



## THE 9<sup>TH</sup> ANNUAL GENERAL MEETING OF DRC



**THE 9<sup>TH</sup> ANNUAL GENERAL MEETING** of the Department of Revenue and Customs was held from November 25-30, 2002 at the conference hall, Regional Revenue and Customs Office, Thimphu. Over 50 participants attended the meeting from five Regional Revenue and Customs Offices, Head Office, Liaison & Transit Office and Ministry of Finance.

**The objectives of the meeting were:**

- To review the revenue projection for 2002-03 and progress in revenue collection.
- To share field experiences and resolve common issues/problems faced by the regional offices.
- To strengthen the monitoring, evaluation and internal control system.
- To coordinate an exchange of information between head office and the regions and between the regions to ensure uniformity in implementation of the acts and rules.
- To draw up appropriate strategies and action plans for effective and efficient administration.
- To provide better taxpayer services and improve collection of taxes and duties.

In his welcome address, the Director Mr. Nima Wangdi, thanked His Excellency the Finance Minister and the Finance Secretary for gracing the opening of 9<sup>th</sup> Annual General Meeting of DRC. The Director welcomed the participants and stated that the meeting was particularly important as it coincided with the first year of the 9<sup>FYP</sup>

and it was also the first year of PIT. He informed that the revenue projection would be discussed and added that the tax incentives announced by the RGOB will have a negative effect on revenue in the short run, but in the long run greater revenue would be generated from the new industries that are established in response to the incentives.

**“The whole department should be equally concerned and accept responsibility for the lapses in Paro Airport and avoid recurrence of such incidents.”**

*Finance Minister  
Lyonpo Yeshey Zimba*

Dasho also commented that the September incident in Paro Airport Customs was an eye-opener for the Department and that a discussion on ways to curb corruption and improve the internal control system must take place during the meeting.

The Finance Minister in his opening address expressed great concern and embarrassment on the involvement of our staff at Paro Airport in the smuggling case. His Excellency stated that, “the whole department should be equally concerned and accept responsibility for the lapses in

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Paro Airport and avoid recurrence of such incidents.” He urged all participants to express their views openly during the discussions and to recommend measures to root out corruption - with special emphasis on establishing proper monitoring and evaluation mechanisms.

Over the six-day meeting, various issues of concern to DRC were discussed extensively. With the lapses at Paro still fresh on our minds, it will best be remembered as a period of reflection and self-examination. It was therefore not surprising that much of the discussions veered around the topics of service ethics and strengthening internal control and accountability mechanisms.


# TAX INCENTIVES ANNOUNCED

**THE MINISTRY OF FINANCE (MOF)** announced numerous tax incentives, which was presented to the 80<sup>th</sup> session of the National Assembly by His Excellency the Finance Minister, during the budget presentation. The tax incentives are provided to stimulate private sector investment and came into force with effect from January 1, 2003.

**In brief tax incentives include the following:**

- removal of sales tax and customs duty on plant and machinery and raw materials
- tax holiday for manufacturing industries; IT training and vocational institutes; hotels, schools and auto-mechanical workshops established in the interior

- **Other incentives include:**
  - income earned in convertible currency by manufacturing industries, information technology industries or services and agriculture produce will be exempt from CIT/BIT;
  - the existing export tax has been abolished;
  - the tax deductible salary limits will not apply to incorporated companies;
  - reinvestment allowance of 20% will be provided to incorporated companies.

Furthermore, under the Income Tax Act of the Kingdom of Bhutan, 2001, clarification and revision on PIT was also announced. (The details have been published and distributed). 

## REVENUE COLLECTION FOR FY 2001- 2002

The Department of Revenue & Customs has exceeded the revenue target of **Nu. 4,943.823 million** for the **Fiscal Year 2001-2002**. The total internal revenue collection reached **Nu. 5,093.593 million** which accounts for 9% growth over the previous years collection.

The collection comprises of **Nu.2,566.941** as **tax revenue** and **Nu.2,526.653** as **non-tax** revenue. This is the second year that the tax revenue has exceeded non-tax revenue. This would not have been possible without the concerted efforts of our regional offices and the revenue agencies.

*Compiled by Revenue Accounts & Audit*



**The fourth Joint Annual Review of Danish assistance to the Good Governance & Public Administrative Reform Programme was held in Thimphu from April 15-26, 2002.**

**THE JOINT REVIEW TEAM** consisted of external consultants Mr. Niels Palmvang and Mr. Kristian Edinger from Ministry of Foreign Affairs Denmark, officials from Liaison Office of Denmark (LOD) and Department of Aid and Debt Management.


## JOINT ANNUAL REVIEW MEETING - DANIDA PROJECT

The team conducted extensive technical review meetings with DRC as this is the last year for the Danida Project Phase II which commenced from the year 1998.

DRC submitted a comprehensive review report with details of the activities taken up by DRC from inception till date and the proposal of the new budget/activity for the current fiscal year of which the Phase II project ends in July 2002. The mission also looked into the formulation of the new phase i.e Phase III proposed by DRC in keeping with the 9<sup>th</sup> Five Year Plans and Programmes.

In the overall assessment, the team remarked that the project for DRC has been very successful in terms of broadening tax base and in building the capacity of DRC

through extensive training courses.

The team mentioned that DRC should be well prepared for the 9<sup>th</sup> Five Year Plan where the challenge will be to consolidate what has been achieved so far, enforce the PIT (Personal Income Tax) and deconcentrate activities to new regional offices. 

*Yangchen Chhoedon, Under Secretary*

## ACCESSION TO WCO

Bhutan has now become a member of the World Customs Organisation (WCO) with effect from February 2002.


As a WCO member, we must ensure that Bhutan's customs rules and procedures are in keeping with the international norms and practices. Correspondingly Bhutan, particularly DRC will also benefit in terms of training in various customs field that are provided to WCO member countries.



**In-country training program on WTO Valuation Agreement, December 02 – 06, 2002**

**DRC organised 5 days in-country training program** on WTO Valuation Agreement with the assistance of World Customs Organization & Japanese Customs Administration from December 2 – 6, 2002 at the conference hall of RRCO Thimphu.

The above program was conducted by two resource speakers Mr. Liu Ping, Technical Officer, WCO and Mr. Takayuki Miyoshi, Customs Officer, Japan Customs, Tokyo.

29 participants, including 14 new recruits and 15 in service candidates took part. The above program was the first of its kind conducted in Bhutan after the accession to the membership of WCO in February 2002. 

**FROM THIMPHU TO GASA, SAMDRUP JONGKHAR TO LHUNTSI, THE PIT AWARENESS CAMPAIGN REACHED ACROSS THE LENGTH AND BREADTH OF THE COUNTRY**

Following the enactment of the Act, the PIT tax awareness campaign was planned and programmed to run from August 2001 upto March 1<sup>st</sup> 2003. The primary objectives of the campaign were to:

- Gain acceptance by the general public since PIT is a new tax.
- Educate and encourage potential PIT taxpayers to register with the department.
- Enable correct filing of PIT returns.

To get the word out across to the taxpayers, the awareness campaign used a mix of modern communications techniques; from interpersonal communication, mass media/publicity and new media - to educate and empower taxpayers to register and file in PIT returns.

**Interpersonal Communication**

- Workshops were the main channel of interpersonal communication. PIT officials from the five Regional offices were identified as the resource persons to conduct the workshops. A total of 111 workshops were conducted upto December 2002, covering 7,615 participants from different agencies and business community. During the workshops, evaluation forms initiated and designed by PIS were distributed to workshop participants.

- Teaming up with other organizations, and private corporations to enlist and engage people in attending the workshops, distribution of information materials etc.
- Setting up of PIT information centers in prominent public venues during special occasions.


**Mass Media**

To reach the vast majority of the target audience on a frequent basis - an aggressive advertising campaign was conducted through the print and broadcast media. Talk shows on TV in English and Dzongkha were also undertaken to further educate and reinforce PIT messages. As a result of the advertising blitz, PIT got additional coverage on both TV news programs (e.g. INFOCUS/Q&A) and newspaper articles.

Furthermore, information support materials such as posters, booklets, pamphlets, Forms etc. were made available for free distribution and displayed in prominent locations all over the country.

**Web site**

DRC website [www.mof.gov.bt/drc](http://www.mof.gov.bt/drc) was launched in March 2002 by the Secretary of Finance, Dasho Wangdi Norbu. The web site is also advertised on the country's online newspaper [www.Kuenselonline.com](http://www.Kuenselonline.com)

*Kaysang W. Samdup, Deputy Director* 


**PIT CAMPAIGN  
A SUCCESS**

**The PIT campaign was successfully implemented due to close cooperation received by HQ from the regional offices**

**Enhancement of PIT campaign**

During the second tax official's meet, held from 22 to 26 July in Thimphu - the PIT campaign was further enhanced with feedback received from the participants. Two main areas were focused on; a report on findings of the evaluations carried out on 53 workshops conducted by regional offices from November 2001 to May 30 2002, and the development of the second phase of the PIT campaign.

The workshop evaluation forms submitted by the regions (jointly analysed by PIS and tax administration HQ) were presented. The findings clearly indicated that the workshops were an appropriate communication channel for creating PIT awareness with the public - with 65% first time attendees to a tax workshop. The responses also indicated that such workshops are needed and would be well attended in the future.

The presentation on the second phase of the PIT campaign, concentrated on strengthening the basic stages of the campaign plan i.e. the overall objective, goals, milestones, targets, strategies, allies, resources, strengths and weaknesses. The participants provided good input and as a result the second phase of the PIT Campaign from August 2002 till February 2003 was successfully implemented - contributing to improved staff performance and client experience. 

*Kaysang W. Samdup, Deputy Director*

**PIT awareness workshops conducted during the last Fiscal Year (2001- March 15-03)**

RRCO	Workshops	Participants	Taxpayers Registered
Gelephu	18	1060	2800
Phuentsholing	28	1701	2697
Samdrup Jongkhar	30	1482	4620
Samtse	14	1372	1352
Thimphu	21	2000	10,117
<b>Total</b>	<b>111</b>	<b>7615</b>	<b>21,586</b>

**“Informative, interesting and tried to make idea clear with other modern techniques besides lecturing ...Taxpayer BH, Phuentsholing”**



**PIT Information Center  
Venue: Clock Tower  
Place: Thimphu  
Dates: 14 to 18  
September 2002**



**PIT workshop Phuentsholing**



**PIT officials with teachers of YHS School**



## CORRUPTION & GOVERNANCE *This article is an extract from the assignment on Economics, prepared by Kinzang, University of London, UK.*

### Relationship between corruption and economic development and to what extents can corruption be controlled through institutional reform?

#### Introduction

The issue of corruption is one of the most debated issues in the developing countries especially in the context of analyzing the success and failure of development. The economist and international agencies such as World Bank and IMF argued that the market policies such as liberalization, privatization and structural reforms could not be implemented or met with little success in the developing countries and identified corruption as one of the reasons. They argued that the degree of corruption could to certain extent explain the reason why some state significantly fails to make any policy work in many developing countries.

To understand the likely relationship between corruption and economic development, we need to study what we mean by corruption, how to identify corruption, how we could measure corruption, what are the consequences of corruption in economic development and what measures are needed to control corruption. The answer to these questions seems to be very complex and in fact there is no clear-cut answer. This paper will basically try to explain the relationship between corruption and economic development and some measures that could be considered in controlling corruption.

#### Determinants of corruption

There are basically two determinants of corruption, political determinant of corruption and economic determinant of corruption. The issues we are going to discuss in this presentation are the economic determinant of corruption not because political determinant of corruption is less important on economic performance but mainly due to sensitivity of the issues and lack of study references. Further the study of such nature would mean political interference in other countries and also practical difficulties in suggesting recommendations on such nature by

economist or international agencies. Therefore, most study done on corruption is one sided since we are leaving out political model and by doing so, our whole understanding of corruption is not only limited but even misleading.

#### Definition of corruption

Corruption may be defined by normative definition or positive definitions. Normative definition of corruption could be process oriented or outcome oriented. Normative definition of corruption, which is process oriented is defined as 'an act which deviates from ethical norms'. This definition though intuitively appealing is the most problematic definition. It looks at the act or process and not the outcome or consequence. The second definition, which is also normative, but outcome oriented is defined as "an act with an outcome which harms the public interest". Many everyday references to corruption are this type and its definition looks at the consequences of acts but here also the problem is that it is still subjective (normative) since public interest cannot be objectively defined and depends on the implicit normative values of the observer. The third definition is the positive definition, which tries to avoid the problem of first and second definition by defining a corrupt act as "an act, which deviates from legal norms or one which violates an existing legal norm". With all these definitions, we are left with three different answers to a same question "is this a corrupt action?" But for our discussion, we use the third definition as preferred by both the economists and political scientist since it is both objectives (positive) and process based. Of course there are other similar definitions such as "use of public office for private benefit", but such definitions are still associated with the problem of first or second definition.

Now after taking the third definition of corruption as "deviation from legal norms" as a satisfactory definition but by no means comprehensive or well defined. Example identifying corruption through legal norms may be problematic since legal norms change overtime and vary across countries. Therefore identifying corruption and ranking

them across the board to see the relationship with economic development is not only doubtful but it could also be misleading. This could be due to significance of corruption since most important type of corruption in one country may not be relevant in another country due to difference in legal norms, state intervention, social structure and most importantly the type of corruption etc.

Another problem associated with the study of corruption is type of corruption. It could range from petty corruption to massive rent exchanges and this has different implications on the studies of corruption. So understanding the type of corruption whether it is paying bribe to buy traffic tickets or paying bribe to channel the large chunk of the country's resources, whether it is economic corruption or political corruption is fundamentally important.

#### Relationship between corruption and economic development

It is very difficult to point out the sort of relationship shared between corruption and economic development in a true sense, since there is no specific method as to its explanation. However, most of the studies carried out so far and to some extent by looking at empirical evidence, it appears to indicate that there is a negative relationship (correlation) between corruption and economic performance. So let us discuss and see some of the studies done to establish the relationship between corruption and economic performance and then see some empirical evidence confirming or rejecting this hypothesis. The most notable studies carried out by Paulo Mauro (1995) based on regression analysis show a negative correlation between corruption and economic growth.

The other important question that can be asked is why developing countries are more corrupt than developed countries? To answer that we have to look from economic corruption such as demand supply imbalances which is partly due to poverty and partly due to economic transition and primitive accumulation. The other aspect is political corruption and allocation of resources by state for its political stability.

TAX EVASION IS ILLEGAL BUT TAX AVOIDANCE IS MORALLY WRONG

Anok Kr. Rai Sr. Tax Officer, RRCO, Samtse

**TAX EVASION** is defined as an attempt, whether successful or not, to reduce or totally eliminate the tax liability by illegal means such as omitting records, understating the taxable income, giving incorrect information and by manipulation of accounts etc. Tax evasion has been synonymously used with tax fraud, both of which connote an integration of these three factors, namely: -

1. The payment of less tax than that known by the taxpayer to be legally due;
2. Created in a state of mind that is described as being evil and not accidental;
3. An unlawful course of action tinged with three elements of deceit, misinterpretation, concealment and dishonesty.

*Tax avoidance*, on the other hand is the achievement of similar objectives which are within the framework or jurisdiction of the tax laws. It involves an intelligent analysis and choice of suitable schemes, which will bring about less tax impact than the commonly used methods.

The main characteristic feature of tax avoidance scheme is the following:

The presence of artificiality where the various arrangements involved in a scheme would not, in the absence of tax factors, take the form they do;

Such scheme would often take advantage of loopholes in the law or apply legal provisions for purposes for which they were not intended; Secrecy is also a main feature of such schemes, where tax advisers sell ready-made avoidance devices with the condition that the taxpayer keeps the facts secret as long as possible.

The implications of tax avoidance and evasion can be viewed through the major goals of taxation, namely the attainment of economic growth and stability and the economy towards the achievement of these noble goals, but presence of these factors circumvents the intents of tax policy and distorts the desired objectives of the economy.

By looking at the definition and salient features of tax evasion and tax avoidance they seem similar in nature. But in practice, they differ from each other. Although both schemes are designed to achieve similar objectives but their presence in the eyes of law differ in each other. As mentioned above, tax evasion is an intentional act of disobedience, breach of tax laws and unlawful course of action. Any taxpayer who chooses to follow up this scheme would land up with fines and penalties, imprisonment and other legal proceedings. Any course of

action that falls outside the boundary or jurisdiction of the tax laws is categorized as tax evasion, and hence illegal in nature.

On the other hand, unlike evasion - tax avoidance is not illegal in nature but it too distorts the functioning of the economy in similar way. It is an intelligent way of playing and manipulating with the provisions of the tax laws, finding the loopholes and deriving fringe benefits of such shortcomings in the tax laws. Its effect to the economy is silent but much passive and incurable. Since it falls within the tax laws, it is much more difficult for the tax officials to handle as fines and penalties does not cover up this issue, tax avoidance being legal. It is unethical and disturbs the morality of the development process of the nation. Hence, tax avoidance, though legal, has been described as morally wrong.

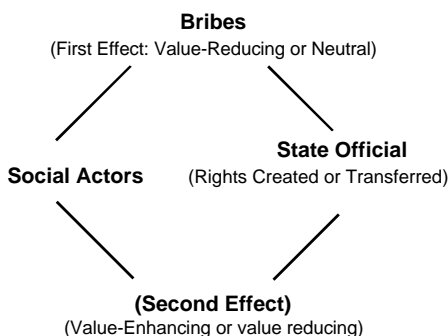
The scope of these two activities would vary among countries depending on the specific terms of domestic laws and international treaties. A scheme may be legal in one country but illegal in another. In some countries, a mere plan to break the law itself is already tantamount to breaking the law. A scheme may presently be only avoidance but once it is detected and prohibited by legislation, it becomes a tax evasion.



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of corruption rather than at the scale or quantity of corruption because different type of corruption has different effect on economic performance. The diagram below shows that any corrupt transaction is based on two sets of transfer.

The first is the bribe from social actors



(usually private) to state officials (public officials) in exchange of the bribe.

By looking at the type of corruption, some of the economic effects of corruption could be explained. From the diagram - the

effect or corruption through bribe have a negative and at the most neutral value enhancing. The effect of bribe is that it is generally believed that the bribe, which is a rent seeking expenditure, reduces investments by transferring or resources that would have been invested in more productive areas. The reason is not very strong from my point of view because it would entirely depend upon the choice of the rent receive (in this case public officials) whether it is invested in the economically productive investment or luxury consumption. On the other hand, there is no guarantee that the capitalist or social actor would always invest in the productive economy. Quite often these bribe would even be wasted on luxury consumption if bargaining were not required. Therefore, we cannot generalize capitalist as productive investor and public officials as unproductive investor.

The second effect of corruption is the

transfer of rights from public officials to capitalist in return of bribe. This as shown in the diagram depending on the nature of transfer whether it is value enhancing or value reducing. If the rights are transferred which could result in bad economic implications, corruption is bad for economic development. On the other hand if such transfer led to economic development, then corruption at the least has no negative implications. The reason why South Korea developed faster than India with almost same level of corruption could be explained by this argument.

The other effect is that the corruption destabilizes property rights. But we cannot purely blame it on corruption. It is also to with the economic transition in the development countries. On the other hand, we don't know the specific relationship between corruption, economic development and property rights.

To be continued in the next issue.....



The construction of new Duty Free Shop building has been completed and from July 2002 sale of goods were operated from the new building.

The four storeyed DFS building was constructed by the East West Construction, a local Contract Group based in Thimphu, for a contract value of Nu. 40 million. It started in mid 1999 and was completed in June 2002. The building is said to be one of the best government office buildings. In the new building, DFS is based at the ground floor and the Regional Revenue and Customs Office Thimphu occupy the first and second floors while the third floor will be occupied by the proposed DRC Training Center.

The Duty Free Shop was initially started as a Foreign Drink Store under the Ministry of Finance in 1967. During the Coronation in 1974, the shop supplied imported foodstuffs as well. The Foreign Drink Store later functioned under the Department of Revenue and Customs and was renamed as Duty Free Shop in mid 90s.

### **YONGSEL talks to the Manager, Kesang Dorji**

#### **1. When did you take over as the Manager of DFS?**

It was in August 1992.

#### **2. What was the situation of the DFS during that time?**

It was like any ordinary store with very few and limited items. At the same time, items were not so good and fresh which had resulted in loss for the shop.

#### **3. How has it improved so far? In what ways?**

We have made immense improvement in all areas including the supply source from drinks to foodstuff.

After I took over the management and towards the end of 1992, I was able to take swift, quick and strong actions with good

source of supplier. Earlier goods were imported from a local supplier in New Delhi, India.

We managed to tie up with the Manufacturing Company and got the goods directly from the Manufacturing Company. With this arrangement, we are able to sell at a reasonable price. Also the credit facilities were stopped and further, the display of goods on shelves and sales of stock with short shelf life has improved.

#### **4. What are the main achievements made in DFS?**

Some of the achievements are:

Goods are sourced directly from manufacturer and authorized dealers thereby ensuring the quality at competitive price

Standard Rules and Procedures implemented

Computerized system development of stock entry and transactions

Introduction of membership card system for quota holders.

These have drastically changed and modernized the operation of the DFS which is a landmark achievement. For this, credibility also goes to the dedication, integrity and hard work of DFS staff. It is also attributable to the valuable advise and contributions from the **DRC Steering Committee Members** which was formed in 1996 with which DFS worked in close cooperation and made the above achievements.

#### **5. During your term as manager, a new DFS building has been constructed. Did you face any difficulties during the period?**

Not really. We had slight problem at the time of making the drawing of the DFS building. Initially, it was planned for three storeyed departmental store. Later the decision changed and increased to four storeyed with the approach road cum parking area to accommodate Thimphu Regional Office, for which we had to obtain further clearance from the City Corporation. Also the construction budget increased from Nu. 20 million to Nu. 40 million.

#### **6. Now with the completion of the DFS complex, how do you feel about it?**

Excited! Wonderful! It is convenient and comfortable. Everything is inside with all

types of facilities such as store, latrine, vehicle parking space etc.

For customers, we can provide better and faster services as many can be accommodated. We also have seating provision for the customers to wait and relax. In fact, I am proud to express that the construction could be made possible from the profit out of sales from the DFS as I mentioned earlier.

#### **7. What was your customers' view/ reaction on your shifting to the new DFS building?**

Customers expressed that now it looks like a real DFS like in other countries abroad. The customers can see all the items at a glance with the improved display of goods.

#### **8. As a manager, what is your opinion on the future plans for the DFS?**

Well, in my opinion, from the existing regular prevalent functions, DFS could be corporatized which will give more freedom as a corporation. This will ultimately improve the sales as currently it is under bureaucratic system which gives hindrance to better performance in certain areas.

Training is also required to upgrade the skill of DFS staff for commercial accounting, financial management and sales techniques to further improve the customer services.

### **CONCLUSION**

DFS has progressed and geared well during the last few years. New products such as household appliances have been added to provide service to the members. From July 1998, the new set of Rules and Procedures that was prepared by the DFS Steering Committee Members was implemented after the formal approval from MOF. Steering Committee also streamlined the sales and purchase of goods at DFS and also the DFS transactions and the stock is systematically computerized.

From the sales, DFS has been doing well and it has been possible to construct a new building from the excess cash balance from sales proceeds. DFS deserves mention of good and effective management that is an essential component of any business functions and it is hoped that it will progress further in the years ahead.



**Yangchen Chhoedon**  
Under Secretary

## YEARLY TAX COLLECTION TOUR *By Touring Group, RRCO, Phuentsholing*

**TAXPAYERS APPRECIATE** the initiative taken by Revenue and Customs by visiting the shop sites and collecting yearly Business Income Tax (BIT). They are of the view that BIT levied is rational being assessed on physical verification of shop, location and other considerations. More than that they feel that their time and money is saved from going to RRCO for such payments.

The touring officials also feel that BIT collection by visiting the shops of micro units should continue as the coverage of assessment in terms of numbers of units is almost 90% and at the time of assessment all records are updated. Besides, it gives Tax Administration

sufficient time to devote to other tax filing business units once micro units are completed. This exercise is useful though cost of collection may be high as compared to other big units. Yearly Tax collection by visiting the units has also reduced the numbers of late payments.

On the part of the touring officials, it is noticed that the minimum Tax Payment of Nu. 500 per activity should be reviewed. In certain cases, we find some shops are not even worth the tax amount and logic of levying tax as per paying capacity is defeated. Business not operated also pay Nu.500. In some cases, it is justifiable as they keep the license to get a plot in the town. But in many cases, some shops could

not operate due to launching of new town planning and also due to some inevitable circumstances. Of course, there is a consideration in the rule if they follow and fulfill certain conditions. But to fulfill and provide us with all the documents cost more than the tax amount. So it may have to be reviewed before the next tax collection.

We noticed that many people operate without trade licenses and carry out commercial business. Contractors also do trading business without license. Many canteens for offices and private business/ organizations are without license. The issue at the Regional level has been voiced and we feel that the matter needs to be addressed at higher level. Due to such illegal business operations, tax icollection becomes more and more difficult to collect.

## BHUTAN AUTOMATED CUSTOMS SYSTEM ( BACS)

**IN ORDER TO INCREASE** efficiency in the customs procedures with speedy clearance of goods, uniform application of customs tariff and BST, improved Trade Information Statistics - DRC has implemented Bhutan Automated Customs System (BACS) with effect from 1<sup>st</sup> July 2002.

BACS has been developed jointly by M/ S Strabus Software Solution and M/s Druk Information Technology funded under the DANIDA Project Phase II. It is implemented at all sites i.e. DRC Headquarters, Regional Revenue and Customs Offices (RRCOs), Interior check posts, border check posts, Paro Airport and Liaison and Transit Office,

Kolkatta including the Department of Trade, Ministry of Trade and Industry.

BACS consists of nine modules viz. Import India, Third Country Import, Export, Internal Market, Transit Bhutan, Excise, Receipt Registration and Accounting, Revolving Accounts and System Administration. The system has been broken down into these modules in order to encompass the activities of the Customs and Excise Administration.

BACS is not only used by DRC but also used by other agencies like Clearing Agents and the Department of Trade. Department of Trade uses BACS for issuance of import licence. The import licenses are then

*By: IT Section, DRC*

electronically sent to Paro Airport, LTO Kolkata and RRCO P/ling where third country import goods are cleared accordingly.

There are several advantages of the BACS system and a few of them are given below:

- Speedy clearance of goods
  - Timely and accurate trade statistics
  - Uniform implementation of the Customs Tariff and Sales Tax Rates
  - Facility for advance declaration of goods
- In order to implement the system efficiently and effectively, series of workshops have been conducted to train the users from the Department, Clearing Agents and Business Communities.

## PIT SHAPING RENTAL INCOME CLASSIFICATIONS

*Gyeltshen Parop & Kinzang PIT Section, RRCO, P/ling*

**PRIOR TO 1<sup>ST</sup> JANUARY 2002**, relationship tenant and a house owner was simple. Tenant who pays the monthly rent and house owners who receive the rent were both complacent.

But from 1<sup>st</sup> of January 2002, more worries have cropped up and the relationship between house owner and tenant has taken four dimensions as follows:

**RULE ABIDERS**, one who declares actual rental income and issues proper money receipts. They are classified as honestly stupid in the gossip circle.

**BROWBEATERS** are the ones who compel the tenants to tell lie to Revenue officers and if they do not listen they are threatened with vacation notices. Grace to the absence of Act for house owners and short supply of housing in the market, the tenant has no option than to agree. Will such connivance be punishable if they are caught?

**RELATIONSHIP MAKERS** are the ones who try to redraw the family tree and restructure it to make relation. The rental income is under

declared and possibly the benefits are shared. They are all country cousins.

**PLANNERS** are the ones with wisdom. They transfer their houses in their sons, daughters and spouse's name and reduce the PIT. It is permissible but who knows they may also be taking fresh loans against their assets.

These classifications and dimensions may increase with further research. However, it is necessary for the Department of Revenue & Customs to issue notification citing the penalties that will discourage people from further formation of categories or reduce the members of existing ones.

*Comments from the field continued on page 10*

“The person who never makes a mistake is the person who never does anything.”

Theodore Roosevelt (1858-1919)



### January 2002 promotions

Name	Designation	Grade	Place
1. Sangay Zam	Joint Director	IV	DRC, HQ
2. Karma Tshomo	Under Secretary	VI	DRC, HQ
3. Kesang Dorji	Manager	VII	DFS
4. R.K. Tiwari	Finance Officer	VII	P/Ling
5. B. K Pradhan	Asstt. Director	VII	P/Ling
6. Wangdi Drukgyel	Asstt. Director	VII	Thimphu
7. Yeshey Lhendup	Sr. Programmer	VIII	DRC, HQ
8. Rinjay	Superintendent	VIII	Thimphu

### July 2002 Promotions

1. T.B. Chhetri	Joint Director	IV	DRC, HQ
2. Ugyen Namgyel	Dy. Director	V	Thimphu
3. Tharchen Lhendup	Dy. Collector	V	P/Ling
4. Sangay Wangdi	Dy. Collector	V	DRC, HQ
5. Kesang Deki	Under Secretary	VI	P/Ling
6. Phuntsho Choden	Asstt. Director	VII	DRC, HQ
7. Needup Gyeltshen	Asstt. Director	VII	Samtse
8. Tshewang Dolma	Dy. Supdt.	IX	P/Ling
9. Mon Bdr. Ghalay	CA	IX	Samtse
10. Jigme Dorji	C/ Programmer	X	Samtse
11. Karma Loday	Accountant	XI	Gelephu
12. Sunit Kujur	Tax Inspector	XI	Gelephu
13. Sonam Laickey	Sr. Inspector	XII	Paro
14. A.H. Ansari	Sr. Inspector	XII	Kolkatta
15. Gyeltshen Dukpa	Sr. Inspector	XII	Paro
16. Peka Zangmo	Revenue Clerk	XIII	Thimphu
17. Pema Wangchuk	Dy. Inspector	XIII	Thimphu
18. Dopfu Tshering	Dy. Inspector	XIII	Samtse
19. Dechen Pelden	Revenue Clerk	XIII	Samtse
20. Dechen Dorji	Dy. Inspector	XIII	S/Jongkha
21. Karma Rinchen	Dy. Inspector	XIII	S/Jongkha
22. Chimi Rinzin	Dy. Inspector	XIII	Gelephu
23. Sonam Chhoizom	Revenue Clerk	XIII	P/Ling
24. Dorji Rinchen	Dy. Inspector	XIII	P/Ling
25. Lhap Tshering	Dy. Inspector	XIII	P/Ling
26. Ugyen Dorji	Dy. Inspector	XIII	P/Ling
27. Tshering Dorji	Dy. Inspector	XIII	P/Ling
28. Jigme Thinley	Dy. Inspector	XIII	P/Ling
29. Yongla	Asst. Inspector	XIV	Thimphu
30. Tendang Wangdi	Asst. Inspector	XIV	P/Ling
31. Karma Yangzom	C/ Operator	XIV	Gelephu

### Welcome...

**Mr. Graeme Hepburn**, Chartered Accountant, VSA, from New Zealand joined DRC on March 15, 2002.

He is attached with Tax Administration Division in Head office and will be working for a term of two years.

**The PGCFM graduates** after completion of 1 year course at the Royal Institute of Management, Simtokha, joined the Department w.e.f. January 1, 2002. They are posted in the following places.

Sl. No.	Name	Office
1.	Ms.Lhakpa Bhuti,	DRC, HQ
2.	Ms.Pem Bidha,	RRCO, Thimphu
3.	Ms.Sonam Zangmo,	RRCO, Thimphu
4.	Mr.Ugyen Wangdi,	RRCO, Phuentsholing
5.	Mr.Devi Bhakta,	RRCO, Phuentsholing
6.	Mr.Choki Gyeltshen,	RRCO, Phuentsholing
7.	Mr.Karma Lhatu,	RRCO, Gelephu
8.	Ms.Yeshey Lham Dorji,	RRCO, Thimphu

**The following Asstt. Superintendents have been recruited w.e.f. 1/12/2002 in Customs Section.**

Sl. No.	Name	Office
1.	Karma Palchen	RRCO, Thimphu
2.	Karma,	RRCO, Thimphu
3.	Kesang Dorji	RRCO, Gelephu
4.	Jigme Dorji Norbu	RRCO, Phuentsholing
5.	Tashi Rabten	RRCO, Samdrup Jongkha
6.	Raju Kafly	RRCO, Phuentsholing
7.	Tshering Dorji	RRCO, Thimphu
8.	Deki Gyamtsho	RRCO, Thimphu
9.	Dechen Zangmo	RRCO, Phuentsholing

**The Sixth batch** of new tax inspectors who completed Induction Course at the Royal Institute of Management, Simtokha, have been appointed with effect from 1<sup>st</sup> July, 2002 and are posted in the Regional Offices as follows:

Sl. No.	Name	Office
i)	Mr. Kunzang Dorji T,	RRCO Thimphu
ii)	Mr. Sigay Dorji,	RRCO Thimphu
iii)	Mr. Chencho Rabten,	RRCO Thimphu
iv)	Mr. Tenzin,	RRCO Phuentsholing
v)	Mr. Sonam Dendup,	RRCO Phuentsholing
vi)	Mr. Sonam Dorji,	RRCO Phuentsholing
vii)	Mr. Kinzang Tshering,	RRCO Phuentsholing
viii)	Mr. Dendup,	RRCO Gelephu
ix)	Mr. Ugyen Penjore,	RRCO Samdrup Jongkha

### SUPERANNUATED

**Mr. T P. Raveendran**, Office Superintendent, superannuated on 30.4.2002. His responsibility was mainly in the field of documentation of third country goods bound for Bhutan. He served for 29 years starting from 3.4.1973 at the Liaison and Transit Office (LTO), Royal Bhutan Customs, Kolkatta.

**DRC wishes him success in his future assignment!**



## RESIGNED

**Staff from various regional offices resigned from service in recent months as follows:**

1. Mrs. Kuenzang Lhamu, DCA, RRCO, Thimphu, on June 30, 2002.
2. Mrs. Dema, Asst. Accountant, RRCO, Thimphu, on July 1, 2002.
3. Mr. Kado, Sales Person, Duty Free Shop, Thimphu on July 5, 2002.
4. Mrs. Namgay Zam, Programmer, RRCO, Thimphu on July 31, 2002.
5. Mr. Chimi Rinzin, Asst. Inspector, RRCO, Thimphu, on July
6. Mr. Sangay Dorji, Accountant, RRCO S/Jongkhar on August 30, 2002.
7. Ms. Kesang Youden, Despatcher, RRCO, Gelephu, on June 1, 2002.

**DRC wishes them Good Luck in their new venture!**

## TERMINATED

**The following staff were terminated in association with the misuse of Government Revenue:**

1. Mr. Jambay Dorji, Tax Inspector, RRCO, T/phu w.e.f. March 14, 2002.
2. Mr. Rajesh Chhetri, Asst. Supt., RRCO, P/Ling w.e.f. March 14, 2002.
3. Mr. Rin Dorji, Asst. Inspector, RRCO G/phu w.e.f. August 1, 2002.
5. Mr. Nidup Tshering, Asst. Inspector, RRCO P/ling w.e.f. August 1, 2002

## CONVICTED

The district court, Thimphu Dzongkhag, convicted 19 Customs officials due to the involvement in gold smuggling racket in connection to the September 22<sup>nd</sup> 2002, incident in Paro Airport.

## TRANSFERS IN MOF AND DRC

The Director General of DNP, **Mr. Pema Tenzin**, has joined the MOF as the Joint Secretary in AFD, MOF. **Dasho Karma Dorji**, is the new Director General of DNP, MOF.

**Ms. Karma Tshomo**, Under Secretary, DRC is transferred to AFD, MOF, as the head of HRD and Personnel Section.

**Mr. Zamtsho Tshering**, Joint Director, Head of Customs & Excise Division joined the Liaison & Transit Office, Kolkatta as the Liaison & Transit Officer with effect from 1 April, 02.

**Mr. Sangay Wangdi**, Deputy Collector, from LTO, has joined the DRC, Headquarter.

**Mr. Kesang Dorji**, former Regional Director, RRCO Thimphu is now the Head of the Customs & Excise Division at DRC.

**Mr. Karma Loday**, Deputy Director, from DRC has been appointed as the new Regional Director of RRCO, Thimphu, with effect from June 2002.

## IN-COUNTRY TRAINING: JANUARY – JUNE 2002

1. **Awareness Workshops on PIT (Personal Income Tax) and TDS (Tax Deduction at Source):**

A total of 46 workshops on PIT and TDS for various groups of taxpayers has been carried out by the 5 Regional Offices in their jurisdictions during January till June 2002. The awareness workshop on PIT continued till December 2002 at RRCOs under the Danida Project.

2. **BACS Users Training** : has been conducted for the users at all RRCOs during March till May 2002 before the implementation of BACS. 26 workshops have been held for various groups at RRCOs under the Danida Project.

3. **Induction Course for Inspectors:**

DRC recruited 10 new Class XII passed candidates as 7<sup>th</sup> batch of Customs & Excise Inspectors. They started undergoing Induction Course at the Royal Institute of Management, Simtokha from August 12, 2002. After 5 months at RIM, they will then take Specialization Course at DRC. It is funded by RGOB.

4. **Workshop on Sales Tax, Customs & Excise Act & Rules, Bhutan Trade Classification & BACS:** commenced on 17<sup>th</sup> June, 2002 at RRCO Phuentsholing and ended on 20 August, 2002 at RRCO Gelephu. The officials of DRC, business community, major stakeholders of Clearing Agents and other related Government agencies, attended these workshops funded by the Danida Project.

## EX-COUNTRY TRAINING: JANUARY - DEC. 2002

Source: HRD Section, AFD, MOF

1. **Customs Management & Techniques Course at Singapore: 4<sup>th</sup> March to 8<sup>th</sup> March 2002 –funded by Singapore-UNDP/ TCDC and Danida**

(i) Mr. Sangay Wangdi LTO LTO, Kolkatta

2. **Tax System & Administration Course at Korea: 4<sup>th</sup> March to 16<sup>th</sup> March 2002- funded by Government of Korea**

(i) Mr. Gyeltshen Sr. Tax officer RRCO, P/ling

(ii) Mr. Santosh Bhattarai Sr. Tax officer RRCO, S/jongkhar

3. **WTO Valuation Agreement Course at AKMAL, Malaysia: 5<sup>th</sup> to 14<sup>th</sup> March 2002 –funded by Malaysian Customs & Danida**

(i) Mr. Yeshey Jamtsho Dy. Inspector RRCO, G/phu

(ii) Mr. Lekey Dorji Dy. Inspector RRCO, S/jongkhar

4. **Tailor made course on Narcotics Identification Enforcement & Basic Investigation at AKMAL, Malaysia: 18<sup>th</sup> March to 30<sup>th</sup> March 2002 – funded by Danida**

(i) Mr. Gyeltshen Wangdi Asst. Collector Paro Airport

(ii) Mr. Karma Dupchu Inspector Paro Airport

(iii) Mr. Pema Chopel Dy. Inspector RRCO, P/ling

(iv) Mr. Tshering Dorji Dy. Inspector RRCO, P/ling

(v) Mr. Yeshey Zamtsho Jr. Inspector RRCO, Samtse

(vi) Mr. Jigme Thinlay Asst. Inspector RRCO, P/ling

(vii) Mr. Tshering Dorji Asst. Inspector RRCO, G/phu

(viii) Mr. Dechen Dukpa Dy. Inspector RRCO, S/Jongkhar

(ix) Mr. Sherab Dorji Asst. Inspector RRCO, S/Jongkhar

(x) Mr. Karma Dorji Dy. Inspector Head Office

5. **Revenue Forecasting & Analysis Course at Institute of Cost & Works Accountant, Kolkatta, India: 25<sup>th</sup> March to 19<sup>th</sup> April 2002 – funded by Danida**

(i) Mr. T.B. Chhetri Dy. Director DRC, HQ

(ii) Mr. Karma Loday Dy. Director DRC, HQ

6. **Effective Supervision Course at AKMAL, Malaysia: 7<sup>th</sup> May to 17<sup>th</sup> May 2002 – funded by Malaysian Customs & Danida.**

(i) Mr. Tsheten Dorji Inspector RRCO, P/ling

(ii) Mr. Rinchen Dorji Asst. Inspector RRCO, Samtse

7. **Tailor made Course on Evasion, Assessment, Investigation & Fraud Techniques at National Tax Academy, Selangor, Malaysia: 13<sup>th</sup> May to 31<sup>st</sup> May 2002 – funded by Danida.**

(i) Mr. Sonam Tenzin Asst. Director Tax Adm, DRC

(ii) Mr. Sonam Jamtsho Asst Director RRCO, Samtse

(iii) Mr. Ugyen Wangdi Sr. Tax Officer RRCO, P/ling

(iv) Mr. Bishal Rai Sr. Tax officer RRCO, P/ling

- (v) Mr. Passang Tshering Asst. Accountant DRC
- 8. Course on Financial Management with Computer Application at McMathise Consulting Services, Philippines: 28<sup>th</sup> May to 24<sup>th</sup> June 2002 – funded by Danida**
- (i) Mr. Dorji Dukpa Chief Accountant AFD, MOF
- 9. General Tax Administration Course at National Tax Academy, Malaysia: 12<sup>th</sup> June to 23<sup>rd</sup> July 2002 – funded by MTCP**
- (i) Mr. Anok Kumar Rai Sr. Tax Officer RRCO, Samtse
- 10. Course on Financial Management and Computerized Accounting at McMathhise Consulting Services, Philippines: 15<sup>th</sup> July to 5<sup>th</sup> August 2002 – funded by RGOB**
- (i) Mr. Udes Chhetri Chief Accountant DFS  
(ii) Mr. Dago Tshering Salesman DFS
- 11. Computer Forensic Course at AKMAL, Malaysia: 17<sup>th</sup> September to 28<sup>th</sup> September 2002 funded by DANIDA**
- (i) Mr. T.Dhendup Programmer DRC, Hq  
(ii) Mr. Chimi Rinzin Inspector RRCO, G/phu
- 12. Annual meeting of the IMF/World Bank, at World Bank, USA: 24<sup>th</sup> September to 8<sup>th</sup> October 2002 – funded by World Bank**
- (i) Ms. Sangay Zam Joint Director DRC, Hq
- 13. Training Management Course at AKMAL, Malaysia: 15<sup>th</sup> October to 26<sup>th</sup> October 2002 – funded by DANIDA**
- (i) Ms. Kesang Deki Asstt. Director RRCO, P/ling  
(ii) Mr. Sonam Gyeltshen Superintendent RRCO, P/ling
- 14. WCO Focal Point Meeting at New Zealand Customs: 22<sup>nd</sup> October to 25<sup>th</sup> October 2002 – funded by RGOB**
- (i) Mr. Nima Wangdi Director DRC, Hq
- 15. Seminar of Tax Incentives at IMF Institute, Singapore: 28<sup>th</sup> October to 1<sup>st</sup> November 2002 - funded by IMF**
- (i) Mr. Nima Wangdi Director DRC, Hq
- 16. Study Tour on precursor control mechanism at Hongkong Customs: 20<sup>th</sup> October to 1<sup>st</sup> November 2002 – funded by UNDCP**
- (i) Mr. Phuntsho Wangdi Superintendent RRCO, P/ling  
(ii) Mr. T. Jamtsho Inspector RRCO, T/phu
- 17. Meeting on SAFTA & SAPTA at SAARC Secretariat, Kathmandu: 28<sup>th</sup> October to 1<sup>st</sup> November 2002 – funded by SAARC**
- (i) Mr. H.B. Gurung Deputy Collector DRC, Hq
- 18. Regional Focus Training for new WCO member at Customs Japan: 9<sup>th</sup> December to 20<sup>th</sup> December 2002 – funded by WCO**
- (i) Mr. Kesang Dorji Joint Director DRC, Hq  
(ii) Mr. Choyzang Tashi Regional Director RRCO, P/ling  
(iii) Mr. Karma Loday Regional Director RRCO, T/phu
- 19. Attachment on Excise at State Excise, Maharashtra, India: 9<sup>th</sup> December to 30<sup>th</sup> December 2002 – funded by DANIDA**
- (i) Mr. B.R. Pokrel Deputy Collector DRC, Hq  
(ii) Mr. Balaram Gurung Deputy Inspector RRCO, T/phu  
(iii) Mr. D.B. Ghalley Junior Inspector RRCO, G/phu  
(iv) Mr. Karma Deling Asstt. Inspector RRCO, S/kha  
(v) Mr. Namgay Dukpa Asstt. Inspector RRCO, P/ling  
(vi) Mr. Rinchen Dorji Junior Inspector RRCO, Samtse
- 20. Tailor made Course for Mid level Tax Officials at National Tax Academy, Malaysia: 9<sup>th</sup> December to 18<sup>th</sup> December 2002**
- (i) Ms. Lhakpa Bhuti Senior Tax Officer DRC, Hq  
(ii) Mr. Sudesh Pradhan Tax Inspector RRCO, Samtse  
(iii) Mr. Karma Lhatu Senior Tax Officer RRCO, G/phu  
(iv) Mr. Tandin Dorji Tax Inspector RRCO, T/ph  
(v) Mr. Chadho Tax Inspector RRCO, S/khar  
(vi) Mr. Ugyen Wangdi Senior Tax Officer RRCO, P/ling  
(vii) Ms. Reshmi Sharma Tax Inspector RRCO, T/phu

**EXEMPTION OF BHUTAN SALES TAX** on Bhutanese movies does not have any impact on the price of the Bhutanese movie tickets. The prices of the movie tickets are exorbitantly high. So it does not benefit the lower income group moviegoers. So if the intention of the subsidy in form of BST is to keep the price of the tickets reasonably low and encourage our people to watch, the policy has failed to achieve it's intended purponeUgyeV o V o ed t8.5 p91o goor maae price of the Bhmeans does 9 have

**CUSTOMS & EXCISE**

**Customs Section**

The Rules on Sales Tax, Customs & Excise Act 2000 has come into effect from January 1, 2002. Customs Tariff & Sales Tax schedule based on Harmonized System of Nomenclature has now been published and implemented from January 1, 2002.

The responsibility of issuing Import Duty Exemption Certificate (IDEC) is transferred to DRC from the Ministry of Finance with effect from February 01, 2002.

Bhutan has become the member of World Customs Organization (WCO) with effect from 12 February, 2002.

Bhutan Automated Customs System (BACS) has been implemented with effect from July 1, 2002.

Published Bhutan Trade Statistics book for the year 2000.

A contract has been signed with M/s A.R.Das & Associate, Chartered Accountant, Kolkatta for drafting of Indirect Tax Manuals within a period of three and half months under the Danida Project.

**Excise Section**

As per the New Excise Rules, the following changes have taken place with effect from January 1, 2002.

The levy of Excise duty is changed from Specific to Advalorem.

The levy of import permit fee of Nu.150 per permit for the import of beer from India.

Auction of liquor shop license fee for the Fiscal Year 2002-03 was successfully completed in all five regional offices. The validity period of the license is for three years ending in June 2005, subject to the payment of license fee for the liquor shop every year. The auction resulted an increase of revenue by 22% from the previous auction value.

**1998 – 99 Auction Nu.9.694 million**  
**2002 – 03 Auction Nu. 11.874 million**

**TAX ADMINISTRATION**

The second Tax Official's Meet 2002 was held by the Tax Administration team with the Regional Directors and tax officials of the five Regional Offices from July 22 - 26, 2002. It was funded by the Danida Project.

Mr. Sonam Karma Tshering, has successfully completed the LLB Degree from Delhi University, Faculty of Law, India. He started his course from July 1999 and completed in April 2002 and he has resumed his duties.

**REVENUE AUDIT AND ACCOUNTS**

The revenue compilation for the **Fiscal Year 2001-2002** has been completed and the report is now with the printers for printing.

The division is also working on the proposal for the direct deposit of revenue by taxpayers to the bank. The above proposal will also facilitate those agencies/companies/corporations who are not allotted with RGR Account to deposit their collections directly to the bank.

**INFORMATION DIVISION**

**PUBLIC INFORMATION SERVICES (PIS)**

*Publisher appointed to sell and distribute the Income Tax Act 2001 and the Rules on the Income Tax Act of the Kingdom of Bhutan 2001.*

Kuensel Corporation appointed as the official publisher with the responsibility to print, sell and distribute the above mentioned publications. This decision was made as the department faced many constraints in placing small reprint orders from the regions - which might result in taxpayers being faced with different selling price with each reprint.

*Programs and Activities undertaken from January 2002 till December 2002*

**Publications/Forms/Posters**

- National Revenue Report 2000 – 2001
- Personal Income Tax, guidebook on frequently asked question in both English and Dzongkha
- PIT Poster DZ/English
- Income Tax Poster DZ/English
- PIT Registration Form
- PIT Return Form

**Mass Media**

**Kuensel**

- Customs & Excise/Tax Administration advertisements/notifications
- 4 page color Tax supplement
- DRC web site posted on kuenselonline.com
- Press releases/coverage

**BBS**

- Gowa talk show on BBS Eng/ DZ
- Concept/editing of 5 tax commercials radio/TV
- Press releases/coverage

**Other activities**

- Advertisement in Bhutan Telephone Directory
- Management of DRC web site at [www.mof.gov.bt/drc](http://www.mof.gov.bt/drc).

**IT (Computer) Section**

1. From 1<sup>st</sup> July 2002 BACS has been implemented in all RRCOs, Airport Paro, LTO Kolkata, border check posts as well as internal check posts.
2. The present Tax Management System (TMS) and Revenue Accounting System (RAS), which works on, stand-alone PCs will be redeveloped and enhanced into LAN environment and will be integrated with BACS. The proposed system will merge the requirement of RAS and TMS and will be developed as Revenue Management System (RMS). The development of RMS is contracted out to M/S Druk Information Technology, Thimphu, through tender at a cost of Nu.44,80,000/- and the development is scheduled to complete by July 2003. The development started from August 2002 and the project is funded by DANIDA.
3. RRCO, Thimphu's new building is Networked like all other regional offices now.

**RRCO: THIMPHU**

**PIT Implementation and Workshops:**

Year 2002 was another step into pages of history for DRC. The highlight was the coming into effect of the Income Tax Act 2001 from 1.1.2002.

A nation can progress when it has the courage to take hard difficult decisions and not bend over to challenges. Difficult decision most of the time turn out to be wise decision. Taxes are crucial in the administration and development of nations. Taxes can contribute to nation building when the tax system is fair and free of corruption so that no honest taxpayer is sent away disheartened. Introducing PIT has been strategic.

Riding on this wave RRCO Thimphu conducted massive tax education workshops focusing on PIT and TDS in all the six western Dzongkhag- going even as far as Gasa Dzongkhag. The workshops were able to dispel the insecurities and misconceptions created by PIT among varying section of the participants. PIT has been morally accepted and there is no resistance to it. Majority believes that this is a socially equitable tax.

The staff in the Tax administration was also given the opportunity to understand the Rules on PIT, BIT, CIT and TDS through in-house training and workshop.

**Transfers:** In mid-May 2002 our former Regional Director Mr. Kezang Dorji got transferred to HQ DRC as the Head of Customs and Excise.



After long speculation on the identity of the new RD, in early June, Mr. Karma Loday, Deputy Director, joined our Office as the new Regional Director.

**New Office:** Another notable event in June was the shifting of the RRCO Thimphu to a new office complex. The design of the new office is contemporary, spacious, and has very good work environment. The contemporary set up in the design of the office also provide convenient access to taxpayers as all Tax Officers and Tax Inspectors are housed in one single bed room on the same floor. We are thankful to the Ministry for providing us better working conditions.

**Excise - Liquor Auction:** In mid June the Office also carried out an auction to sell the liquor vendor licenses for the period 2002-2003. The auction was aimed at selecting liquor vendors who will be permitted to supply liquor for sale in the six dzongkhags. This is also one major source of non-tax revenue and the auction was held with great diligence.



**New VSA:** From mid May till 7<sup>th</sup> August Mr. Graeme Hepburn, VSA Chartered Accountant and a New Zealander, was attached temporarily with RRCO Thimphu within days of arriving. His

assignment was to steer Tax Administration into the desk assessment mode and to instill the belief that proper planning of those units selected for field assessment to identify risk areas is vital for an efficient and effective assessment.

**PIT Prototype Workshop:** In a move to familiarize the staff of the whole office to the PIT prototype model a 3 days in-house workshop on PIT prototype was also conducted in June. Danida funded the workshop and it gave us opportunity to learn registering taxpayers, preparing PIT tax returns and calculating tax liability. We got better idea of the potential problems like ascertaining correct PIT income. The PIT system will improve greatly once we get it tested for real next year.

At present the PIT team is busy complying and verifying vital information on PIT returns filed. Rest of the Tax Administration is busy carrying out selective field tax assessment.



*Taxpayers filing in PIT returns for income earned in 2002*

**Reported by: Ugyen Namgyel  
Deputy Director**

**RRCO SAMDRUP JONGKHAR**

**Excise Issue:** Liquor Auction was conducted in Samdrup Jongkha region, in June 2002 jointly by DRC and Samdrup Jongkha for 19 vendors. The total collection from the bid was Nu.850,000, an increase of Nu.11,898 from the previous years.

**Administration & Personal**

**Mr. Singay Dorji,** adm. and Accountant of this office has resigned on domestic ground. During his entire service, he has been found to be honest, sincere and hardworking

person. All the officials of this office had expressed deep shock when the news of his voluntary resignation has been brought to light. Most of the colleague had requested him to reconsider his resignation to which he replied coolly, "I had no alternative but to resign though I have to face the unknown future which is lying ahead of me". As a friend, we will miss him as a wonderful person, especially as an Administrative & Accounts personnel. He was always there

to help his friends despite his busy schedule. We all share the saddest moment to bid farewell to him and wish him all the best of luck. Sangay Dorji was initially appointed on 16.6.1984 at Phuentsholing where he worked till 14.6.1987 and was transferred to Samdrup Jongkhar till he resigned. He has served for a total of 18 years in service.

**Reported by: Palden Tshering  
Under Secretary**

## RRCO: GELEPHU


### **Revenue Accounting:**

Regional Revenue and Customs Gelephu has 49 Revenue Collecting and Depositing Agencies in 6 dzongkhags and 3 dungkhags under its jurisdiction. The revenue auditing of all the revenue collecting and depositing agencies have started from 1<sup>st</sup> of August 2002. At the same time this office is also imparting training to all the concerned officials on revenue accounting system at the time of auditing. This exercise is to ensure correct collection, timely deposit and monitor effectively on the collecting and depositing agencies.

**Customs:** The introduction of Bhutan Automated Customs System (BACS) has been successfully implemented with the assistance of head office staff, except for Lhamoi Zingkha Check-post, which could not be done due to insufficient computer equipments.

The Regional Office has also conducted workshop for potential taxpayers under Business Income Tax and Corporate Income Tax for facilitating imports and exports. The workshop has solved most of the problems associated with BIC codes, BTC classification and unit of measurements.

**Excise:** Army Welfare products liquor licenses of 12 vendors under RRCO were conducted in the month of July 2002 jointly by DRC Head Office and RRCO, Gelephu. The collection of annual license fee was Nu. 12,78,000 registering an increase of Nu. 360, 949 in value and 40% over the previous years.

Immediately after the auction the Excise Section carried out search and seizure of illicit liquors in 6 dzongkhags. A total fine of Nu.30,000 has been collected and deposited into Royal Government Revenue Account. 

## RRCO: SAMTSE

### **Internal Co-ordination Meeting:**


The Regional Revenue & Customs Office at Samtse conducted the first Internal Co-ordination Meeting after the arrival of the new Regional Director on 15<sup>th</sup> July 2002. The meeting was attended by all the section heads and the Officer In-charges of all the five checkpoints under the jurisdiction of the RRCO. The meeting discussed on various issues ranging from strengthening of the working atmosphere, budgetary issues, revenue performances, staffing pattern, etc. The Regional Director appreciated the officers and the staff for the wonderful co-operation that they had given to the

previous Regional Director and hoped that they would continue giving the same co-operation to him. He advised all the participants of the meeting to continue to render their services with dedication and loyalty.

**BACS:** The Regional Office has implemented BACS in Samtse and Gomtu check posts, Excise section and the Excise Office at AWP Distillery w.e.f 1<sup>st</sup> July 2002.

Meanwhile, the RRCO Officials and staff performed a puja at Samtse Dratshang on the occasion of the The first sermon of Lord Buddha (Drukpa Tshe Zhe) on 14 July 2002

for the well being of all sentient beings. Ven Lam Neten along with the monks of Samtse Dratshang performed the puja. On the same day, the RRCO also initiated the recitation of 'Choe Bum' by the monks of Samtse Dratshang. The ceremony was performed with contributions from all the officers and staff of the RRCO. This is the fourth time that the RRCO has been initiating the performance of the religious ceremony on Drukpa Tshe Zhe every year at Samtse.

With best wishes for a wonderful issue of Yongtsel. 

**Reported by: Sonam Jamtsho  
Asstt. Director**

## LIAISON & TRANSIT OFFICE, ROYAL BHUTAN CUSTOMS, KOLKATTA

***It was indeed gratifying for the officers and staff of this office to have been able to help someone in distress. This is to share with our colleagues, that we (Royal Bhutan Customs) not only deal with goods and cargo but also human beings!!!***

On 27.07.2002 when the office was about to close, Mr. Zamtsho Tshering, LTO, received a telephone call from one stranger. The caller identified himself as Mr. Mukherjee from Child Line Don Bosco Ashayalam in Howrah and said that one Bhutanese boy is under their custody and is looking for a Bhutanese Office in Kolkata for repatriation to Bhutan. LTO and myself immediately went to the institute and we were surprised to see a 14 year old boy named Sonam Dukpa from Dremitse in their institute.

Sonam Dukpa along with two Nepalese boys were picked up by the Child Line officials from Howrah train station as they

were found to be loitering around the station helplessly. The boy said that along with his two Nepalese friends were on their way back to their home on holiday from Kajay Goenpa in Mysore, Karnataka where all of them are enrolled as monks. However, during the journey, they were robbed off their belongings and cash and thus the trauma.

On 29.07.2002, the Liaison & Transit Officer and myself went back to the institute and formally took over the custody of the boy. It was not possible to locate his parents in Dremitse from Kolkata, we sought the help of Royal Bhutan Police in Phuentsholing. As agreed by Captain

Domang, Mr. Phub Gyeltshen, Inspector, escorted the boy to Phuentsholing.

The Child Line is a project of the Ministry of Social Justice and Empowerment of the Government of India operated by NGOs. This Project is aimed at rendering help to all children in crisis, especially the marginalized children such as:


- Street children and youth living alone on the streets
- Children Laborers working in the unorganized sector
- Domestic help, especially girl domestics

*continued on page 14*

## ACHIEVEMENTS IN THE 8<sup>th</sup> FYP

Some of the main achievements made during the 8FYP are:

- Legislation of Customs, Excise and Sales Tax Act 2000
- Framing of Rules of Customs, Excise and Sales Tax Act 2000
- Legislation of Income Tax Act of the Kingdom of Bhutan, 2001
- Framing of Rules of the Income Tax Act 2001
- Surpassing the Revenue Target: internal revenue collection has exceeded the revenue estimate
- Computerization of systems and installation of LAN/WAN at DRC and RRCOs. The systems include PIT (Personal Income Tax) prototype and BACS (Bhutan Automated Customs System).
- Enhanced qualification and capacity of staff through in-country and ex-country training
- Bhutan's accession as a member to the World Customs Organisation (WCO).

The 8FYP has been successful with the assistance of DANIDA Project's grant of 16 million Danish Kroner. The Danish assistance to DRC in institutional strengthening has made a significant impact in all spheres. 

## PLAN AND PROGRAMS OF DRC DURING THE 9 FYP

### The main objectives of the 9FYP for DRC

- to continue to mobilize internal resources to meet at least the recurrent expenditure of the government.
- to strengthen the tax system and ensure that it is equitable, efficient and uniformly enforced.
- to continue to use tax as a fiscal policy instrument to promote economic growth and investment

**Infrastructure:** To improve the infrastructure in particular the Regional offices and Check-Posts including staff quarters located in remote areas. In the absence of the dry ports, warehouse will also be constructed to facilitate storage and checking of goods.


**Institutional strengthening:** Procurement and replacement of office equipment for DRC, Regional Offices and the new DRC Training Center.

**Human Resource Development:** Top priority will continue to be given to upgrade the skills of DRC personnel to increase efficiency and effectiveness through both in-country and ex-country training as per training needs identified.

**Tax Awareness Programmes:** Campaigns will continue to be conducted through the mass media, particularly with new tax such as PIT. Concurrent efforts will also be made to disseminate tax information

through publications of tax information materials and workshops.

**Administrative Restructuring:** In line with RGOB's policy, the Department will undergo administrative decentralization with the creation of three new Regional Revenue & Customs offices. The places identified for establishment of RRCOs are Bumthang, Punakha and Mongar. Further, additional Divisions will have to be created in the Head Office and corresponding units in the Regional Offices viz. Sales Tax etc.

**Management Information System:** DRC will continue to computerize activities to ensure that certain functions of the DRC is fully automated during the 9<sup>th</sup> Plan. The various DRC systems will be integrated and a management information system (MIS) will be developed along with the centralized database, department Intranet and development of a system for district revenue offices. 

### continued from page 13

Children affected by physical/sexual/emotional abuse in schools, homes to government or non governmental organizations

Children who need emotional support & guidance.

Child Line is said to be a nation wide 24 hour, free phone emergency service for children in difficult circumstances and linking them to long term services.

### Friendly Match


A fierce volley match battle was fought on Saturday & Sunday i.e on 27<sup>th</sup> & 28<sup>th</sup> July between Bhutan Customs verses Bhutanese students in Kolkata on bet "PHOB TORAY" and between the officials of this office residing in Tivoli Court and Bhutan House. On both the occasions,

Tivoli Court team who were all in the fittest forms with bulging tummy, mercilessly defeated students and Bhutan House team. It was a grand feast for the winners but of course the losers equally enjoyed if not more. The match concluded with "Tashi Lebey". This was organized to have some fun and get togetherness amongst the Bhutanese living in the hectic city life.



Volleyball match: Bhutan Customs verses Bhutanese students in Kolkata

**BACS:** Initially, the officials of this office faced problems while implementing the BACS system as it failed to respond - perhaps due to human virus. However, Tharchen Lhendup, Asst. Collector, from RRCO Phuentsholing arrived at Kolkata on 08.08.2002 to discuss the BACS problems faced between LTO and RRCO.

The problem was sorted out in coordination with Tshewang Dendup, Programmer from DRC, Thimphu. With some rectification, the system responded positively and we could clear backlogs. It is indeed a great feeling that Royal Bhutan Customs is also keeping pace with the modern information technology. 

Reported by: **Chewang Jamcho,**  
Asst. LTO

## IT PAYS TO PAY ATTENTION!

Students at a medical school were receiving their first anatomy lesson with a real dead human body. They all gathered around the surgery table where the body was covered with a white sheet. The professor started the class by telling them, in medicine it is necessary to have 2 important qualities as a doctor. "The first is not to have disgust", and as he said the words he drew away the sheet that covered the corpse. The professor then promptly sunk his finger into the rectum of his patient, and then withdrawing it he sucked on that finger. "Go ahead and do the same thing," he told his students. They had seen their boss suck his finger after first sticking it first into the corpse's rectum.

At first they freaked out and hesitated, then one by one they poked their finger into the corpse's bum and then sucked on their finger after withdrawing it. When every one had finished the professor looked at them and added, "the second most important quality is **OBSERVATION**, I sunk in my middle finger and sucked on my index finger, **PAY ATTENTION PLEASE**".

PIS

## Do you believe this? MATHEMATICS

### OFFICE ARITHMETIC

Smart boss + smart employee = profit  
Smart boss + dumb employee = production  
Dumb boss + smart employee = promotion  
Dumb boss + dumb employee = overtime

### SHOPPING MATH

A man will pay \$2 for a \$1 item he needs.  
A woman will pay \$1 for a \$2 item that she doesn't need.

### ROMANCE MATHEMATICS

Smart man + smart woman = romance  
Smart man + dumb woman = affair  
Dumb man + smart woman = marriage  
Dumb man + dumb woman = pregnancy

### GENERAL EQUATIONS & STATISTICS

A woman worries about the future until she gets a husband.  
A man never worries about the future until he gets a wife.  
A successful man is one who makes more money than his wife can spend.  
A successful woman is one who can find such a man.

PIS

**SARDARJI**, an Intelligence Tax officer(ITO), goes to a shop for investigation work and asks the shopkeeper while pretending to be a customer, "What is the price of this **FRIDGE?**". The shopkeeper keeps quite as if he was evading his question. On being asked the same question again he answers while taking a pause from his urgent work, " See man, we don't sell to Sardars".

For the fear of disclosure of identity, the ITO officer decides to go back only to appear again in the shop in a veil (after all he was an intelligent sincere investigator). But this time the shopkeeper recognizes him and says angrily, "Why are you coming again and again, I have clarified to you in clear words that **WE DON'T DEAL WITH SARDARS.**"

Despite being frustrated by his repeated failures the sardar once again goes to the shop, but this time after sacrificing his beard.

Sardarji (ITO),"How much this refrigerator will cost my dear?" this time using slang English. But as if the failure was following him like a shadow, the shopkeeper caught him red handed.

As no more enthusiasm was left in him (Sardar), he pleaded in murmuring language, "Bhai!, please tell me for the sake of Wahe Guru, how were you able to recognise me everytime despite my being best at my acting ". The Shopkeeper replied smilingly, " The thing which you called FRIDGE was actually a " **WASHING MACHINE**".

*Karma Tshering Wangchuk  
RRCO Samdrup Jongkhar*

*A successDes BT/F14 9 oyph4pl S 7.25*

## TATER PEOPLE (definations not according to any dictionary) PIS

Some people never seem motivated to participate, but are just content to watch while others do the work. They are called "**Speck Taters**".

Some people never do anything to help, but are gifted at finding fault with the way others do the work. They are called "**Comment Taters**".

Some people are very bossy and like to tell others what to do, but don't want to soil their own hands. They are called "**Dick Taters**".

Some people are always looking to cause problems by asking others to agree with them. It is too hot or too cold, too sour or too sweet. They are called "**Agie Taters**".

There are those who say they will help, but somehow just never get around to actually doing the promised help. They are called "**Hezzie Taters**".

Some people can put up a front and pretend to be someone they are not. They are called "**Emma Taters**".

Then there are those who love others and do what they say they will. They are always prepared to stop whatever they are doing and lend a helping hand. They bring real sunshine into the lives of others. They are called "**Sweet p'Taters**", that could be you.



On the introduction of PIT, Dasho advised that “anything new must be practiced cautiously and strike a good balance as too strong a drive will produce resistance while too lax an approach can make a mockery of the initiative.” Dasho urged free and frank discussions in the meeting and stressed the importance of setting up proper systems and procedures. Most importantly, the Finance Secretary also urged those present to be conscious of corruption and temptations and encouraged maintaining a policy of good governance.

The meeting went smoothly and was considered a success. Some of the issues addressed were:

- Review of Income Tax Rules
- The Performance Indicators Report
- The status of PIT implementation and information collection
- The strategy for the second phase of the PIT awareness campaign

His Excellency the Finance Minister and senior officials from MOF attended the meeting’s closing dinner at the DRC Training Center. His Excellency congratulated the DRC for the tremendous effort and hard work put in by the staff in the field and head office in meeting the revenue target. His Excellency stressed the importance of the integrity of DRC staff and wished the very best for the successful implementation of PIT, which is now generally accepted by the public.

## WORKING TOGETHER...

**THE SECOND TAX OFFICIALS' MEET** was held from July 22 - 26, 2002 at the new DRC Training Center, in the Thimphu RRCO building. Over forty participants including officials from Head Office, Regional Directors and Tax Officials from the regional offices attended the meeting.

The Director of DRC in his welcome address highlighted the Department’s new Acts and Rules, which were implemented with effect from January 2002. The Director said that a special concern for the meeting was PIT. He also stressed the importance of a close working relationship amongst the regional offices and with the Ministry of Finance.

The Finance Secretary, Dasho Wangdi Norbu, graced the opening of the Tax Officials’ Meet. In his opening address, Dasho mentioned that the meeting was timely as it was being held at the beginning of the plan period. “Revenues form the main foundation of a government, for without revenues; we will have no money to spend for the administration of the government and for the development of the nation”, remarked the Finance Secretary Dasho Wangdi Norbu during the opening of the Tax Officials Meet 2002. He continued, “Over the years, with the tremendous importance placed on revenue growth by His Majesty the King through successive five-year plans, and with your efforts, we have grown considerably.

**“Revenues form the main foundation of a government, for without revenues; we will have no money to spend for the administration of the government and for the development of the nation”**

*Finance Secretary  
Dasho Wangdi Norbu*

*The Finance Secretary Dasho Wangdi Norbu, Director Mr. Nima Wangdi at the opening ceremony of the Second Tax Officials Meet.*

We have been able to meet, at least, the recurrent costs of our government with our domestic revenues.”

The Finance Secretary also highlighted the recently announced tax incentives and the corporatisation of government revenue earning departments.

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