify procedures so that staff see only those documents that they need to review. In customs, such selection methods can be employed either to identify goods for checking or to specify the checks that are to be carried out. It is also effective to have random selections or reselections for quality control purposes.

## Payment mechanisms

Payment mechanisms should be transparent and made public. If possible, officers should not be permitted to accept cash tax payment in the field.

Ideally, all payments should be made by taxpayers directly to banks or by electronic means. Where cash payments are accepted, they should be made to a dedicated cash office. Where cheques are accepted as payment, they should be marked immediately upon receipt in order to avoid recycling (***stating the client's name as well as the tax identification number or customs entry number***).





### **Information**

Many internal frauds rely on taking the correct payment from the taxpayer or importer and only banking part of the remittance, typically in collusion with company employees, bank officers, and/or a revenue accountant. To make this harder to perpetrate, secure receipts are required. A further measure is to send electronic confirmations (*or periodic account statements*) directly to clients to verify the amount of remittance received.

IT systems are becoming more prevalent in revenue administrations and require careful design to help reduce the opportunities for corruption. Systems must have facilities for retrieving or monitoring records of queries made by individual members of staff. Information held by the administration, whether on paper or electronically, must be safeguarded. Managers should be aware of the possibility that information on business competitors might be sold to taxpayers or misused in other ways. Access to information should be controlled and records kept showing who accessed the information and when.

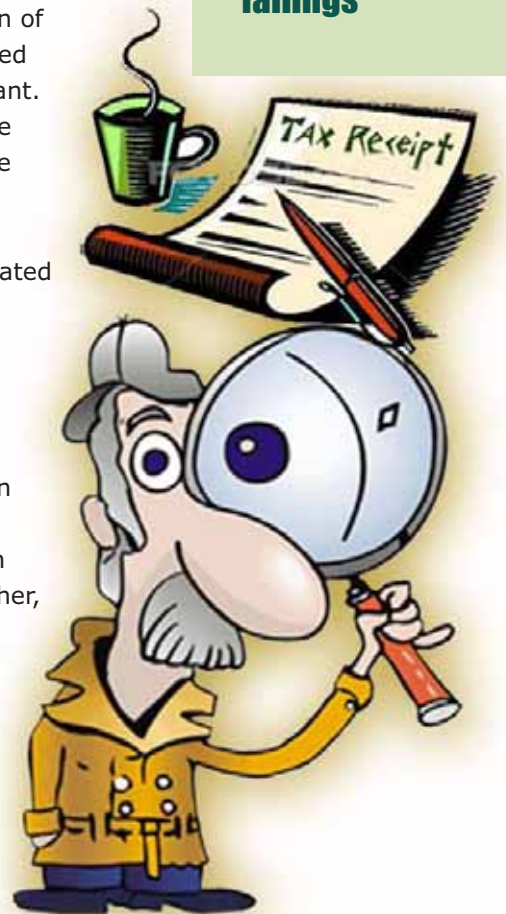
### **Service delivery**

Opportunities for malpractice are likely to be reduced by publishing procedures, rules, costs, and charges for services, **by establishing service charters**, and by making help-line facilities and enquiry centres available, as well as by establishing appeal procedures in case of complaints. Simplification of payment procedures and greater efforts on educating those involved in the transactions (*taxpayers, importers, agents*) are also important. If clients know what is required, and can do it unaided, they will be less motivated to pay revenue officers for assistance. An accessible and well-publicised channel for handling complaints on revenue administration is also important – this may be an independent adjudicator or ombudsman outside the administration, or a designated office within the administration itself.

### **Audits**

Fertile ground for the payment of bribes is provided when irregularities are discovered by auditors. It is important for managers to deploy teams to undertake specified tasks rather than to allow staff to **select their 'targets'**. For customs, there should be a programme of post-importation audits by staff not involved in entry processing, with audit cases being assigned at random. Further, there must be risk-based management controls over the conduct of the work, including accompanied or follow-up visits, and thorough checking of reports. It may also be necessary to have a programme of follow-up visits by an effective, risk-based, internal audit team supported by external audit controls.

**Most important... is to analyze trends, to learn from cases, and work aggressively to close loopholes or procedural failings**



## Internal investigation

It is crucial to have effective and skilled internal investigation teams with the sole purpose of conducting internal investigations. These investigators will need to understand tax or customs procedures thoroughly so that they are able to differentiate **'normal'** and **'abnormal'** behaviours. Effective links to other enforcement agencies, such as **anti-corruption**, can also help to detect acts of corruption.

When cases of corruption arise, it is essential that suspected staff be suspended immediately so that evidence is not compromised. Investigations should be mounted and brought to a conclusion swiftly. There should be equity with action taken against both senior and junior staff with no exceptions. Ideally, the revenue administration should press for court sentences and also seek sanctions against payers of bribes. The outcomes of cases should be published, both internally and externally.

To encourage people to come forward and give information, there should be an anonymous hotline for informers (*external and internal*). Rewards under a statutory basis can be a useful tool to encourage people to come forward. Most important, however, is to analyze trends, to learn from cases, and work aggressively to close loopholes or procedural failings.

## The role of donors

Donors have been active in supporting many revenue administrations, particularly in Africa, but also in some Latin-American countries. Technical assistance to tax administration modernisation programmes has contributed to computerisation of tax filing procedures and customs declarations, revisions and updating of legislation, and human resource management.

However, an essential part of any donor support programme should be the

development and implementation of an integrity plan. Without a structured approach, there are real and obvious dangers that technical support to capacity building will not be sustainable. This requires coordination between the involved donors to **avoid duplication** and inconsistencies.

Moreover, donor approaches have often overlooked the fact that reforming revenue administration – despite its many important technical aspects – is also a social and political process driven by human behaviour and local circumstances.

It is often a long and difficult transformation that requires civil servants and politicians to change the way they regard their jobs and responsibilities, including their tasks and their interaction with citizens.



**Corruption**

**...outcome of cases should be published, both internally and externally**



## CONCLUSIONS AND KEY STEPS

**Is it possible to stop corruption in revenue services?** In the short run the answer must, regrettably, be 'no'. Any officer considering corrupt practices will weigh up the possible gain (*the motive*) against the likelihood of being caught (*i.e. the risks*). The measures taken by the administration must therefore **seek to reduce the opportunities for gain**, while at the same time increasing the risks or obstacles inherent in the corrupt practices. If an officer comes forward **voluntarily**, some form of **amnesty** for past actions might be considered. While integrity enhancement or values and ethics campaigns can be useful, they are likely to fail if this key issue is not addressed.

Just as with many other areas of government or business, there is no golden key to solving integrity related difficulties in revenue administration. Instead, a range of actions is required.

### Areas worth highlighting include the following

- Staff must be carefully and fairly recruited (*references, etc., must be checked*), remunerated comparably to equivalent positions in institutions such as banks and the accountancy profession, and have realistic opportunities for career and income progression.
- Steps must be taken to instill in staff the importance of good integrity. Measures such as codes of conduct, asset declarations, etc., may reinforce this.
- Managers must be proactive, conduct desk and office inspections, design procedures and systems that deter integrity lapses and make them easier to spot.
- Strong internal controls and an effective internal investigation force are essential.
- Staff perpetrating corrupt practices must be dismissed and prosecuted.

***civil servants and politicians to change the way they regard their jobs and responsibilities, including their tasks and their interaction with citizens***





## BIT collection

# How popularly unpopular ?



**Wangdi Drugyel**  
*Deputy Commssioner*

**THE YEAR 2008 CAME WITH A BIG BANG** and with it my tenth year's gong sounded marking the ten grand years of my service in the Department of Revenue & Customs. And whenever I steal moments to look back in reminiscence of my nine years of completed services I can see a large figure of animosities looming against the backdrop of 3285 variously painted days. But I have taken to my heart and soul that I shall tread the remainder of my destined path, unperturbed. I take refuge in the popular Dzongkha adage, '*lekpe chog su tendrel zang ba yin phuensum tsogpa rangi jay bi chog,*' which replenishes in me solaces aplenty and rejuvenates my juvenile ecstasy. Whether my services were hunky-dory that merits applause, I leave it for my colleagues and my bosses to comment on. Nonetheless, I am always proud to be part of the revenue generating team for our government every single year. And I am sure my colleagues are no less proud in this regard.

## Each year we open up new pages in our diaries and my new chapter begins as...



It was raining quite heavily and the clouds threatened to blackout our way while my moonbeam silver Maruti 800 was fighting desperately to negotiate the ascent of the Radi-Phongmey feeder road. The rain had loosened up the soils, and frequent movement of the trucks had forced the pebbles out of their original positions. Several times she skidded sideways and refused to budge upward. But I had to coax her further up for we were on a special government duty, which of course should have been performed by a government vehicle. So, I gathered all my driving skills with the sole motive of maneuvering her and four tax officials, to the intended destination called Phongmey.

Several times she seriously faltered but triumphed with the grace of the *Kunchog Sum*. My three other colleagues, all buried into the loads of our paraphernalia, were seemingly tired out fighting back their seats against the loose baggage threatening to discomfort them. At least one of them had his face adorned with anger and another one exhibited anxiety blended with a certain degree of annoyance, the other one was relaxed and complacent with the '*I don't care if the heaven falls down on me*' attitude. My chest ached against the loud thumping of my restless angry heart. I was thinking, how come my friends missed the thumping sound which I thought was loud enough for the whole world to hear.

Upon reaching Phongmey we were greeted by a frowning shopkeeper, saying we never announced the dates of BIT collection this year. However, we were lucky that a lady shopkeeper backed our stance saying that she had heard that popular song 'wong bab wong bab...' coming on her radio. The same frowning shopkeeper had then started giving us dozens of reasons why his tax amount needed to be reduced this time from the previous year's tax. He began, firstly, secondly, thirdly, and so on. Our patience was tested but we passed the first test.

On our way back we visited a shop owned by a reasonably old but very fragile couple. The old man had gone out in search of work and the old lady was just lying down outside her dilapidated house. 'Abe!' We had to shout for her at least thrice to knock her out of her slumberous world. Her eyes opened up lazily in slow motion. She rubbed her eyes clean, so that she could get a better view of the sight that she was then presented with. She took her time to stand on her feet and waited for us to explain our purpose of intruding into her slumberous world.

She stood there solemnly with both her hands resting on either side of her hips with a menacing stare, not sparing a single one of

us. I thought she exuded a certain air of dignity in that position. All this time, only her eyes communicated with us while her lips never bothered to part. Upon introducing ourselves, she nodded her head slowly and uttered her first and, what were to be, her final words through her hoarse and feeble voice, "Ning thur kidu ning thur ngap ja gela. Dari kidu ge la."

Next we descended down to Khardung where our patience was yet again put to test by a man who

happened to have paid a reasonable amount of tax the previous year. But this time he argued that his previous year's tax was based on the purchase figure and that this time his purchase was meager and hence his tax needed to be reduced drastically. Whew! What a challenge!

The very next day we took on Rangjung, but the Rangjungpas took us for a ride, I thought. The very first taxpayer refused to yield to our demand

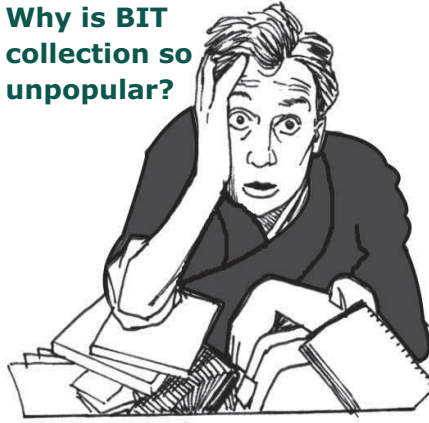
substantiating his stance with numerous untenable excuses. Then there was one man who had kept some records of sorts. Obviously he wanted us to honour his record, which showed his business running into loss by few thousands. Yes, we would have yielded to his demand if his set of so-called records were as per the requirement of our Income Tax law. Whats more, he had no bills to prove his claims, except for his verbal back up. Therefore, he only managed to take away our one hour's precious time.

And then there was a man threatening us with his intentions of going to the higher authorities in Thimphu for appeal. We allowed him to pour out all his pet grievances. Apparently he was a high-flier shopkeeper but one would have appreciated him a bit had his shop

matched his self proclaimed lofty stature. We left him alone with the demand notice and offered our good wishes for the success with his attempt in appeal.

By the time we were done with the last shop at Rangjung it was already half-past six in the evening... and Rangjung fell under the cover of darkness. My stomach sent me clear signals of its demand through frequent rumbling sounds. My poor feet were failing in their duty to stand my body weight. My mind, I thought, was losing its splendour quickly.

**Why is BIT collection so unpopular?**



***... we were lucky that a lady shopkeeper backed our stance - saying that she had heard that popular song 'wong bab wong bab (tax jingle) ...' coming on her radio.***

# BHUTAN CUSTOMS SEIZURE TREND 2008

***Non-declaration, mis-declaration or concealment of goods to the customs authorities is an offense as per the Sales Tax, Customs and Excise Act of the Kingdom of Bhutan 2000.***

***Most of the importers do not declare, mis-declare to evade taxes or to pay tax less than the actual amount payable.***

**The total seizure for the year is segregated into seizure on imports from India and seizure on imports from third country.**

In 2008, there were 551 seizure cases for the import from India and 62 cases of seizures from import from third countries. The total number of cases reported for the period was 631 amounting to total value of Nu15.10 million and total fines collected was Nu. 1.25 million<sup>1</sup>.

## ***Regionwise seizure***

RRCO Phuentsholing recorded the highest number of seizure cases during the year 2008. This was due to two reasons. Firstly, the region is the major entry/exit point which process around 80% of trade inflows and out flows every year. Secondly, it has an established vigilance/mobile units and strong enforcement system in place.

Out of 613 cases recorded 60% or 368 cases were reported from RRCO Phuentsholing followed by RRCO Gelephu at 25% or 153 cases, RRCO Samdrup Jongkhar at 15% or 91 cases, and RRCO Samtse at 0% or 1 cases.

## ***Seizure by goods type***

Out of 551 seizure cases recorded during the period for the import from India, 202 cases were tobacco and tobacco products 46 cases on textile and textile materials followed by 38 cases of betel nuts.. Among the top three items seized, tobacco products recorded the highest. However the seizure of tobacco products recorded a increase of 4% from 67% in the previous year to 71% during the year. This was mainly due to risk management and strong vigilance by the RRCOs.

## ***Seizure by offence type***

Out of 613 seizure cases reported for the year 2008, 53% or 323 cases detected were for non-declaration, mis-declaration or concealment by the importers to Customs Authority and 34% or 210 cases detected were for evasion of prohibition/restrictions/contraband items of such import of goods without prior approval/permits/authorizations from the concerned authorities.

<b>Region Wise Seizure</b>	<b>RRCOs</b>	<b>No. of Cases</b>	<b>%</b>
	Phuentsholing	368	60%
	Samdrup Jongkhar	91	15%
	Gelephu	153	25%
	Samtse	1	0%
	<b>Total</b>	<b>613</b>	<b>100</b>

<b>Top Five Items Seized</b>	<b>Description</b>	<b>(Amount in Million Nu.)</b>		
		<b>No. of Cases</b>	<b>%</b>	<b>Invoice value</b>
	Tobacco & Tobacco Products	202	71%	1.34
	Textile & Textile Materials	46	16%	0.20
	Betel Nuts	38	13%	0.29
	<b>TOTAL</b>	<b>196</b>	<b>100</b>	<b>1.82</b>

<b>Seizure by Offense Type</b>	<b>Offenses</b>	<b>No. of Cases</b>	<b>%</b>
	Non Declaration/Concealment	323	53%
	Evasion of Restriction/Prohibitions	210	34%
	Others	80	13%
	<b>TOTAL</b>	<b>439</b>	<b>21.12</b>

#### **Footnotes**

<sup>1</sup> The collection of fines was less than what was supposed to be collected because the confiscated goods like tobacco products were destroyed and there was no collection of fines.

# EU Statistics recorded at the external borders

source: ec.europa.eu/taxation\_customs



**In the category... counterfeit "Medicines," Switzerland was the main source followed by India and the United Arab Emirates**

**Statistics published in 19 May 2008 by the EU, relating to counterfeit and piracy indicate that cigarettes, clothing, cosmetics, personal care products, medicines and other goods that can seriously damage the health of consumers continue to be faked in large quantities.**

## Frequently Asked Questions

### Which are the most counterfeited articles?

More than 34% seized were cigarettes followed by clothing with 22%.

### What is the most counterfeited medicine?

Medicines for erectile dysfunction (Viagra) continue to be the most popular counterfeited medicines. Other serious medicines such as anti-cholesterol, anti-osteoporosis or medicines to control hypertension are also found as counterfeit medicines.

### In 2007, where did the counterfeit goods come from?

China remains the main source for counterfeit goods. For some product sectors, other countries were found to be the principle source of counterfeit articles. In the category "foodstuff and beverages", Turkey was the main source. Georgia was the main sources for "Cosmetics and personal care products," For the category "Medicines," Switzerland was the

main source followed by India and the United Arab Emirates.

### Which means of transport are most used to import fake goods into the EU?

Air and postal traffic accounted for almost 70 % of the total of all cases. Air/express courier and mail transport are transport modes known for smaller quantities. There was also a big increase in the number of Customs cases in road transportation. Due to the nature of the different types of transport, seizures involving sea traffic invariably lead to bigger quantities.

### Is the seizure of counterfeit products only a matter for customs authorities?

All seizures made globally are done by Customs as first line of defence. Customs are also the only enforcement agency assigned with a specific mission under the World Trade Organisation's Trade Related Intellectual Property Rights (TRIPS) Agreement.





# US 2008 STATISTICS

## Top five counterfeit producers

**U.S. Customs and Border Protection (CBP) and U.S. Immigration and Customs Enforcement (ICE) seizures in 2008 totaled more than \$272.7 million in counterfeit and pirated goods.**

The statistics reveal a dramatic rise in seizures of counterfeit products potentially threatening the health, safety and security of Americans. The domestic value of such seizures jumped more than **120 percent** to \$62.5 million and the number of these seizures climbed 50 percent to 1,950.

The enforcement agency focuses on **improving risk analysis** to enhance the capability to target and intercept shipments of fake goods while facilitating the flow of legitimate trade; identifying business practices linked to importing counterfeit goods and working with companies to change those practices.

For more details on the FY 2008 CBP, ICE intellectual property right seizures, visit the CBP website at

[www.ice.gov](http://www.ice.gov)

[http://cbp.gov/xp/cgov/trade/priority\\_trade/ipr/seizure/](http://cbp.gov/xp/cgov/trade/priority_trade/ipr/seizure/)

- 1** **China**  
\$221.6 million  
81%
- 2** **India**  
\$16.2 million  
6%
- 3** **Hong Kong**  
\$13.4 million  
5%
- 4** **Taiwan**  
\$2.6 million  
1%
- 5** **South Korea**  
\$1 million

# 15<sup>th</sup> Annual DRC General



# Meeting

*The Finance Minister Lyonpo Wangdi Norbu,  
Finance Secretary Dasho Lam Dorj and the  
Director with participants of the 15th AGM*

**10<sup>th</sup> Five year  
plan may face  
budgetary  
constraints  
due to the  
global financial  
crisis...the  
department  
to explore  
and propose  
proposals  
to enhance  
revenue  
generation  
policies**

*Finance Minister  
Lyonpo Wangdi Norbu*



# Customs and Excise Division **Issues**



- 1. Data capture in the interior checkpoint -HQ**
  - Customs officials should continue to capture and compile data at the interior check posts.
  - Customs and Tax divisions to work on improving the accuracy of the data captured.
- 2. Travel cost for officials posted in interior checkpoint**
  - All RRCOs having internal checkpoints to include travel cost in their respective budget proposals.
- 3. Joint construction of checkpoint with other border agencies**
  - The HQ to coordinate with other agencies on the construction of a common structure.
- 4. Difficulties related to the location of Rinchending checkpoint**
  - HQ to look into this matter immediately.
- 5. New Customs uniform - pant and shirt**
  - Proposal to be submitted to the ministry for approval from the cabinet.
- 6. Uniform for drivers- HQ**
  - The drivers to be provided with uniforms.
- 7. Disposal method of confiscated tobacco products**
  - Customs and Excise Division to follow up with other relevant agencies for taking appropriate action on such issues.
- 8. Disposal of confiscated secondhand goods**
  - The confiscated second hand goods to handed over to MEA.
- 9. Disposal of confiscated Indian registered vehicles**
  - HQ to refer to the RSTA Act, and see if there are provisions to release such vehicles after imposing fines and penalties.
  - RRCOs to be informed accordingly for necessary action.
- 10. Customs checkpoint at Rinchending, Pasakha**
  - As discussed in Q4.
- 11. Incentives for informers (non-disposable goods)**
  - HQ to discuss with other agencies on the payment of incentives - leading to seizure/ confiscation of restricted/ prohibited goods.
- 12. Which to implement - verification of engine and chassis number for the purpose of tallying the numbers on the invoice or for certifying whether old or new**
  - Customs to verify the numbers only for tallying purpose and not for certifying whether the vehicle imported is new or old.
- 13. Acute shortage of walkie-talkie sets**
  - The walkie-talkie sets to be issued to RRCOs on priority basis.
- 14. Strengthening the Lhamoy Zingkha checkpoint**
  - HQ to look at the overall staff strength of the division and work on reallocation of staff in consultation with RRCO Phuentsholing.
- 15. Excise - fixation of new price for liquors to be notified in advance**
  - HQ to notify all RRCOs in advance and confirm the receipt of the information.
- 16. The liquors vendors of Changmari, Bara,**



**Sipsu request, to be allowed to use the old route via Chamurchi**

- Since a lateral route exits from Samtse to the above places, the request is not endorsed.

**17. Replacement of staff transferred from BWH Samtse**

- Regional offices to conduct manpower requirement exercise and submit the report to DRC HQ for necessary action.
- RRCO Samtse to make internal arrangements for the staff transferred from the BWH to Kolkata.
- HQ to follow up on the same.

**18. Should Customs accept challans issued from the gate/exit point for entry of the data in the BACS System**

- Only export by farmer without challan to be allowed.
- Customs role in the checkpoint to be limited to issuance of declaration form and not issue challans on behalf of FCB.

**19. Establishment of commercial checkpoint at Darranga, Assam**

- Not endorsed.
- It could lead to a lot of problems on the movement of Bhutanese transport goods vehicles.

**20. Checkpost staff to be familiarized with international treaties, agreements etc.**

- The offtg. training coordinator to work on the proposal for establishment of Training Center in the Ministry.



**LIAISON & TRANSIT OFFICE  
KOLKATA**

**1. Status of Liaison and Transit office staff upon setup of Consulate Office**

Status quo shall be maintained.

**2. Implementation of revised Customs Clearance procedures as per agreement on Trade and Commerce between the Government of the Kingdom of Bhutan and the Government of India**

- DRC HO shall write to the Chief Commissioner of Customs Kolkata and request for speedy implementation of the new procedures.
- The Liaison and Transit Office, Kolkata to liaise and deliver the letter and explain the position of the Department.

**3. Maintenance of property (Vehicle)**

- The Liaison and Transit Office to submit notesheet for supplementary budget with full justifications.

**4. Release of quarterly budget**

- The Liaison and Transit office to submit accounts on time and tie up with the Adm, DRC and the concerned accounts personnel in the Ministry.



**1. Follow up on the decentralization of Refund Procedures**

- Implement the decentralization of refund by first quarter 2009. Further, all pending refund cases with DRC to be processed by the respective divisions as per existing procedures.
- Revenue Accounts and Audit Section in all the regions shall be responsible for conducting the post audit for refund.

**2. Task Force Committee members to be identified and decided for the Amendment of Sales Tax, Customs & Excise Act of the Kingdom of Bhutan 2000. (the matter is felt urgent since the management at DRC HO has decided the first draft to be ready by end of February 2009)**

- The floor was informed that Task Force Committee for amendment of Sales Tax, Customs & Excise Act of Kingdom of Bhutan 2000 has been formed.
- Task Force members instructed that amendment of the Act should be carried out in conjunction with the Rules.

**3. Funding for Workshops, Trainings etc. related to Sales Tax System development**

- Division heads at Head Office to discuss budget status and to maintain uniformity of fund allocation for all divisions.
- For the purpose of the upcoming ST workshops, the Training Centre shall provide fund adjustment from the existing fund balance for the Sales Tax Division.

**4. Standardized seals for the ST Division and sections in the RRCOs**

- The samples to be provided by STD, DRC/HO and orders to be placed by the administration division and distributed to all STS of RRCOs.
- Other Divisions under the DRC to also follow suite in standardizing their seals.

**5. Issues on Hotels**

To be deliberated in ST Workshop.

**6. Approval on decisions made during 2<sup>nd</sup> Sales Tax Meet**

*6.1. Determining the actual amount for levying 10% ST on hotels/restaurant in case of multiple tariff rates imposed on different customers.*

- To be further reviewed.

*6.2. Can Sales Tax be levied on catering services of the hotel, even if it is not registered as sales tax collecting agent?*

- All catering services across the board to levy 10% ST whether registered as STCA or not, with effect from July 1<sup>st</sup> 2009.
- Notification to be circulated by STD DRC HO.
- STD DRC HO to institute the mechanism for deposit procedures (2% TDS & 10% ST to be highlighted).

*6.3. GP Chp.4 provision 16 Ka proposed for change in the ACT since the penalty is heavy and difficult to implement.*

- Not approved, since it involves policy issues and change in the ACT.

# Issues

## TAX ADMINISTRATION DIVISION



### 1. Update and follow-up on 8<sup>th</sup> Tax Officer's Meet

A brief presentation on updates on the major issues discussed during the 8<sup>th</sup> Tax Officer's Meet and the decisions taken thereof. The members were also informed on the status of follow-up action taken.

### 2. Information sharing

Recognizing the importance of "Information sharing" in the department, Tax Administration Division submitted a proposal for setting up a information sharing system for aiding field assessments and fraud detection.

- To be instituted, sooner rather than later.
- Since other divisions were not very forthcoming in taking up this initiative on an immediate basis, the tax administration division volunteered to take the lead role in instituting the unit.
- Since the tax administration division is currently understaffed, assistance in terms of both human and financial resources would be required from the department in order for the unit to be fully functional.

### 3. Issuance of departmental ID card

- To be discussed with administrative issues.

### 4. Decentralization of issuing TCC for local government election

- Guidelines on the issuance of TCC were ready and would be sent to the RRCOs for implementation.

### 5. Update on the TDS integration with BAS

- TDS integration with BAS completed.
- The integrated system will be implemented only after DPA implements upgraded version 10 BAS in all dzongkhags.

### 6. Update on PIT return Form

- The floor was informed that 50,000 copies of PIT forms were printed .
- The introduction of e-filing this year is also expected to reduce the requirement of pre-printed forms in the egiens.

### 7. Update on E-filing

- E-filing ready for implementation from 1<sup>st</sup> of January 2009.
- E-filing is intended to provide better taxpayer services and to reduce the work of punching in the data by the tax officials.

### 8. Reviewing of penal provisions while revising Income Tax Act

- The penal provisions to be reviewed at the time of revision of the Act.

### 9. Education allowance for children studying outside the country to be allowed Nu. 50,000 on lump sum basis based on proof of child studying. (RRCO, Samtse)

- Education allowance to remain as per the existing practice of submitting supporting documents for expenses claimed for this year filing.
- The department to look into allowing education allowance as proposed possibly from the next income year.

### 10. Discussion on possibility of changing the income year to follow the financial year

- Shall remain as status quo.

## **1. Presentation of the revenue performance over the last 27 years - analysis of revenue growth in order to determine future developments.**

### **The 10<sup>th</sup> FYP projections also presented**

- Presentation very informative and the analysis on revenue growth and buoyancy to be presented in future AGMs.
- HQ to provide information on GDP, budget and the resource gap to the regions for the period since 2000. Such information useful while attending meetings with stakeholders, agencies in the Dzongkhag.

## **2. Presentation of revised revenue targets for 2008-09 and the 1<sup>st</sup> quarterly status for the current year as of October 2008**

- A committee to be formed for developing new measures for revenue mobilization.
- Regions to monitor the revenue collection on a monthly basis as per the format given during the revenue forecasting workshop.

## **3. Status on refund decentralization**

- Decentralization of refund to be implemented from July 2009.
- IT and the Revenue Accounts & Audit Division to jointly conduct the trainings from January 2009.

## **4. New Direct Deposit System**

- The Direct Deposit invoice put up for endorsement.
- Direct deposit to be implemented after sensitization workshops are carried out.
- Sales Tax Sections in the RRCOs to conduct the sensitization workshop from January 09.
- Denominations printed in the form needs to incorporate Nu.1000.

## **5. Revenue Audit status**

- Regions to carry out a proper study reflecting the actual outstanding balance and then take it up with the Royal Audit.
- Issues due to administrative lapses to be resolved during the Audit Exit conference.
- The issue on old memos pertaining to 1993 was raised. All regions to do follow-ups and updates every three months and to share this information with the head office.

## **6. Rescheduling of revenue meet**

- Except for Revenue meet, from 2009, all other division meets to be stopped and instead, an *Annual General Meeting* of longer duration may be held.
- The number of participants will not be limited and the number of days for the meeting to be increased.

## **7. Requirement of additional cashiers for main checkpoint cash counter.**

- Region to re-look at the manpower structure
- Get back to head office for further review and follow up with ministry.

## **8. Issue on incentives for staff working overtime in the field**

- Regions to work out the number of people who are working overtime - including the duration.
- Submit a report to head office for onward submission to ministry.

## **9. TDS procedures**

- Some Withholding Agencies unhappy with the rule on depositing the TDS revenue on the next working day, and have requested for more flexibility.
- Since the TDS manual has been recently implemented, no changes to be made in the rules.





## IT SECTION

### 10. Need for revenue act/rules along with compiled fees/charges and other revenue for auditing/monitoring

- Revenue audit manual which is being updated and the draft manual which will be in place by three months, will address the issue of monitoring of non-tax revenue.
- Revised fees and charges submitted to the ministry for further instruction.

### 11. Rules/regulations for rural life insurance

- Draft report to be circulated and shared with the head office for onward submission to ministry.

### 12. Requirement for Revenue Auditor

- It was informed that the requirement for officers have been reflected in the 10<sup>th</sup> plan.
- As an internal measure staff to be reshuffled wherever required.

### 13. Requirement for replacement of transferees

- It was decided that the replacement of transferees will be considered.

### 14. Revenue account heads review

- Re-classification and review required to incorporate the changes in the government setups and also the nature of revenue sources.

### 15. Jurisdiction of new RRCO in Bumthang

- The agencies under Bumthang, Trongsa and Zhemgang dzongkhag to be under new RRCO Bumthang.
- For the current fiscal year the target to be still kept with the Gelephu region.

### 1. Presentation of workplan 2009 including DRC Network Plan to connect

#### Head Office with Regional Offices

- Tax Administration Division requested the IT section to include the long pending enhancement issue in RMS/TMS in their workplan for 2009 .
- IT section agreed to discuss the issue in the upcoming IT Forum.

### 2. IT official for LTO Kolkota

- To be further discussed with concerned authorities.

## Sales Tax, Customs & Excise Act of the Kingdom of Bhutan 2000

## Rules to the Sales Tax, Customs & Excise Act of the Kingdom of Bhutan 2000

## Amendments, revisions and printing to be done in 2009

- ▶ Strong demand for the above publications from taxpayers, companies and agencies
- ▶ The Act and Rules printed in 2000. Printed copies exhausted.
- ▶ Over the years many changes have been implemented and it is impractical or logical to reprint the rules.

### REQUEST FROM Public Information Services

# ADMINISTRATION ISSUES

## 1. Departmental ID cards

- To be taken up immediately as soon as designations of the officials of the department are finalized.
- Improve the quality of the Dept. ID cards.

## 2. Vacancy announcement for the post of Head, Sales Tax Section under RRCO Phuentsholing

- Post will not be advertised.
- Upto P2 level is broadbanded and ministry will appoint the candidate for the post.

## 3. ST personnel in other regions are recommended to be attached with Sales Tax Section, RRCO Phuentsholing and Paro for a period of one month, to acquire experience in handling Hydro Power import issues, Point of Sale (PoS) and Hotel Services Sales Tax functions and responsibilities

- Paro, Samtse, Phuentsholing and Gelephu regions to coordinate in the attachment of the officials in consultation with the division heads.
- Tailor made or induction courses to be explored but budget need to be sourced for such courses.

## 4. Vacancy announcement for P3/Dy. Commissioners & above position in RRCOs.

As discussed under point 2

## 5. Instructions to handover the present Customs checkpost office to other agencies.

## 6. The full legal ownership of two plots (Existing RRCO office and land occupied by RC) remains unregistered in the records by PCC whose records states that the above plots are already earmarked and reserved for other constructions

## 7. Efforts to retain the old RRCO office building to be made. In future it would alleviate space/storage problems and can also be used as inspection shed/ warehousing/ record keeping with increase in imports

## 8. Information on the new RRCO building construction

*Points 5, 6, 7, and 8 to be taken up with Secretary, Ministry of Finance and Director General of Department of National Properties.*

## 9. Compulsory posting to other regions before posting to Thimphu

- To be in effect from January 2009 as the transfer list for 2008 is already out.

## 10. Submission of points for AGM discussion

- AGM points must be submitted at least 2 weeks before the AGM to all RRCOs along with guidelines on nominating the participants.

## 11. Review Meeting

- Conduct a one day review meeting of the plans and activities to assess the progress.
- To be conducted 6 months after the AGM.

## 12. Creation of Follow-up Division/Section of court cases at DRC Head Office

- In absence of legal officer, the head office will look into the matter.
- However, it has to be looked into two parts like *Follow up Division* for all the pending cases and *direct prosecution* by the court.

## 13. Customs Uniform

- As per Customs point 5.

## 14. Revival of military training to customs officers & inspectors

- Training coordinator to follow up.

### **15. Employees of ESP category**

- Recruitment of ESP and GSP will be decentralized to Regional level shortly.
- HQ to maintain status quo for the time being.

### **16. Training**

- HQ clarified that for any training it is not a one man's decision. Normally training nominations are routed through respective RRCOs but during certain times when the deadline for submission of required documents is about to lapse, direct nominations need to be done.
- For ex-country trainings, consultation has been made at highest level. Government of India, NACEN have agreed in principle which will be followed up again.
- CHRO informed the meet that in-country training in RIM will be looked into provided there is budget.
- Training on cost sharing basis to be explored in consultation with CHRO.
- Training Coordinator to follow up on the initiatives taken by ALTO on the training issues.

### **17. Irregular Audit by RAA**

- Adm. Section of DRC to write to Royal Audit requesting to conduct the audit annually.

### **18. Additional staff to handle LC accounts**

- To adjust within the approved and allocated manpower.

### **19. Transfers to be applicable to all sections and not be confined to Tax, Customs & Excise sections**

- Transfers will be applied to all sections from 2009 although government may incur huge expenditure.

### **20. Status of providing opportunities for inspectors to pursue further education**

- Regional Commissioners to ensure that the nomination are done properly.

- Officials to ensure that the institute is recognized by RCSC and the certificate is a valid one.

### **21. Long-term vision for the Training Center and acquiring RCSC recognition for the certificates issue thereof**

- CHRO, Ministry of Finance to continue to follow up for upgradation of the training centre with RCSC

### **22. Strengthening Acts and Rules to address the existing vulnerability of staff to prosecution at an individual level.**

- Drafting committee to look into such provisions.

### **23. Land tax for government institutions**

- RRCO, P/Ling to circulate the circular which states that land tax for government institutions need not pay land tax.

### **24. Representation of Accounts/Administrative personnel of DRC during the budget meet.**

- Administration Section of DRC to write to Director, DNB requesting to consider and inform DRC/RRCOs about attending the budget meet.

### **25. Refresher course in-country/ex-country training in regard to office management and human resource management**

- Course need to be looked into and accordingly proposed depending on the budget.

### **26. Status of weigh bridge personal**

- Request to be re-designated as Customs official as they are part of customs.
- Administration Section of DRC to write to RCSC for special consideration through Chief HRO.

## PCS definitions

# PROMOTION

**Vertical movement in a civil servants career to fill in a higher position vacancy with a new position title and corresponding pay**

## Broad-banded position

A position that is linked to one or two other higher or lower positions in the same occupational group that require same minimum qualification and are similar in purpose, roles and responsibilities

## Competitive Selection Process

Anyone is free to apply and compete for a vacant position as long as he/she fulfils the eligibility criteria, which shall be advertised to ensure fair and transparent process

Sl. No.	Name	Designation	Position	Date of Promotion
<b>DUTY FREE SHOP, Thimphu</b>				
1	Dago Tshering	Adm. Assistant III	14(ASC)S5A	1.7.2008
<b>Liaison &amp; Transit Office, Kolkotta</b>				
1	Mr.Tandin Dukpa	Customs Inspector III	XII (ASC)S3A	1.7.2008
2	Mr. Sonam Dorji	Customs Inspector III	XIII (ASC)S3B	1.7.2008
<b>RRCO, Thimphu</b>				
1	Chuki Lhamu	ICT Technician II	11(SSC)S2A	1.7.2008
2	Anok Kumar Rai	Dy Commissioner	VI (AC)P3A	1.7.2008
3	Tez Bdr. Darjee	Revenue Inspector III	XII(ASC)S3A	1.7.2008
4	Bumpa Lhamo	Asst. Commissioner	7(AC-15)P4A	1.7.2008
5	Chhophel	Customs Inspector III	XII(ASC)S3B	1.7.2008
<b>RRCO, Paro</b>				
1	Sonam Dorji	Dy. Commissioner	VI(ASC-25)P3A	1.1.2008
2	Karma Pelchen	Customs Officer	8(ASC)P5A	1.1.2008
3	Deki Gyamtsho	Customs Officer	8(ASC)P5A	1.1.2008
4	Tshering Dorji	Customs Officer	IX P5A	1.7.2008
<b>RRCO, Phuentsholing</b>				
1	Phuntsho Gyeltshen	ICT Technician II	X(SSC-20)S2A	1.7.2008
2	Ugen Tenzin	Driver I	15(TOC)O2A	1.7.2008
3	Sangay Wangmo	Driver II	16(TOC-30)O3A	1.7.2008
4	Sangay	Messenger	GSP(I)	1.7.2008
5	Tshering Pem	Messenger	GSP(I)	1.7.2008
6	Kencho Dorji	Asstt. Commissioner	7(AC-15)P4A	1.7.2008
7	Jyoti Sada	Tax Inspector II	X(ASC)S2A	1.7.2008
8	Bishal Rai	Dy. Commissioner	VI(AC-15)P3A	1.1.2008
9	Dorji	Revenue Inspector III	X(ASC)S2A	1.7.2008
10	Karma	Customs Officer	8(ASC)P5A	1.1.2008
11	Chador Tshering	Customs Inspector III	12(ASC)S3B	1.7.2008
12	Karma Deling	Customs Inspectot III	12(ASC)S3B	1.7.2008
13	Tshering Tobgay	Basic Operator I	XIV(ASC)O1A	1.7.2008
14	Kinley Wangmo	Basic Operator I	XIV(ASC)O1A	1.7.2008
15	Kush Chhetri	Asst Commissioner	7(AC-15)P4A	1.7.2008
16	Dechen Zam	Customs Officer	8(ASC)P5A	1.1.2008
17	Dorji Khandu	Customs Inspector III	XI (ASC)S3A	1.1.2008
18	Tsheten Dorji	Customs Inspector II	X(ASC)S2A	1.7.2008
19	Lhap Tshering	Customs Inspector III	12(ASC)S3B	1.7.2008
20	Kesang Jigme	Customs Inspector III	12(ASC)S3B	1.7.2008

#### RRCO, Gelephu

1	Tshewang Tashi	Regional Commissioner	IV(AC-15)P1A	1.1.2008
2	Yam Bdr. Gurung	Revenue Inspector II	X(ASC)S2A	1.7.2008
3	Sangay Wangmo	Revenue Inspector III	12(ASC)S3B	1.7.2008
4	Indraman Rai	Customs Inspector III	XII(ASC)S3B	1.7.2008
5	Kezang Dorji	Customs Officer	8(ASC)P5A	1.1.2008
6	Dorji Wangchuk	Customs Inspector III	XI (ASC)S3A	1.1.2008
7	Yeshey Tshering	Customs Inspector III	XII(ASC)S3B	1.1.2008
8	Dorji Thinley	Customs Inspector III	XIII ASC S3B	1.7.2008
9	Dawa Penjor	Customs Inspector III	XIII(ASC)S3B	1.7.2008
10	Sherub Gyeltshen	Customs Inspector III	XIV ASC S3D	1.7.2008
11	Karma Chogyel	Inspector III	XII (ASC)S3A	1.7.2008

#### RRCO, Samtse

1	Sangdrup	Driver II	XVI(ASC)O3A	1.1.2008
2	Kinley Wangmo	Asst. Commissioner	VII (AC)P4A	1.7.2008
3	Leki Tshering	Customs Officer	VIII(ASC)P5A	1.7.2008
4	Kuenzang Thinley	Customs Inspector III	XII S3B	1.1.2008
5	Karma Dorji	Customs Inspector III	XII(ASC)S3B	1.7.2008
6	Passang Lepcha	Customs Inspector III	XII(ASC)S3B	1.1.2008
7	P.T.Lepcha	Customs Inspector III	11(ASC)S3A	1.7.2008
8	Pema Jamtsho	Customs Inspector III	XIII (ASC)S3B	1.7.2008
9	Tashi Penjor	Customs Inspector III	12(ASC)S3B	1.7.2008

#### RRCO, Samdrup Jongkhar

1	Tashi Wangchuk	Revenue Officer	8 P5A	1.1.2008
2	Mr. B.B.Tamang	Customs Inspector III	XIV (ASC)S3B	1.7.2008
3	Dawa Norbu	Customs Inspector III	XIII(ASC)S3B	1.7.2008
4	Nima	Customs Inspector III	XIV(ASC)S3B	1.7.2008
5	Namgay Tenzin	Basic Operator I	14(ASC)O1A	1.7.2008
6	Wangda	Basic Operator I	14(ASC)O2A	1.7.2008
7	Sankha Man Subbha	Customs Inspector III	12(ASC)S3B	1.7.2008
8	Sonam Jamtsho	Tax Inspector III	11(ASC)S3A	1.1.2008

#### RRCO, Mongar

1	Jit Bdr.Tamang	Regional Commissionar	IV AC-15 P1A	1.1.2008
2	Tashi Raptan	Customs Officer	8(ASC)P5A	1.1.2008
3	Dechen Drukpa	Customs Inspector III	XI S3A	1.1.2008

#### RRCO, Bhumthang

1	Khandu Dorji	Customs Inspector III	XI (ASC)S3A	1.1.2008
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#### Adm, Finance & Pool

1	Pema Yangzom	Personal Assistant III	XIV(25)S5B	1.1.2008
2	Passang Tshering	Accounts Assistant III	XII(25)S3A	1.7.2008
3	Tshewang Dorji	Accounts Assistant II	X(ASC)S2A	1.7.2008
4	Pema Dekar	Asst. Commissioner VII	(AC)P4A	1.7.2008
5	Phuntsho Dorji	Asst. Commissioner VII	(AC)P4A	1.7.2008
6	Sonam Tenzin	Joint Commissioner (Tax)	V(AC-15)P2A	1.1.2008
7	Gyeltshen (P)	Dy. Commissioner	6(AC-15)P3A	1.1.2008

<b>Mr. Chhimi Dorji</b> Customs Officer	Fellowship Programme for Senior Officers of Customs AKMAL, Malaysia. 24 March - 19 April <i>Funded by MTCP</i>
<b>Mr. Pema Wangchuk</b> Customs Officer	Course for Senior Customs Officers on Commercial Fraud AKMAL, Malaysia. 5-17 May <i>Funded by MTCP</i>
<b>Ms. Rinzin Pemo</b> Customs Officer	Port Management Singapore. 21 May - 3 June <i>Funded by SCTPA</i>
<b>Sunil Bahadur Rai</b> Customs Officer	WIPO AP Regional Symposium on the Protection and Enforcement of Intellectual Property Rights in Combating Counterfeiting and Piracy Kuala Lumpur, Malaysia. 24 - 25 Jan <i>Funded by WIPO</i>
<b>Mr. H B Gurung</b> Commissioner	12th WCO Regional Conference of Heads of Customs Administration New Delhi. 14 -17 April <i>Funded by RGOB</i>
<b>Mr. Chewang Jamcho</b> Dy. Commissioner	12th WCO Regional Conference of Heads of Customs Administration New Delhi. 14 -17 April <i>Funded by RGOB</i>
<b>Mr. Sonam Gyaltsen</b> Asst. Commissioner	SAPTA COE Meeting New Delhi  SAARC Sub group on customs cooperation Kathmandu, Nepal. 8 - 9 July <i>Funded by RGOB</i>
<b>Mr. Jigme Dorji</b> Asst. Commissioner	BIMSTEC Meeting New Delhi
<b>Mr. Choyzang Tashi</b> Director	111/112 WCO Council Sessions Brussels, Belgium 26 - 28 June  Regional Workshop on Corporate Risk Management Hongkong July 29 - Aug 1 <i>Funded by CCF/WCO</i>
<b>Mr. Karma T. Dardor</b> Dy. Commissioner	111/112 WCO Council Sessions Brussels, Belgium 26 - 28 June
<b>Mr. Rinchen Tshering</b> Customs Officer	Road Show to India and Singapore for the IT Park development in Bhutan Bangalore, India and Singapore June <i>Funded by World Bank</i>
<b>Ms. Selden</b> Customs Officer	X-ray Scanner Image Analysis Wokshop Melbourne, Australia. 31 March - 4 April <i>Funded by CCF/WCO</i>
<b>Mr. Phuntsho Gyeltshen</b> IT Technician	2008 IT Conference and Exhibition Seoul, Korea. 23 - 25 April <i>Funded by Irish Fund</i>
<b>Mr. Pema Wangchen</b> Asst. Commissioner	Customs Modernization and Management Singapore. 3 - 9 June 2008 <i>Funded by SCTPA</i>
<b>Mr. Tharchin Lhendup</b> Jt. Commissioner	Regional Workshop on Illicit trade in Tobacco Products New Delhi. 15 -16 September. <i>Funded by WHO-SEARO</i>  Regional Enforcement Network Meeting on Control of ODS Thailand. 24 - 26 September. <i>Funded by UNEP</i>  Dialogue on the Enforcment Issues on ODS Nepal. 23 - 24 October. <i>Funded by UNEP</i>
<b>Mr. Kush Chhetri</b> Ast. Commissioner	Administrative Meeting of RILO Mongolia. 10 - 12 September. <i>Funded by RGoB</i>
<b>Mr. Zamtsho Tshering</b> Regional Commissioner	WIPO AP Regional Symposium on the Protection and Enforcement of Intellectual Property Rights in combating Counterfeiting and Piracy. Thailand. 8-10 September <i>Funded by WIPO</i>
<b>Mr. Phuntsho Dorji</b> Asst. Commissioner	Intellectual Property Rights Japan. <i>Funded by ROCB/WCO</i>
<b>Ms. Pema Dekar</b> Asst. Commissioner	18th WCO AP Regional Contact Points Meeting Seoul, Korea. 4 - 7 November. <i>Funded by RGoB</i>
<b>Mr. Karma Pelchen</b>	15th Capacity Building Seminar Seoul, Korea. 25-28 November. <i>Funded by Korean Customs</i>
<b>Ms. Tshering Dem</b> Asst. Commissioner	WCO Regional Seminar on Development Partnershp with IP Rights Holders Shanghai Customs College, China 1 - 5 December. <i>Funded by CCF/WCO</i>
<b>Dorji Khandu</b> Customs Inspector III	Regional Seminar on Environmental Border Protection for the AP Sanya, Hainan Province, China. 18-22 November. <i>Funded by RILO</i>

## STUDY TOUR, THAILAND

May 28-June 5, Funded by Danida

**Mr. Kezang Dorji**

Regional Commissioner

**Mr. Phuntsho Tobgay**

Commissioner Sales Tax Division

**Ms. Tshewang Tashi**

Regional Commissioner

**Mr. Tenzin Norbu**

Regional Commissioner

**Mr. Sonam Tenzin**

Joint Commissioner

Tax Administration Division

**Ms. Kaysang W. Samdup**

Chief

Public Information Services

## TRAINING

### Direct Taxes Regional Training Institute, Kolkota

Dec 12- 26, Funded by Danida

**Ms. Mindrel Zangmo**, Revenue Officer

**Ms. Tshering Choki**, Revenue Audit Inspector

**Ms. Lali Maya Tamang**,

Revenue Audit Inspector

**Ms. Rinchen Dema**, Revenue Audit Inspector

**Ms. Ugyen Lhamo**, Revenue Audit Inspector

**Ms. Joti Sada**, Tax Inspector

**Mr. Indra Bdr. Rai**, Revenue Audit Inspector

**Mr. Karma Gyeltshen**,

Revenue Audit Inspector

**Mr. Sangay Tenzin**, Revenue Audit Inspector

**Mr. Tshewang Norbu**, Revenue Audit Inspector

**Mr. Namgay**, Revenue Audit Inspector

**Mr. Dawa Tshering**, Revenue Audit Inspector

**Mr. Jigme Dorji**, Revenue Audit Inspector

**Mr. Yeshey Norbu**, Tax Inspector

## MASTERS PROGRAMS

Mr. Ugyen Chopel

Australia. 2008-2010

Mr. Sherab Chojey

Singapore. 2008-2009

Ms. Yeshey Lham

Thailand. 2008-2010

**“sneak peek”** at what awaits the Bhutanese customs as it progresses into a future of paperless clearance and risk management



**Observations** pages 48 to 53



*Senior management officials of DRC with counterparts of Thai Customs*





*Kaysang W. Samdup*  
Source:  
Study Tour  
Revenue Department, Thailand

*Jantima Sirisaengtaksin*  
Online report on Thailand's e-filing strategy





# e-filing in Thailand

**e-services such as e-filing and payment through the internet; is a complete life cycle of electronic services starting from tax return filing, tax payment, and tax data processing.**

**Everybody can pay with e-payment, ATM, tele-banking, m-banking, Internet Banking and as well as at counter services of convenience stores such as 7eleven. People can also pay at post offices and banks.**

The e-filing payment can be accessed by anybody, anytime and anywhere in the world. And this is why Thailand's e-filing has been successful with an increased utilization rate of 1% to 72.3%.

For the systems to work, the user only has to register, and the department can provide the agreement of e-filing and give the citizens their user ID and password. With their user ID and password, taxpayers can use the services for e-filing and payment; contact a bank to apply for tax payment service by using a bank's electronic system.

Their most successful accomplishment is that they have trained RD staff to understand e-filing and payment objectives, benefits and procedures so that they are able to explain and help taxpayers to use this service. Their promotion campaigns which were broadcast on various mass media (TV, radio and newspaper) and used strategic personalities such as the *Prime Minister* to promote e-filing.

## Objectives

- To strengthen the efficiency of the tax collection system
- To increase options for tax filing and payment
- To raise the quality and accuracy of information
- To support e-government policy
- To provide better service by reducing work procedures
- To decrease costs to both taxpayers and the revenue department

## Benefits to the taxpayer

- Cost and time savings
- Savings in document storage due to e-document
- Being able to file returns everyday during office hours and after office hours (4.30pm to 10.00pm)
- Taxpayer data can be checked by computer programs
- Tax refund is quicker. If one pays the tax with e-payment system the refund is done within 15 days.

## Benefits to the revenue department

- Savings in time and cost to receive tax returns, to record data, and to examine output
- Better response to the needs of the public by providing services that are convenient, rapid and economical
- Conforms to e-government policy
- Reduces work procedures
- Creates a good image for the revenue department



# Free Zone Program

designed to stimulate economic growth and development

**The Free Zone Program** promotes competitiveness by encouraging companies to maintain and expand their operations in Thailand by removing certain disincentives associated with manufacturing. The Thai-based manufacturer finds itself at a disadvantage compared with its foreign competitor when it pays a higher rate on parts, materials, or components imported for use in a manufacturing process.

The Free Zone program corrects this imbalance by treating products made in the Zone, for the purpose of tariff assessment, as if it were manufactured abroad. At the same time, the country benefits because a Zone manufacturer uses Thai labor, services, and inputs.

## The Advantages of Using a Free Zone

A few of the benefits are listed below

### Relief from Import and Internal Taxes/Duties

Imported merchandise, removed into or manufactured in a Free Zone for industrial or commercial operations or any other operations involving economic growth and development, is not subject to import taxes and duties.

### Relief from Export Duty on Re-Export

A Free Zone is considered to be outside Thailand and Thai Customs territory. Accordingly, when foreign merchandise is brought into a Free Zone, no taxes and duties is owed until the merchandise leaves the Zone and enters Thailand for consumption. If the imported merchandise is re-exported to other countries, no Customs duty is charged.

### Relief from Standard/Quality Control Requirements

Merchandise or domestic raw materials removed into a Free Zone for manufacturing, mixing, assembling, packing, or any other operations is relieved from standard/quality control requirements or any other similar requirements; provided that such merchandise is re-exported to other countries.

### Duty Exemption on Waste, Scrap, and Yield Loss

If the processor or manufacturer is conducting its operations within a Free Zone environment, the merchandise is not considered imported, and therefore scrap, waste, or yield loss from an imported component is exempted from import and internal taxes and duties, if applicable.

### Eligible for Export Tax Refund/Exemption Schemes

Merchandise entitled to export tax refund/exemption schemes when exported qualifies for such schemes after it is removed into a Free Zone.

### Assessment of Duties and Taxes

Normally foreign merchandise removed into a Free Zone is relieved from import and internal taxes and duties. However, Customs specifies the activities to be taken into consideration for the purpose of determining the value and quantity of goods and the rates of applicable duties and taxes if the merchandise is removed from the Zone for domestic consumption.



# Hi-Tech Industrial Estate, Thailand

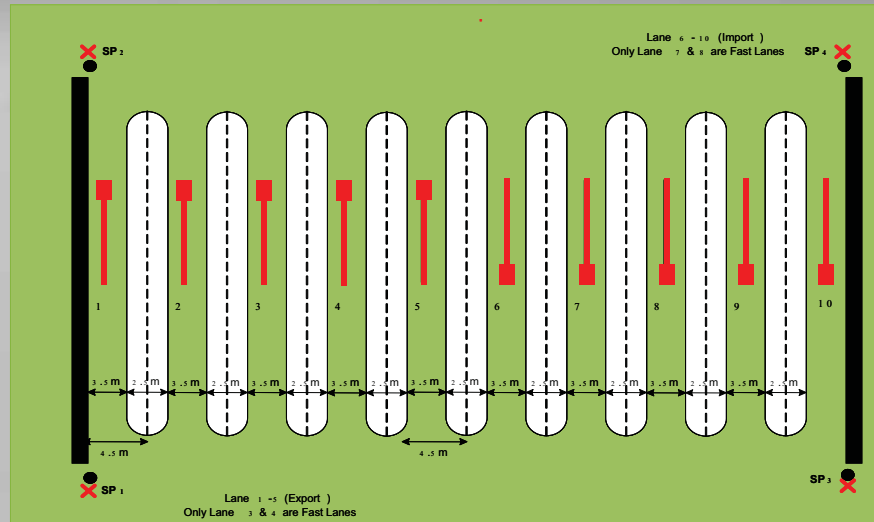


*DRC officials visit the Minebea Group Industry Complex in BANG PHA-IN hi-tech industrial estate*



## Suvarnabhumi International Airport Customs Zone

Secure Free Zone Program in Cooperation with Royal Thai Customs helps Speed Inspection Processes and Security Validations, Reduces Time and Costs



**RFID Reader**



### RFID & Paperless Software - Login



**RFID Reader**



*DRC officials at Western Digital*

# Shipment information automated on freight trucks

## Active RFID seal

The "Secure Free Zone Project" has enabled Western Digital of Thailand and Royal Thai Customs to monitor and validate in near real-time more than 11,000 trips of RFID-sealed truck trailers that transport high-performance hard drives from manufacturing and distribution facilities through Customs inspection points in Bangkok (four month figures).

The "Secure Free Zone Project" includes active RFID readers and transaction processing software at critical logistics checkpoints, such as manufacturing loading docks, entry and exit gates and Customs inspection stations. Use of active Radio Frequency Identification (RFID) technology by Western Digital have dramatically cut time and costs from Customs clearances, while boosting security measures by automating shipment information on freight transportation trucks in Thailand. Key benefits include: enhanced automation; a reduction in overhead; reduced waiting times for Customs clearance; less individual transaction cost and increased accuracy of shipment information.

Having the ability to electronically validate the security and contents of a truck from origin through government inspection points has sped up Customs clearances of shipments destined for the United States. The Secure Free Zone Project with Western Digital demonstrates that use of advanced technology can provide both compliance and security value while increasing the efficiency of cargo movement.

The infrastructure is installed in the Nava Nakorn Industrial Estate and the BangPa-In Industrial Estate, which are duty-free zones set up to stimulate import/export business where the facilities and checkpoints are located.

*Kaysang W. Samdup*

*Source: Study Tour - Western Digital presentation/ weblink gbcode.hktdc.com*



## key benefits

- Enables Western Digital and Royal Thai Customs to monitor and validate RFID-sealed truck trailers from manufacturing and distribution facilities through Customs Free Zone
- Can facilitate USCBP clearances of shipments destined for the United States
- Reduced manual shipment declaration and documentation processes by 45%
- Reduced administrative overhead to process Customs forms by 20%
- Reduced Customs clearance time from ~45 minutes to 5-10 minutes.
- Reduced individual transaction costs by 60%
- Increased accuracy of shipment information from 70-80% to 95-100%



# e-filing Bhutan First Steps



*Kaysang W. Samdup and Sumit Giri*  
Public Information Services

A very simple online or E-filing for Personal Income Tax (PIT) using excel spreadsheet was introduced in Bhutan (January 2009). This basic scheme was offered only to taxpayers expecting refunds - as many of the facilities such as online banking, central server/data storage/sharing and portal connection to relevant agencies etc. are not available in the country.

## Feedback from Thimphu RRCO

### Comments

*I would like to extend my warmest appreciation to all involved in the filing and processing of PIT for their hard work, effective and efficient delivery of services. It was really a noble idea and great initiative to come up with the e-filing of PIT. It was easier, friendly and convenient of us to file PIT electronically.*

***Pasang Dorji, LDD, GNH***

*I sincerely thank Revenue and Customs for easing us in filing the PIT through Internet and acceptance of the same. I wish all the success of the Revenue and Customs and wish further improvement in the near future. I will be sending the scanned copy of the supporting documents after few days. I need some time to receive supporting documents from India.*

***C.K.Pradhan***

*I tried to follow instructions as described in your website with regard to TPN Number. However, I was not successful. I could not get the TPN number to pop up. I would be grateful if you could kindly let me know what can be done about the TPN number.*

***Tshering Phuntsho Norbu, RNRC, Bajo***

### Observations

- Some taxpayers unaware of their TPN number (taxpayer number).
- Some taxpayers used company TPN number.
- Some taxpayers assumed that they need to submit online form only without the support documents.
- Submission of incomplete documents.
- Taxpayers send their scanned TDS certificates and expect the tax official to fill in the tax return form.
- Some complain that they lack facilities to scan their documents.
- Some complain that scanned documents are heavy files and send separate piecemeal attachments or through fax ... creating problems in compilation.
- Some found the online process quite time consuming and complicated.
- Some do not read the instructions on online PIT return forms resulting in frequent telephone calls seeking information and instructions, interrupting work. Example - RRCO email address, which is on the form.
- Online filing option for refund cases only but taxpayers requiring payment also tried to file in.
- Taxpayers who have to pay PIT - requesting for option to file online also.
- Taxpayers do not check to see if there is an acceptance or rejection email from RRCO.

# WAY FORWARD

## RECOMMENDATIONS

- Explore ways to reduce support document attachment(s) etc.
  - A system that links TDS information to the PIT system
  - with financial institutions
  - with withholding agencies
  - education expenses etc.
- System generated acknowledgement receipt
- Find a way to also accept online filing of taxpayers who are payable
- Develop and implement helpline services
- Conduct awareness activities

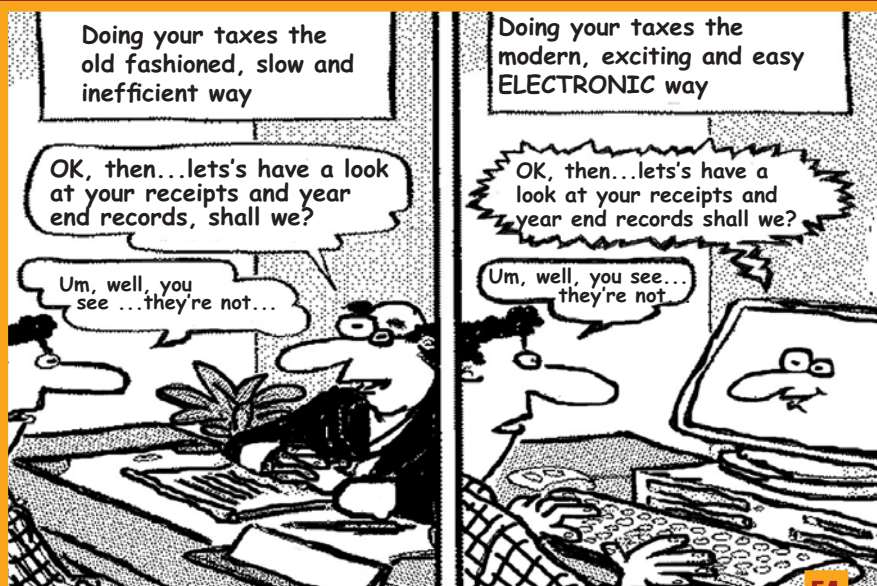
## Benefits of online filing in other countries

- Processed faster than paper returns and any money owed is repaid more quickly than if one files on paper
- Immediate system generated online acknowledgement as soon as the revenue department receives the completed tax return
- It is safe and secure. It's impossible for it to get lost
- The tax software works it out automatically as one completes the form, so you know what you owe or are owed right away
- Is convenient and can be done at any time of day or night
- Monitor one's Self Assessment 'account' online - this includes statements of payment history and what you currently owe or are owed
- Save data safely and return to it later, this means you can complete your tax return at your own pace, just as long as you meet the specified deadline
- Easy to store completed return online and you can also print out a copy for your records
- Payments made online. It cuts down on time, administration and errors

## FOOD FOR THOUGHT

**Out of 26,311 PIT taxpayers, 4 percent filed in electronically as of 31 March, 2009**

Sl. No	RRCOE-returns received	
1.	Thimphu	780
2.	Paro	23
3.	Phuentsholing	44
4.	Samtse	4
5.	Gelephu	47
6.	Samdrup Jongkhar	53
7.	Mongar	62
<b>Total e-returns received</b>		<b>1013</b>



**in 2006/07** Source :  
Moneycontrol.com

**E-filing, in India was formally launched on October 13, 2006. The e-filing software witnessed technical hiccups following which the deadline was extended by a month.**

Being tech savvy did have a flip side as many taxpayers realised. E-filing of income tax returns launched last year with fanfare landed a large number of taxpayers, both individuals and companies, in a spot. Their returns had not been processed, holding up tax refunds to the tune of Rs 15,000 crore informs the *Economic Times*. E-filed returns had to be downloaded before they were processed, and that's where the problem lay.

However, efforts were made to expedite the processing. "A software takes time to stabilise, so is the case with this one," an official was quoted. E-filing of income tax returns was made mandatory for companies while it was optional for other taxpayers.

## **According to tax officials the last-hour rush this year was nothing compared to what was witnessed in the previous years, thanks to e-filing provision**

E-returns were received from across the country from Mainpur to Andaman Nicobar islands - indicating the kind of reach Internet and e-filing had today. Those filing e-returns had two weeks to dispatch the print out of their returns. In effect, a person who filed e-returns on July 31 had time till August 14 to send the physical printout.

With barely hours left to beat the July 31 deadline to file income tax returns, thousands of assesses and consultants queued up at the special collection centre in New Delhi, but not in the numbers seen in the past years, **thanks to the provision of e-filing**. The Central Board of Direct Taxes, which had received 2.19 million e-returns from an estimated 30 million assesses in the last fiscal year, had set up this special camp to handle the last-minute rush which was appreciated by individuals and professionals alike.

"The IT form has been simplified, **you don't have to make any attachment** - and above all, it took my colleagues just 15-20 minutes to file the returns at the special counter," he said, referring to the counters at Pragati Maidan. "I am happy that there was a **special counter for senior citizens like us**," said Mahendra Singh, a 67-year-old resident of Lakshmi Nagar in east Delhi.

Individuals who earned more than **Rs.150,000** during the fiscal year ended March 31 (**Rs.185,000 in the case of women**) had to file returns by July 31. All assesses whose accounts need not be audited also had to file by this date.

## **Two step process**

### **1 Prepare return using tax preparation software**

- Enter income tax data, such as, PAN, income, deductions, and TDS.
- Review data for completeness and accuracy; and, generate electronic return in XML format.

### **2 Upload XML format return on income tax department website**

- Upon successful uploading, it will generate an acknowledgement form called **ITR-V**.
- If one does not use digital signatures, then they have to submit the ITR-V at the income tax counter.
- If one does not wish to e-file, then one can print the ITR1 or ITR2 and deposit it at the nearest income tax office or counter.



## What is Tax Fraud ?

You commit a tax fraud if you intentionally violate your legal duty to file income tax returns and/or pay the accurate amount of income you owe.

### Some Tax Fraud Violations

- Claiming false deductions
- Concealing assets or income
- Knowingly changing your income
- Over reporting the amount of deductions
- Possessing two set of books
- Recording personal expenses as business expenses
- Using false amounts in books and records

## Famous tax evaders

**Al Capone** the ruthless Chicago gangster.

**Leona Helmsley** the hotel tycoon, who left \$12 million to her dog when she died.

**Heidi Fleiss** good at running an escort business; not so good at tax returns.

**Boris Becker** a big fine and two years probation for claiming to live in Monte Carlo while actually living in Germany.

**Marc Anthony** Mr. J.Lo agreed to pay about \$2.5 million in back taxes, interest / penalties after he failed to file returns for five years from 2000 to 2004.

**Luciano Pavarotti** was convicted of tax evasion in 1999 and ordered to pay \$11 million by the Italian courts.

**Richard Pryor** the comedian/actor served ten days in jail for tax evasion after he reportedly "forgot" to pay up.

**Sophia Loren** the actress was charged with tax evasion in 1982 and spent 18 days in an Italian prison.



# Convicted for failing to file returns

**Wesley Snipes sentenced to three years imprisonment for his "brazen defiance" of the US taxman**



**The Hollywood actor, who has starred in films such as Blade, was given the maximum sentence possible after prosecutors described him to a court in Ocala, Florida, as a "truly notorious offender."**

The decision by US District Court came two months after a jury convicted Snipes on three counts of willfully failing to file federal tax returns from 1999 to 2001. The court heard yesterday that Snipes dodged \$15 million in tax through a campaign in which

he concealed millions offshore; falsely applied for tax refunds and bombarded the Internal Revenue Service with frivolous correspondence that threatened government employees, railed about extortion and used twisted legal interpretations to back his claim that taxation was unlawful.

At the hearing Snipes's lawyers tried to give the court three envelopes with cheques amounting to \$5 million, but the judge and prosecutor said that they could not accept them. An official of the Internal Revenue Service collected the money during a recess.

Snipes's tax advisers, Eddie Ray Kahn — who has previous convictions for tax crimes — and Douglas Rosile were also jailed, for ten years and 54 months. Snipes was cleared of more serious tax fraud charges in February but was convicted on three misdemeanor counts of failing to file a tax return.

**All over the world, taxpayers come up with ever more inventive ways to keep their earnings firmly in their own pockets. But tax collectors can be creative, too**



"HOWEVER, BY USING AN ALTERNATE METHOD OF ACCOUNTING"

# Artful dodgers

BY JULIAN LEWIS

## NOBODY LIKES TO PAY TAXES

and most of us would agree that large corporations are particularly successful in minimizing their tax. In fact, corporate lawyers and accountants have made an art form of dodging through the mazes that are most countries' tax systems. Perhaps that's why it is heartening to hear that other citizens are also getting positive tax breaks.

Last December, for example, a Norwegian court appeals ruled that striptease was an art form and should

be exempt from value-added tax (their GST). The owners of the Diamond Go-Go Bar in Oslo had refused to pay a tax of 25% on entry fees, on the basis that striptease dancers were stage artists, just like comedians and sword swallows, and therefore deserving of the same status. The news spread quickly to Amsterdam, where a Dutch judge wholeheartedly agreed. He ruled

that peepshows, where sex workers performing strip shows and explicit acts can be watched from booths (even by judges, should they wish, presumably), are a form of theatre, entitling club owners to a tax break. "Admitting customers to peepshows is equivalent to admitting them to theatre performance," stated the ruling. "The erotic character of the performance does not diminish that."

Tax authorities in India used performance art of a different kind last year. In Bihar, the cash-strapped government decided to collect overdue tax revenue of around Rs. 5.6 lakhs by employing bands of singing *hijras* gaily clad in saris to sit outside tax defaulters' homes. The eunuchs, feared by many, were paid a 4% commission on any tax collected. So they staged sit-ins and beat drums outside the homes of reluctant taxpayers- and achieved exceptional results within 48 hours.



## "Third gender" are best tax collectors

Revenue officials in Patna, India accompany the hijras with tax records to settle the outstanding arrears on the spot

## For every registered witch in Romania, another 4000 cast spells tax-free

**Over in Europe, Romania** also faces its own unique tax problems. For every officially registered witch in Romania- one, in fact- who pays tax on her mystical services, another 4000 or so cast their spells tax-free, costing the treasury millions.

Witch services include stargazing, fortune-telling and talking to the dead, and they are big business in Romania. So, too, are vampirism, spells, hexes and curses; even companies have been known to consult the experts.

But as of last year, only witch Gabriela Ciucur, who sees up to seven clients a day and charges about \$15 per session, was issuing receipts and toeing the official taxation line.



*“We already do a lot for our country. Whenever there’s an important Christian celebration, we perform a ritual to protect the country from natural disasters - that has to be worth more than any tax income”*



This left the authorities consulting their crystal balls to gather details about the incomes of other witches. But the witches aren’t about to allow authorities to sweep them off their brooms.

“Why should we pay taxes when we don’t get anything from the state?” says Maria Campina, 57, the self-proclaimed White Magic Queen and a local witch leader. “We already do a lot for our country. Whenever there’s an important Christian celebration, we perform a ritual to protect the country from natural disasters- that has to be worth more than any tax income.”

## Only 7% of China's government revenue comes from personal income tax



*City authorities in Zhengzhou, decided to give school children whose parents paid high taxes bonus points in their public exams*

**In China**, the tax office launched a drive last year to persuade people who earn more than \$20,000 per year- a group estimated to number a million- to pay income tax. Not surprisingly, there weren't many takers: only 3000 volunteered. In some cities not a single person registered to pay. Not surprisingly, only 7% of China's government revenue comes from personal income tax.

Another Chinese tax-raising idea had a very different result, city authorities in Zhengzhou, in China's southern Fujian province, decided to give school children whose parents paid high taxes bonus points in their public exams. This caused outrage in Zhengzhou where, as is the case elsewhere in China, there is a ferocious battle for access to the best schools. Given that most people in China pay no income tax, big taxpayers are regarded as unusually public-minded and generous.

### **In the Philippines**

income tax is a raffle - literally. Over there, in another innovative revenue-raising idea that would appeal to many Australians, every time you send in a valid tax receipt, it becomes an entry in a lottery, If your receipt is one of the five lucky ones to be picked out, you become an instant millionaire.



*In the Philippines, every time you send in a valid tax receipt, it becomes an entry in a lottery*

Sure a million pesos is worth only a fraction of a million dollars, but it will still get you ahead of the pack in a country where about half of the population lives on about \$2 a day.

### **Artful dodgers**

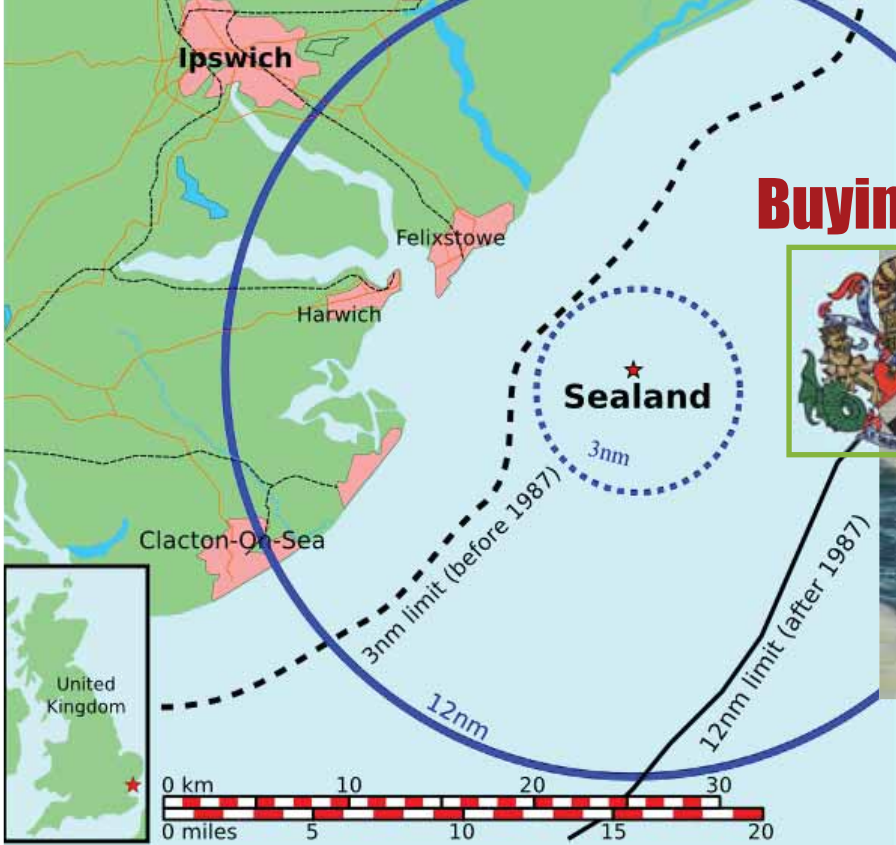
**"I pay taxes and some of that is to maintain decent shelters. He should take advantage of that"**



Of course, some have little sympathy for the poor and the blame the tax system for their troubles. One such critic is the owner of an up market antique shop in **New York**, who early this year filed a \$1million lawsuit against a tramp living on the footpath outside his shop. The proprietor accused the man of deterring customers by performing various bodily functions such as urinating and spitting on one of the worlds priciest retail shop. He claimed the man was blocking his lavish window displays then featuring a 19<sup>th</sup> century mahogany bench.

Defenders of the homeless man said he had the same right as anyone else to occupy the public space, but the owner invoked the why-do-I -pay -my taxes argument: "I pay taxes and some of that is to maintain decent shelters. He should take advantage of that"

## Buying your own tax heaven



***Sealand, a former World War II fort situated in the North Sea is now a self-declared sovereign state***

**If all this tax business is too much to handle**, perhaps you should consider buying your own tax heaven. You all need more than just money, though because a helicopter or boat is required to reach Sealand, a former World War II fort situated in the North Sea. Now a self-declared sovereign state with its own, self-proclaimed royal family, the tiny principality first began life in 1942 as Roughs Tower, a 550 square meter steel platform stuck on top

of two concrete towers about 10km off England's coast. Offers of eight figures or more are invited for this unique property with uninterrupted views, privacy and an enviable status as tax haven, as it lies beyond the 4.8km limit of British waters.

The family that has occupied Sealand since 1967 has fought hard for nation status. Former British army major Paddy Roy Bates declared it a state in international waters when he occupied it with his

family and dubbed himself prince. The Royal Navy tried, unsuccessfully, to evict him. As its forces entered his territorial waters, Bates fired warning shots. In 1975, after a judge ruled in his favor that Sealand was outside UK government control, Prince Roy introduced a constitution, a flag, a national anthem, a currency and passport. Such are the powers of having your own tax-heaven nation.



For the rest, there's no such escape. Even teddy bears and dogs can be a reminder of the taxman. A bear collection in Somerset, England, which included a valuable 1909 Steiff bear named Mabel was guarded by a dog named Barney, until he went berserk and inflicted irreparable damage on some of the exhibits.

**And the tax connection?** Barney was a Doberman pinscher, a dog first bred by a German tax collector in about 1890 for protection from his clients.

**May neither you nor your tax assessor ever have such a need...**

# Draft Service Delivery Standards

**Public Information Services, DRC is embarking upon an exciting and challenging program of initiating and developing a customer service that ensures customer focus is reflected in everything DRC does**

*Kaysang W. Samdup*  
Public Information Services

**THE DRC DRAFT SERVICE DELIVERY STANDARDS** developed in consultation with concerned divisions, defines the standard of service taxpayers can expect and sets out the commitment needed. The service standards will enable DRC to be an open and accountable organisation with a strong client focus. It will also provide the benchmark against which performance can be measured.

The draft service delivery standards is ready to be further tested with concerned publics. Pre-testing will ensure that our commitments are realistic and not empty promises. This phase of the action plan will involve **customer service assessment(s)** being conducted by external assessors. Based on the feedback and recommendations the service charter will be further enhanced and relevant workshops conducted. In addition we are also looking at system enhancements ... but this will largely depend on survey findings.

We are very grateful to officials from the concerned divisions for providing us the necessary information to develop the service standards. And we look forward to continued cooperation from all officials and staff to successfully implement the DRC service charter.

## Proposed action plan for the development and implementation of DRC Service Delivery Standards

<b>Goal</b>	<ul style="list-style-type: none"> <li>• Improve service delivery</li> <li>• Acceptance by DRC staff</li> <li>• Promote professionalism</li> </ul>
<b>Milestone(s)</b> <i>Implementation</i> Jan 2009 to Oct 2010	<ul style="list-style-type: none"> <li>• Concept development <b>done</b></li> <li>• Consultation with divisions and content development <b>done</b></li> <li>• Customer service assessment/surveys - Feedback from <b>Aug to Oct 2009</b> <ul style="list-style-type: none"> <li>- Internal public (DRC staff)</li> <li>- External publics</li> </ul> </li> <li>• Workshops with DRC officials ( 8 regional offices) <b>Nov to Dec 2009</b></li> <li>• Review <b>Jan 2010</b></li> <li>• Development of materials and IT customer feedback data bases <b>Mar to Jun 2010</b></li> <li>• Implementation <b>Oct 2010</b></li> </ul>
<b>Targets</b>	<ul style="list-style-type: none"> <li>• DRC staff</li> <li>• Taxpayers</li> <li>• withholding agencies</li> <li>• Other agencies</li> </ul>
<b>Strategy</b>	<ul style="list-style-type: none"> <li>• Customer service assessment</li> <li>• Customer surveys</li> <li>• Media</li> <li>• Awareness workshops</li> </ul>
<b>Partnerships</b>	<ul style="list-style-type: none"> <li>• ACC</li> <li>• RCSC</li> <li>• Withholding agencies</li> <li>• Financial corporations</li> <li>• Media</li> <li>• Other if required</li> </ul>
<b>Resources Needed</b>	<ul style="list-style-type: none"> <li>• Budget for workshops, service assessment surveys, production and procurement of communication materials, transportation and TA/DAs etc.</li> <li>• Hiring of technical assistants, temporary or additional frontline staf, procurement of equipment(s) and development of customer feedback data systems etc.</li> </ul>

*I would like to express my appreciation to Ms. Kaysang W. Samdup head of Public Information Services, DRC for efficient Ad. planning.* It has been wonderful working with you and your team for over a decade. You have helped Kuensel test the contract arrangement with the government. I still remember how thrilled we were in carrying out the Personal Income Tax awareness campaign. It was one of the most intensive and successful social campaigns.

Media planning is a complex issue and involves a lot of analysis. A proper communication plan and implementation helps the organization achieve its strategic goals and fulfill its mandate, an integrated approach of media planning ensures the success of a communication program. PIS has a realistic and professional approach towards information dissemination to the public.

The contract between *Kuensel* and the *Department of Revenue and Customs* dates back to the 1990's and was the first of its kind to be signed between a government agency and Kuensel Corporation. This system enabled us to get all the ads from one source, improve coordination, planning and design. Sending the advertisements in a ready to use format, practically brought an end to typing, designing and proof reading work related to ads from DRC. We look forward to a time when other organisations have similar Information Units.

Our contract has led to efficient resource management through allocation of annual advertising budget, creative advertising, one time billing, efficient space management and time management.

I would like to thank you for your continued support and encouragement. I believe that your tough suggestions have contributed a lot to our understanding and outlook.

### **Ms Pushpa Chhetri**

*General Manager, Advertising, Kuensel Corporation Ltd.*

## **Bhutan Times Ltd.**

The officials of the Public Information Services, DRC are very committed and thoroughly professional in the work they do. We have observed from the last four years of our working relationship, that PIS has a comprehensive one year media plan.

*Ms Kaysang W. Samdup, CIMO* being a communication specialist with years of experience makes the job easier for the media by drawing up a timeline of advertisements well in advance to its date of publishing. Further, the concept of signing yearly contracts has hugely reduced the administrative burden. And, many a time she has personally guided our staff, making sure that all is executed perfectly to the minutest detail. This has proved beneficial for both the DRC and Bhutan Times - avoiding last minute confusion and mistakes.

Bhutan Times looks forward to working together with DRC in all times to come, given the professionalism of its officials and hopes that other government agencies become as professional in the future.

### **Mr. Shiva Raj Chhetri**

*Advertising and Marketing Manager  
Bhutan Times Ltd.*

## **Buying Smarter Paying Less**

### **Public Information Services Reducing Administrative Burden**

Our methods have enabled us to reduce administrative burdens; manage advertising costs, cut down paperwork, eliminate errors in billings and time management.

The contract system with the media agencies results in DRC getting 20 to 40 % discounts. One time billing also reduces the administrative follow-ups. Imagine a scenario of running 50 piecemeal notifications, that is 50 job orders followed by 50 payments with no discounts. The time saved enables us to undertake other huge assignments such as production of DRC publications (tender specs/calls/writeups/design/printing/distribution).

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*Views expressed in Yongsef are of the author and not necessarily those of the Department of Revenue and Customs*

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