

# **Performance Indicator Report**

**Assessment Year ending 31<sup>st</sup>  
December 2007**

Tax Administration Division  
Department of Revenue & Customs

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## **FOREWORD**

The Tax Administration Division is pleased to bring out its Annual Performance Indicator Report for the assessment year ending 31<sup>st</sup> December 2007.

This report not only reflects our past activities and performances, but also makes an objective review of our performance during the year to improve our efficiency and progress in administration of direct taxes.

The figures presented in this report pertain to the income year 2006, but assessed in 2007. It has been compiled on a calendar year basis and hence may not correspond with the figures quoted in the National Revenue Report.

It is hoped that this report will prove useful to our regional offices in planning and monitoring direct tax collection in their respective regions, and to the Ministry of Finance in the overall revenue management at the National level. We would like to express our sincere gratitude to the Honourable Director for his unwavering support and guidance to the Division, and by the same token to all the Regional Commissioners, Tax Heads and the hard working officers of the Division in the regional offices for their continued support and assistance in publishing this report on time.

The report is organized in four parts; Part I highlights the organizational set up of the division including staff details, taxpayer profile, and some significant initiatives undertaken during the year. Part II covers an overview on direct taxation, types of direct taxes and taxpayer composition. Part III underlines the revenue performance during the year, and finally Part IV on tax holidays and incentives.

**(Sonam Tenzin)**

Commissioner

Head, Tax Administration Division

DRC, Thimphu: Bhutan

## **Our Vision**

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

## **Our Mission**

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

## **Our Values**

We are guided by integrity, dedication and professionalism in dealing with taxpayers, fostering mutual confidence, and treating all taxpayers with respect and civility.

## **Our Functional Mandate and Strategies**

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

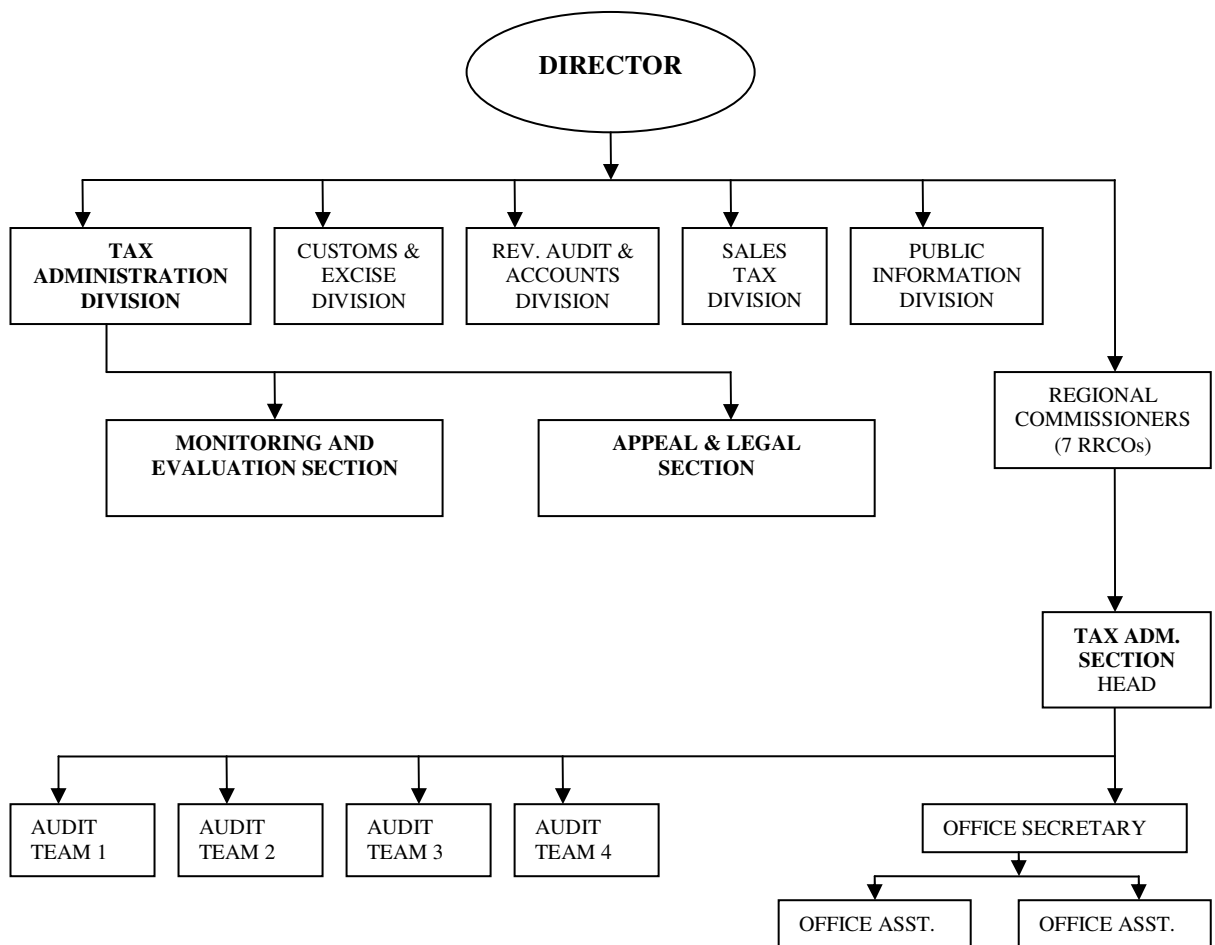
As tax administrators, we continuously strive to develop an effective tax system that will serve as a fiscal policy tool for the government to manage and regulate the economy from time to time. In doing so, we remain guided by the principles of equity, fairness, and efficiency in our endeavors to mobilize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

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

**PART I**  
**ORGANIZATIONAL STRUCTURE**

**1.1 ORGANIZATIONAL SET UP**

The organizational set up is structured along functional lines to achieve better coordination, efficiency, and effectiveness in the overall administration and collection of direct taxes. The Tax Administration Division has two sections; viz. Monitoring & Evaluation Section and Appeal & Legal Section.



The department currently has seven regional offices including a new regional office in Mongar, which was established in Jan 2007. The new regional office was created to ease the administrative burden and facilitate better taxpayer services by moving closer to the taxpayers. This new RRCO covers four dzongkhags viz. Mongar, Trashigang, Lhuentse and Trashi Yangtshi which were previously under RRCO Samdrup Jongkhar. Table 1 shows the administrative jurisdictions of the seven RRCOs.

**Table 1: Regional Offices and their Administrative Jurisdiction**

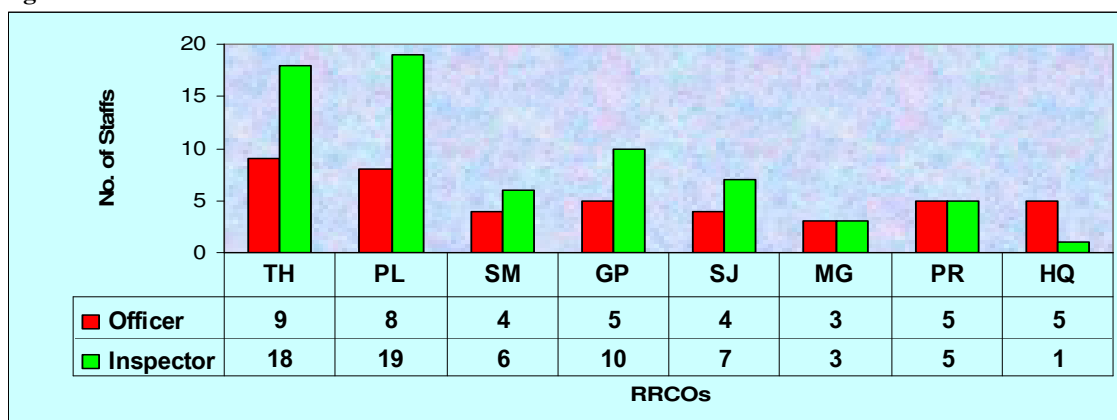
RRCO	Coverage	Dzongkhag
Thimphu	4 Western Dzongkhags	Thimphu, Punakha, Wangdi Phodrang & Gasa
Paro	2 Western Dzongkhags	Paro and Haa
Phuentsholing	1 Southern Dzongkhags	Chukha
Gelephu	6 Central and Southern Dzongkhags	Trongsa, Sarpang, Tsirang, Bumthang, Zhemgang & Dagana
Samtse	1 Southwest Dzongkhag	Samtse
Mongar	4 Southern and Eastern Dzongkhags	Mongar, Trashigang, Trashy Yangtse & Lhuentse
Samdrup Jongkhar	2 Southern and Eastern Dzongkhags	Samdrup Jongkhar & Pema Gatsel

## 1.2 STAFF STRENGTH

Tax Administration Division has a total of 112 staff comprising of 43 officers and 69 inspectors as on December 2007. Compared to 2006, only a marginal increase in the total number has been noted despite the induction of new recruits. The total number of officers has decreased from 46 in the previous year to 43 in the current year. This is primarily because of the transfer of two senior officers to PPD under Ministry of Finance and one officer, who joined other organization. However, the total number of inspectors has increased compared to previous year which can be attributed to regularization of the services of five inspectors who were on OJT during 2006. Further, during the year, the division has registered a resignation of one inspector.

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

**Figure 1: Staff Distribution**





### 1.3 QUALIFICATION

Upgrading the knowledge and skills of the staff is the key to strengthening the institutional capacity of the division. The minimum qualification requirement for officer level entry in the division is a bachelor of commerce degree or equivalent while for inspector; it is pre university level or class XII.

Currently there are 10 officers with a post graduate degree, 21 officers with an undergraduate degree, indicating fairly the availability of well qualified staff in the division. 12 officers are currently pursuing post graduate degrees in management, public finance and taxation in Thailand, Australia, Japan, Korea, Netherland and India.

**Table 2: Qualification Details**

	<b>Masters Degree</b>	<b>Bachelors Degree</b>	<b>Class XII</b>	<b>Class X</b>	<b>Pursuing Masters</b>	<b>Total</b>
Head Office	3	0	0	1	2	6
RRCO Thimphu	2	6	14	4	1	27
RRCO Phuentsholing	2	5	15	4	1	27
RRCO Samste	1	3	5	1	0	10
RRCO Gelephu	0	3	7	3	2	15
RRCO Paro	1	2	4	1	2	10
RRCO Mongar	1	0	2	1	2	6
RRCO Samdrup Jongkhar	0	2	5	2	2	11
<b>Total</b>	<b>10</b>	<b>21</b>	<b>52</b>	<b>17</b>	<b>12</b>	<b>112</b>

## **1.4 SIGNIFICANT INITIATIVES DURING THE YEAR**

The initiatives taken by the division during the period were as follows:

### **1.4.1 GUIDELINE ON TAX DEDUCTED AT SOURCE**

- **July 2007:** Tax administration Division in close coordination with the Revenue Audit and Accounts Division developed a comprehensive booklet on TDS for use by the general public. The objective of this publication is to mainly educate all withholding agencies on the rights and obligations for deducting and depositing TDS as per the Income Tax Act, and to further facilitate and streamline TDS procedures, in keeping with the recommendations of the GG Plus document 2006.
- **December 2007:** In order to ease and facilitate the withholding agencies in issuing the TDS certificates to various taxpayers/suppliers, the division, in concert with the Department of Public Accounts has integrated TDS module with the Bhutan Accounting System (BAS). The integrated package will be implemented effectively from fiscal year 2008/09. The hand-on trainings to all agencies are currently underway in all seven regional offices.

### **1.4.2 INTERNAL WORKSHOPS/TRAININGS**

- The 7<sup>th</sup> Annual Tax Officer's Meet was held from 26<sup>th</sup> to 28<sup>th</sup> September, 2008 to resolve problems faced in the field and more importantly to ensure uniform implementation of the Income Tax Act & Rules across the regional offices. During the meet, besides review on the rules and procedures, performance standards for different functional aspects of the division were adopted to ensure improved taxpayer services.

## **PART II**

### **DIRECT TAXATION**

#### **2.1 OVERVIEW ON DIRECT TAXATION**

Prior to 1960, taxes were collected either in kind or in the form of labour contributions, as the economy were largely non-monetized and the barter system was widely prevalent as a medium of exchange. This traditional practice was phased out in 1960 with the introduction of planned economic development and concomitantly introduced a monetized taxation on land and properties, business profits and consumption of goods and services for the first time.

Since then, two major tax policy and administrative reforms were carried out; one in 1989, and the other in 1992. The key objectives of these reforms, amongst others, were policy rationalization, transparency and simplification of procedures in the overall tax administration.

Subsequently in 2001, a comprehensive legislation on direct taxes - **The Income Tax Act of the Kingdom of Bhutan, 2001** was enacted and in the same year Personal Income Tax was introduced. The Act is the main legal authority under which the department administers and collects taxes in the Kingdom.

#### **2.2 TYPES OF DIRECT TAXES & RATES**

Presently, the major types of direct taxes, amongst others are:

**i. Corporate Income Tax (CIT)**

CIT is a corporation tax. It is levied @ of 30% on net profit. CIT is payable by those entities registered under the Company's Act of the Kingdom of Bhutan, 2000.

**ii. Business Income Tax (BIT)**

BIT is a non-corporate business tax. It is levied @ of 30% on net profit. BIT is payable by all unincorporated business entities holding a trade license or registration certificate issued by the Ministry of Economic Affairs (MEA).

**iii. Personal Income Tax (PIT)**

PIT is a tax levied on the personal income of an individual from any or more of the six sources namely; salary income, rental income, dividend income, cash crop income, interest income and income from other sources. It is levied at the following progressive rates as shown below.

**Table 3: PIT Rates**

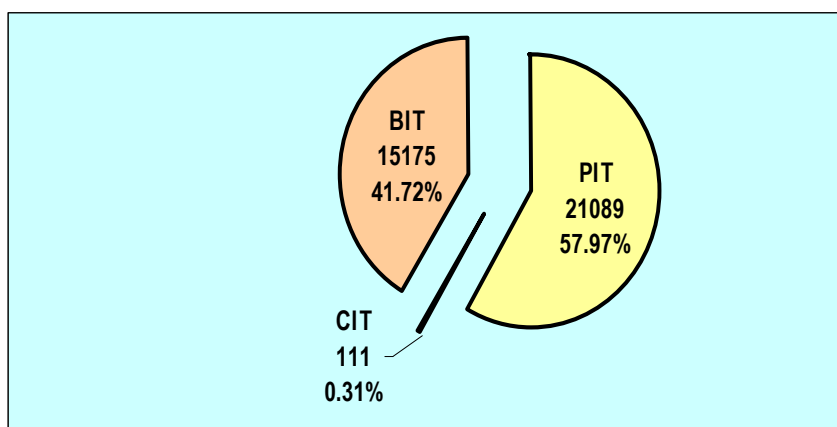
<b>Income Slab</b>	<b>Rates</b>
Up to Nu. 100,000	0%
Nu. 100,001 to Nu. 250,000	10%
Nu. 250,001 to Nu. 500,000	15%
Nu. 500,001 to Nu. 1,000,000	20%
Nu. 1,000,001 & above	25%

### 2.3 TAXPAYER HIGHLIGHTS

Depending on the type of direct taxes, taxpayers are categorized into Corporate Income Taxpayers, Business Income Taxpayers and Personal Income Taxpayers.

During the income year 2006, the department saw a total of 36,375 registered taxpayers reflecting 10.32% increase from the previous year's total of 32,972. Unlike previous year, CIT recorded the highest increase at 42.31% followed by PIT at 18.10% and BIT at 0.92%.

**Figure 2: Taxpayer Composition**



In terms of taxpayer composition, PIT payers constituted the largest at 57.97% followed by BIT payers at 41.72%, while CIT payers constituted only 0.31%. Among the regional offices, RRCO Thimphu and RRCO Phuentsholing continued to record the highest number of taxpayer registrations at 35.51% and 18.13% respectively, followed by RRCO Gelephu and RRCO Mongar at 15.66% and 8.77% respectively.

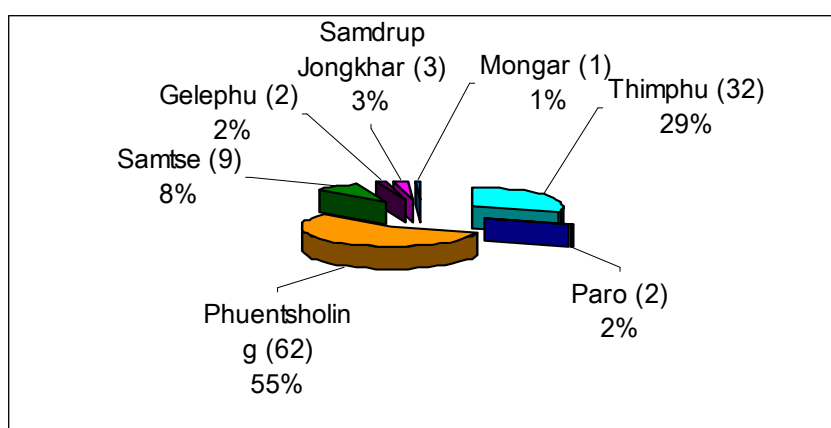
**Table 4: Taxpayer Details**

RRCOs	PIT		CIT		BIT				Total	% Distribution
	Filer	NF/	Filer	NoP NF/ <sup>1</sup>	Non Estimated	Estimated	NoP	NF		
Thimphu	8293		32		655	2786	1149	0	12915	35.51%
Paro	1502		2		71	687	78	105	2445	6.72%
Phuentsholing	4003		42	20	297	1832	399	0	6593	18.13%
Samtse	1207	268	9		165	961	8	23	2641	7.26%
Gelephu	2714		2		90	2885	0	7	5698	15.66%
Samdrup Jongkhar	1542		3		101	1213	33	0	2892	7.95%
Mongar	1560		1		16	1274	340	0	3191	8.77%
<b>Total</b>	<b>20821</b>	<b>268</b>	<b>91</b>	<b>20</b>	<b>1395</b>	<b>11638</b>	<b>2007</b>	<b>135</b>	<b>36375</b>	<b>100%</b>
<b>Percentage</b>	<b>57.97%</b>		<b>0.31%</b>		<b>41.72%</b>					<b>100%</b>

### 2.3.1 CIT

CIT payers are those entities incorporated under the Company’s Act of the Kingdom of Bhutan, 2000; including wholly and partially state owned corporations. The total number of CIT payers during 2006 noted an increase of 42.3% compared to the previous year. However, CIT payers accounted for only 0.31% of the total taxpayers. Out of the total registered CIT taxpayers of 111, 55% is located in RRCO Phuentsholing followed by 29% in RRCO Thimphu and 8% in RRCO Samtse respectively.

**Figure 3: CIT Payer Distribution**

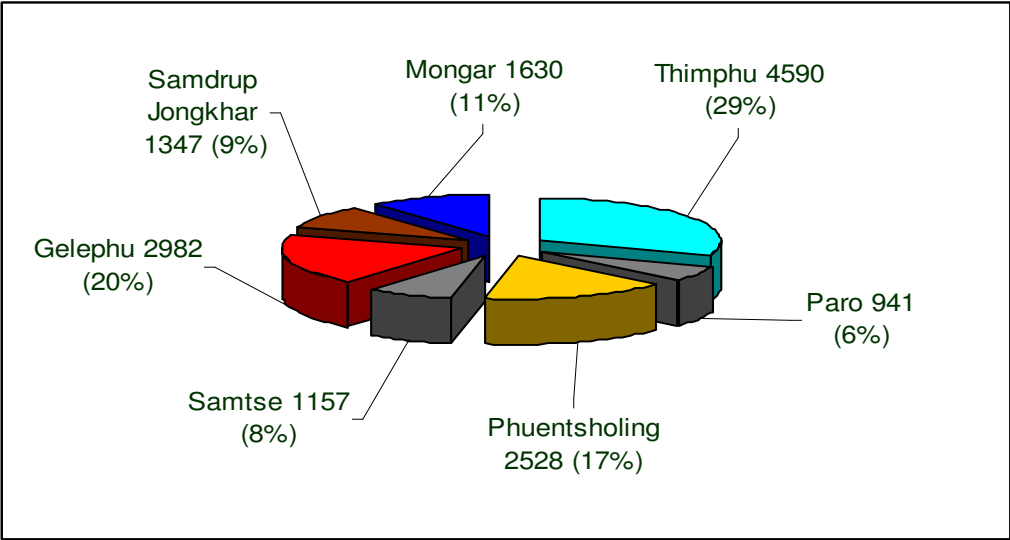


<sup>1</sup> NoP refers to Non-Operational and NF refers to Non Filer

**2.3.2 BIT**

BIT payers are those non incorporated business units holding valid trade licenses or registration certificates (in case of micro units engaged in trading activities) issued by the MOE. Business Income Taxpayer ranges from a well established large business houses to a small sized micro business units. Generally, BIT payers deal mainly in trading and service activities such as grocery stores, general stores, hardware, hotels, restaurants etc. BIT units accounted for 41.72% of the total taxpayers with most of the taxpayers registered in RRCO Thimphu, followed by RRCO Gelephu, RRCO Phuentsholing and RRCO Mongar. The increase in BIT payers noted only a marginal growth of 0.92% over the previous year.

**Figure 4: BIT Payer Distribution**



For effective monitoring purposes, BIT payers have been further categorized into non-estimated (those who submit book of accounts) and estimated (those who do not submit book of accounts). Out of a total of 15,175 BIT payers for the period, 76.7% paid their Business Income Tax under estimation, 9.2% settled their taxes by submitting accounts, and the remaining 14.1% were non filers and non operational units. In absolute term, BIT payers have increased by 138 taxpayers compared to income year 2005. The increase in non estimated and estimated category is 31 and 598 taxpayers respectively. Meanwhile, the number of non filers and non operational units has gone down by 491 units compared to the previous year resulting in improved compliance.

**Table 5: BIT Profile**

<b>RRCOs</b>	<b>Non Estimated</b>	<b>Estimated</b>	<b>NoP</b>	<b>NF</b>	<b>Total</b>	<b>% Distribution</b>
Thimphu	655	2786	1149	0	4590	<b>30.25%</b>
Paro	71	687	78	105	941	<b>6.20%</b>
Phuentsholing	297	1832	399	0	2528	<b>16.66%</b>
Samtse	165	961	8	23	1157	<b>7.62%</b>
Gelephu	90	2885	0	7	2982	<b>19.65%</b>
Samdrup Jongkhar	101	1213	33	0	1347	<b>8.88%</b>
Mongar	16	1274	340	0	1630	<b>10.74%</b>
<b>Total</b>	<b>1395</b>	<b>11638</b>	<b>2007</b>	<b>135</b>	<b>15175</b>	<b>100%</b>
<b>Percentage</b>	<b>9.19%</b>	<b>76.69%</b>	<b>14.12%</b>		<b>100%</b>	

In absence of any records to ascertain the correct tax liability, the division follows a standard method to determine the tax liability by relying on the following information:

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

Since income year 2005, the division has also developed a standard assessment form where the income and expenses incurred for the year is jointly recorded with the assessing officer to calculate the tax liability. This is practiced in order to ensure that tax collection under estimated method is carried out in a fair and equitable manner.

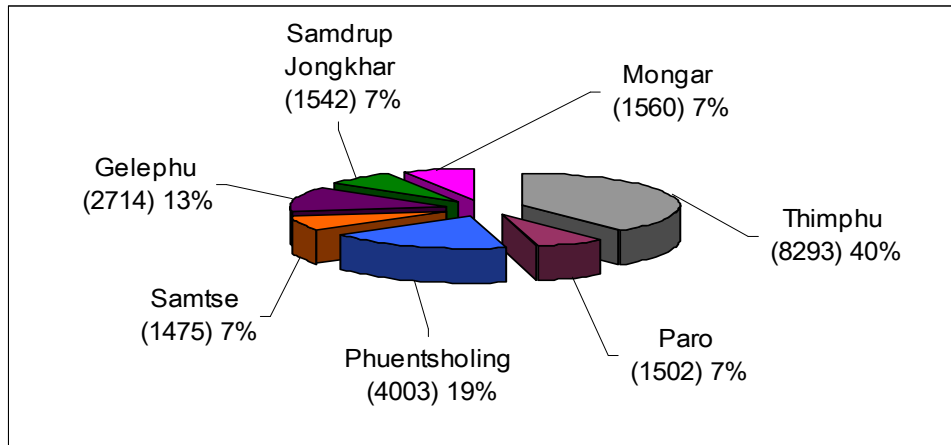
However, to avoid any arbitrary tax collection, rigorous tax education programs and workshops are conducted periodically in concert with BCCI to educate and enable business units to maintain books of accounts.

### **2.3.3 PIT**

Any individual having an income from any of the six sources listed under PIT is a registered PIT payer. However, only those individuals earning more than Nu.100,000 per annum from one or more of the six sources under PIT are termed as PIT payers. A total of 21,089 PIT payers were registered for the year, recording an increase of 18.10% over the

previous year's total of 17,857. Out of 21,089 PIT payers, only 20,821 have filed the PIT returns. However, RRCO Samtse reported 268 taxpayers as non filer. The net increase in the number of PIT payers can be attributed largely to salary revision of the civil servants, better assessment efforts and enforcement, improved compliance of the taxpayers and overall growth of the economy. RRCO Thimphu recorded the highest number of PIT payers at 40% followed by RRCO Phuentsholing at 19% and so on.

**Figure 5: PIT Payer Distribution**



As usual, salary income earners record 87% of the total PIT payers followed by rental at 7%. PIT payers having income from dividend and other sources constituted 2% each while PIT payers from the remaining two income sources comprised only 1% each.

**Table 6: PIT Profile**

Income Source	RRCOs							Total	% income distribution
	Thimphu	P/ling	Samtse	G/phu	S/Jongkhar	Paro	Mongar		
Salary	6485	3631	1055	2580	1386	1411	1534	18082	87%
Rental	1018	190	33	95	102	77	7	1522	7%
Dividend	379	66	3	11	27	3	10	499	2%
Interest	152	44	3	13	18	7	5	242	1%
Cash Crop	125	8	1	12	7	2	3	158	1%
Other sources	134	64	112	3	2	2	1	318	2%
<b>Total</b>	<b>8293</b>	<b>4003</b>	<b>1207</b>	<b>2714</b>	<b>1542</b>	<b>1502</b>	<b>1560</b>	<b>20821</b>	<b>100%</b>
% Distribution	40%	19%	6%	13%	7%	7%	7%	100%	

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



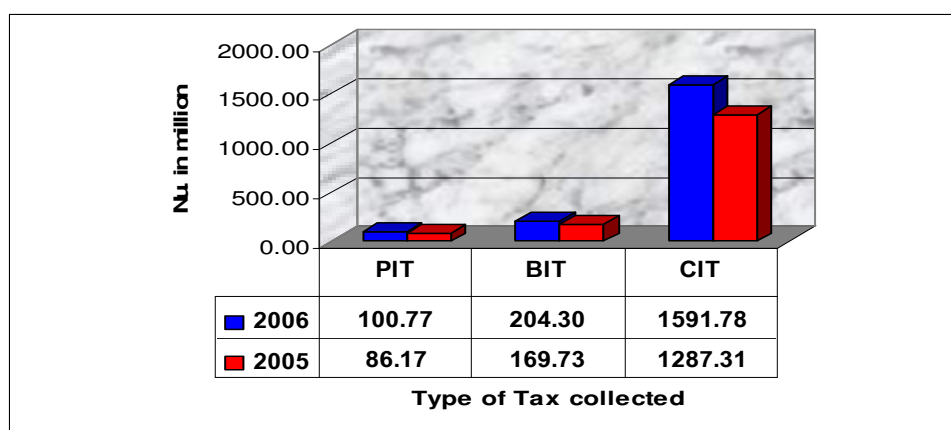
## PART III

### TAX REVENUE HIGHLIGHTS

#### 3.1 OVERALL TAX COLLECTION<sup>2</sup>

During the year, the total tax collection from BIT, CIT and PIT amounted to Nu.1,896.85 million, recording an increase of 23% from Nu.1,543.210 million in the previous year. CIT collection recorded the highest increase of 24%, while BIT and PIT collection increased only by 20% and 17% respectively.

Figure 6: Tax Revenue Composition



Although increase in CIT collection is only 24%, the share of CIT to the total direct tax collection still remains the highest at 84% followed by BIT at 11% and PIT at 5%. In comparison to the previous year, the share of BIT to total tax revenue remained the same whereas the share of PIT to tax revenue decreased by 1% while CIT increased by 1%.

As mentioned, CIT collection accounted for 84% of the total tax revenue while it constituted only 0.31% of the total registered taxpayer. On the other hand, PIT and BIT taxpayers constituting 99.69% of the total registered taxpayer accounted only for 16% of the total tax revenue representing asymmetrical revenue contribution. The total actual collection from BIT, CIT and PIT collectively to GDP<sup>3</sup> recorded 4.58%.

<sup>2</sup> Tax collection figures reflected in this report differs from figures reflected in the revenue report since this report is based on calendar year while the revenue report is based on fiscal year.

<sup>3</sup> Source: National Statistics Bureau, Bhutan at a Glance, GDP at current market price is Nu. 41,443.3 million.

### 3.2 CIT COLLECTION

CIT constituted 84% of the total direct tax revenue for the year, recording a 24% increase over the previous year's collection of Nu.1287.31 million. The increase in collection could be attributed to factors such as better assessment efforts, improved performance of major corporate units such as Ms. Bhutan Telecom, Ms. Chukha Hydro Power Corporation Ltd., MS Penden Cement Authority Ltd. and the two commercial banks. The increase could be also attributed to expiry of tax holiday period availed by some companies.

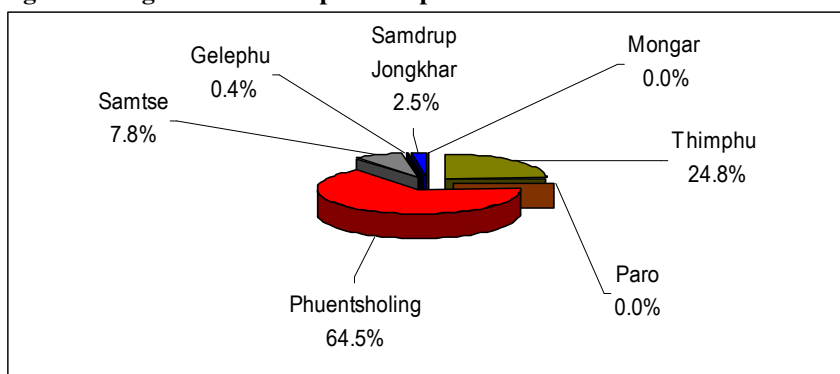
**Table 7: Comparative CIT Collection**

RRCOs	No of units		NoP		Tax amount		% of tax	% + -
	2005	2006	2005	2006	2005	2006	2006	2005-2006
Thimphu	29	32	0	0	241.8	394.87	24.8%	63%
Paro	0	2	0	0	0	0	0.0%	0%
Phuentsholing	31	62	4	20	912.3	1027.25	64.5%	13%
Samtse	9	9	0	0	97.2	123.78	7.8%	27%
Gelephu	3	2	0	0	3.5	6.53	0.4%	86%
Samdrup Jongkhar	6	3	0	0	32.5	39.35	2.5%	21%
Mongar	0	1	0	0	0	0	0.0%	0%
<b>Total</b>	<b>78</b>	<b>111</b>	<b>4</b>	<b>20</b>	<b>1287.3</b>	<b>1591.78</b>	<b>100%</b>	<b>24%</b>

Unlike previous year, RRCO Gelephu recorded the highest increase in CIT collection with 86% followed by RRCO Thimphu and RRCO Samtse. There is no change in CIT collection with regard to RRCO Mongar and Paro since the companies are either under tax holiday or have declared losses consecutively.

RRCO Phuentsholing recorded the highest collection of CIT at 64.5% followed by RRCO Thimphu at 24.8%, RRCO Samtse at 7.8%, RRCO Samdrup Jongkhar at 2.5%, and RRCO Gelephu at 0.4%.

**Figure 7: Regional wise Graphical representation of CIT Collection**



### 3.2.1 TOP FIVE CIT PAYERS

The top five CIT payers during the year remained the same as the previous year except that Bank of Bhutan has jumped one step ahead while Bhutan National Bank dropped to number five. The share of the top five CIT payers decreased from 81% in the previous year to 77% in income year 2006. However, the share of contribution is expected to increase with the completion of assessments by the regional offices concerned.

**Table 8: Top Five CIT Payer**

(Amount in Million Nu.)

SL. No.	Unit Name	Tax Amount	RRCO	Remarks
1	Chukha Hydro Power Corporation Limited	844,679,932.83	Pling	self declared
2	Bhutan Telecom	112,942,861.60	Thimphu	self declared
3	Penden Cement Authority Limited	99,430,181.70	Samtse	Assessed
4	Bank of Bhutan	84,581,500.79	Pling	Assessed
5	Bhutan National Bank Limited	83,340,244.07	Thimphu	self declared
		<b><u>1,224,974,721.0</u></b>		

Among the corporate bodies, Ms. Chukha Hydro Power Corporation Ltd. continued to contribute to direct tax revenue as the highest amongst others accounting for 53% of the total CIT collection, followed by Ms. Bhutan Telecom, Ms. Penden Cement Authority, Ms. Bhutan of Bank and Ms. Bank National Bhutan.

### 3.3 BIT COLLECTION

The total collection for the year amounted to Nu. 204.29 million, making a 20.39% increase over the previous year's collection of Nu.169.73 million. During the year, 9% of the registered BIT payers contributed 85% of the total BIT collection whereas the remaining 91%, a majority of which are estimated units, contributed only 15% of the total BIT revenue.

Unlike previous year, the BIT collection from estimated units increased by 35% and non-estimated units increased by 17% each.

**Table 9: Comparative BIT Collection**

BIT collection	Non Estimated			Estimated			Total Collection		
	2005	2006	% + -	2005	2006	% + -	2005	2006	% + -
	Tax amount			Tax amount			Tax amount		
Thimphu	63,645,790	73,733,524	16%	13,033,713	15,812,407	21%	76,679,503	89,545,930	17%
P/ling	48,575,824	69,108,765	42%	6,002,616	7,280,649	21%	54,578,440	76,389,414	40%
Samtse	8,894,505	10,961,817	23%	1,575,509	1,629,978	3%	10,470,014	12,591,795	20%
Gelephu	2,524,106	2,389,563	-5%	5,305,834	8,153,817	54%	7,829,940	10,543,380	35%
S/Jongkhar	12,072,291	2,107,072	-83%	3,535,700	1,635,414	-54%	15,607,991	3,742,486	-
Paro	1,933,090	2,668,468	38%	2,627,613	4,101,925	56%	4,560,703	6,770,392	48%
Mongar	0	0	0%	0	4,713,313	0%	0	4,713,313	0%
<b>Total</b>	<b>137,645,606</b>	<b>160,969,208</b>	<b>17%</b>	<b>32,080,985</b>	<b>43,327,502</b>	<b>35%</b>	<b>169,726,592</b>	<b>204,296,710</b>	<b>20%</b>
<b>% of total BIT</b>	<b>81%</b>	<b>79%</b>		<b>19%</b>	<b>21%</b>		<b>100%</b>	<b>100%</b>	

With inclusion of four eastern Dzongkhags under the jurisdiction of RRCO Mongar, RRCO Samdrup Jongkhar suffered a remarkable decrease of 83% and 54% in collection from non estimated and estimated units. A slight decrease is also noted in RRCO Gelephu. Under non-estimated category, RRCO Phuentsholing registered 42% increase. This increase can be associated with excellent performance of some of the units under Tashi Group of Companies on one side and concerted assessment efforts put in by the tax officials on the other hand.

### 3.3.1 TOP FIVE BIT PAYERS

Under the top five BIT payers, TCC Head Office and Lhaki Cement made their new entry at number 2 and 3 while the other three remained the same like the previous year. Sherja Equipment Hiring Unit under RRCO Samdrup Jongkhar continued to settle at the top most position for the second consecutive year. The share of the top five BIT payers to the total BIT collection and total direct tax collection accounted for 19% and 2% respectively.

**Table 10: Top Five BIT Payers**

SL. No.	Unit Name	Tax Amount (Nu.)	RRCO	Remarks
1	Sherja Equipment Hiring Unit	10,583,001.00	Samdrup Jongkhar	Self declared
2	TCC Head office	8,840,694.67	Phuentsholing	Assessed

3	Lhaki Cement	8,030,683.61	Samtse	Assessed
4	Hotel Druk	6,571,788.16	Phuentsholing	Assessed
5	TCC BOD/BOC	4,067,531.85	Phuentsholing	Assessed
		<b>38,093,699.3</b>		

### 3.3.2 ESTIMATED COLLECTION

Estimated Assessment (EA) is an alternative method of assessment as opposed to the conventional record based assessment. It is applied to business units which either fail to maintain records or the factual correctness of the information submitted is questionable. Estimated collection involves the use of indirect means of assessment to ascertain the tax liability, which is different from accounts based method. The total estimated collection during the year totalled to Nu.43.33 million recording an increase of 35% compared to previous year's collection of 32.08 million.

The contribution of estimated collection to the total direct tax revenue was a mere 2.3% despite the fact that it constitutes 79% of the total BIT taxpayers. Among RRCOs, the contribution to the total direct tax revenue from RRCO Thimphu was the highest at 0.83%, followed by RRCO Gelephu at 0.43%, RRCO Phuentsholing at 0.38%, RRCO RRCO Mongar at 0.25%, RRCO Paro at 0.22%, RRCO Samdrup Jongkhar and RRCO Samtse at 0.09%.

The national average collection per estimated unit for the income year 2006 was Nu.3,614, and the lowest and highest collection at Nu.1,336 and Nu.154,711 respectively. The average collection has increased by 22% over the previous year, while the lowest as well as highest collection dropped by 24% and 0.10% respectively. Amongst the RRCOs, the lowest collection was in RRCO Phuentsholing with Nu.150 and the highest collection was in RRCO Thimphu with Nu. 394,225.

**Table 11: Average Estimated Collection in 20 Dzongkhags**

RRCO	Dzongkhags	No. of units from whom tax was collected	Actual estimated collection for 2006	% of Total Tax Rev (Nu.1,896.85)	Average Tax Collected in 2006	Min. Tax Collected per TP	Max. Tax Collected per TP
<b>Thimphu</b>	Thimphu	2176	12,896,335	0.68%	5927	200	394,225
	Wangdue	431	2,063,039	0.11%	1940	500	72,000
	Punakha	167	835,982	0.04%	5006	500	49,000
	Gasa	12	17,050	0.001%	1421	600	3,200
	<b>Subtotal</b>	<b>2786</b>	<b>15,812,407</b>	<b>0.83%</b>	<b>5676</b>	<b>1,800</b>	<b>518,425</b>
<b>Paro</b>	Haa	191	783,652	0.04%	4103	500	21,000
	Paro	816	3,318,273	0.17%	4067	500	53,000
	<b>Subtotal</b>	<b>1007</b>	<b>4,101,925</b>	<b>0.22%</b>	<b>4073</b>	<b>1,000</b>	<b>74,000</b>
<b>P/Ling</b>	Chhukha	1832	7,280,649	0.38%	3974	150	141,450
	<b>Subtotal</b>	<b>1832</b>	<b>7,280,649</b>	<b>0.38%</b>	<b>3974</b>	<b>150</b>	<b>141,450</b>
<b>Gelephu</b>	Bumthang	508	2,040,780	0.11%	4017	500	30,000
	Dagana	193	933,710	0.05%	4838	500	12,500
	Sarpang	1140	2,805,042	0.15%	2461	500	33,000
	Trongsa	318	80,746	0.04%	2455	500	34,400
	Tsirang	425	759,621	0.04%	1787	500	24,000
	Zhemgang	301	833,918	0.04%	2770	500	17,000
	<b>Subtotal</b>	<b>2885</b>	<b>8,153,817</b>	<b>0.43%</b>	<b>2826</b>	<b>3,000</b>	<b>150,900</b>
<b>Samtse</b>	Samtse	992	1,629,977	0.09%	1643	400	6500
	<b>Subtotal</b>	<b>992</b>	<b>1,629,977</b>	<b>0.09%</b>	<b>1643</b>	<b>400</b>	<b>6,500</b>
<b>Mongar</b>	Lhuentse	133	944,876	0.05%	7104	500	9,200
	Mongar	355	1,743,448	0.09%	4911	500	53,000
	Tashi Yangtshi	232	808,570	0.04%	3485	500	23,000
	Tashigang	554	1,216,419	0.06%	2196	500	63,000
	<b>Subtotal</b>	<b>1274</b>	<b>4,713,314</b>	<b>0.25%</b>	<b>3700</b>	<b>2,000</b>	<b>148,200</b>
<b>S/Jongkhar</b>	Pemagatshel	350	460,774	0.02%	1316	500	11,500
	S/Jongkhar	863	1,174,640	0.06%	1361	500	32,000
	<b>Subtotal</b>	<b>1213</b>	<b>1,635,414</b>	<b>0.09%</b>	<b>1348</b>	<b>1,000</b>	<b>43,500</b>
<b>OVERALL</b>		<b>11989</b>	<b>43,327,502</b>	<b>2.28%</b>	<b>3,614</b>	<b>1,336</b>	<b>154,711</b>

\* Estimated collection for RRCO Thimphu & Phuentsholing does not include 2% TDS deducted from petty contractors.

\* Non filers and non-operational cases are included while computing average tax collected during 2006

### 3.4 PIT COLLECTION

During the year, PIT collection aggregated to Nu.100.77 million recording an increase of 17%. This increase is attributed to 18% increase in the number PIT payers during the year.

**Table 12: PIT Collection**

RRCOs	2005	2006	% + -	% total 2005	% total 2006
Thimphu	40,904,818	50,023,401	22%	47%	50%
P/ling	28,792,487	28,207,826	-2%	33%	28%
Samtse	2,793,815	3,677,651	32%	3%	4%
Gelephu	3,112,061	3,674,575	18%	4%	4%
Samdrup Jongkhar	5,959,641	7,057,412	18%	7%	7%
Paro	4,607,055	5,436,677	18%	5%	5%
Mongar	0	2,696,034	0%	0%	3%
<b>Total</b>	<b>86,169,878</b>	<b>100,773,576</b>	<b>106%</b>	<b>100%</b>	<b>100.0%</b>

RRCO Thimphu and RRCO Phuentsholing accounted for 50% and 28% of the total PIT revenue while the contributions of the other RRCOs were 7%, 5%, 4%, 4% and 3% as indicated in the table above. RRCO Thimphu and RRCO Phuentsholing together have a total of 12,296 PIT payers representing 58% of the total registered PIT payers. Both regions have collectively accounted for 78% of the total PIT revenue. Despite increase in PIT payers, RRCO Phuentsholing noted a slight decrease in the PIT revenue which was mainly due to repatriation of employees by three major Indian contractors, spill over effect on the vehicle hire income received from above three companies, reduction in salary and interest income of the few top PIT payers. On the other hand, rest regional offices have either maintained status quo or recorded an increase in PIT collection. The top ten PIT payers accounted for 18% of the total PIT collection.

### 3.4.1 INCOME SLAB WISE ANALYSIS

The top and middle income group comprising 8.5% of the total PIT payers contributed 64% of the total PIT revenue. On the other hand, the lowest income group falling under 0% and 6% tax rate constituted 91.5 % of the total PIT payers while contribution towards total PIT collection is only 36%.

**Table 13: PIT Analysis**

Income Slab	Rate	No. of taxpayer	Tax Amt	% of tax paid
0 - 100000	0%	3265	-	-
100001 - 250000	6%	15791	36,613,509.00	36.33%
250001 - 500000	9%	1419	19,801,410.00	19.65%
500001 - 1000000	12%	249	12,189,073.00	12.10%
1000001 & above	15%	97	32,169,584.00	31.92%
		20821	100,773,576.00	100.00%

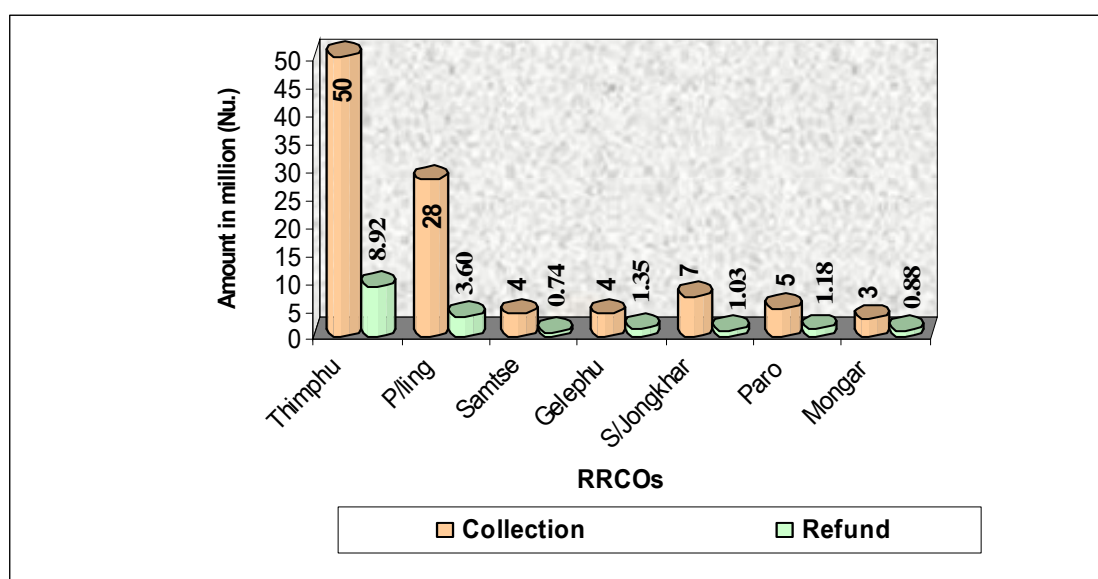
### 3.5 TAX REFUND

From the total direct tax collection of Nu.1,896.85 million for the income year 2006, Nu. 19.307 million was refunded representing only 1% of the total collection. PIT refund accounted for 92% and BIT/CIT refund accounted for 8% of the total refund.

**Table 14: Comparative Tax Refund**

RRCOs	2005		2006		Total Refund	% + - (2005-2006)		% distribution
	PIT	BIT/CIT	PIT	BIT/CIT		PIT	BIT/CIT	
Thimphu	8,369,068	0	8,922,039	0	8,922,039	7%	0%	46%
P/ling	2,914,437	750,216	3,590,820	1,486,252	5,077,072	23%	98%	26%
Samtse	737,795	0	740,674	0	740,674	0%	0%	4%
Gelephu	1,318,722	0	1,351,171	0	1,351,171	2%	0%	7%
S/Jongkhar	1,455,977	0	1,027,933	0	1,027,933	-29%	0%	5%
Paro	950,722	0	1,177,568	128,166	1,305,733	24%	0%	7%
Mongar	0	0	882,354	0	882,354	0%	0%	5%
Total	15,746,720	750,216	17,692,559	1,614,418	19,306,977	12%	115%	100%

**Figure 8: Total PIT Collection Vis-à-vis PIT Refund**



It is clear from the above table that there exists a high correlation between revenue collection and refund claims. RRCO Thimphu recorded the highest refund claim accounting to 46% of the total refund involving 7246 refund cases followed by RRCO Phuentsholing at 26%, RRCO Gelephu and Paro at 7%, RRCO Samdrup Jongkhar and Mongar at 5%, and RRCO Samtse at 4% respectively.



### 3.6 TAX OUTSTANDING

Total tax outstanding as a percentage of the total tax liability was recorded at 5.44% during the income year 2006 (showing an increase of 4.14% compared to 1.3% in 2005). For the period covering income years 2004 to 2006, the percentage arrear recorded in 2006 is the highest indicating huge amount of taxes, especially BIT and CIT lying outstanding. Amongst the RRCOs, RRCO Samtse recorded the highest percentage of outstanding taxes. The main reason for such an increase in tax outstanding is due to involvement of huge taxes in appeal from some of the units under Tashi Group of Companies under RRCO Phuentsholing due to ambiguities in tax rules.

**Table 15: Tax Outstanding Profile**

RRCOs	Outstanding Tax Amount			Total Tax Amount	% Arrears
	PIT	CIT	BIT		
Thimphu	264,022	24,518,199	2,313,010	561,529,588	4.83%
P/ling	136,124	30,082,764	36,420,291	1,198,491,088	5.56%
Samtse	10,025	12,703,068	1,546,687	154,304,879	9.24%
Gelephu	2,110	-	112,572	20,859,780	0.55%
S/Jongkhar	-	45,942	57,715	50,254,605	0.21%
Paro	4,719	-	337,227	12,549,016	2.72%
Mongar	-	-	488,555	7,897,903	6.19%
<b>Total</b>	<b>417,000</b>	<b>67,349,972</b>	<b>41,276,057</b>	<b>2,005,886,859</b>	<b>5.44%</b>
Total Tax Amount	101,185,871	1,659,128,220	245,572,768	2,005,886,859	
% Arrears	0.41%	4.06%	16.81%	100%	

BIT recorded the highest outstanding at 16.81% comparing to CIT and PIT at 4.06% and 0.41% respectively. Compared to income year 2005, BIT and CIT outstanding increased by 12.61% and 3.16% respectively. On the other hand PIT outstanding has decreased by 1.29% indicating good compliance from the PIT payers and commendable collection efforts by the Regional Offices.

### 3.7 ASSESSMENT HIGHLIGHTS

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

At the DA stage, every return is subject to logical and arithmetical checks on the figures submitted and reasonableness checks on the level of self declared tax. Every return is then subject to a risk analysis to determine whether FA is required or not. Otherwise the returns

are finalized and no further assessments are taken up. Generally, units are prioritized for field assessment where substantial tax refunds are claimed or where unit is loss making or where a unit has not been assessed for past two years.

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

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

**Table 16: Assessment Status 2006**

<b>PARTICULARS</b>	<b>T/PHU</b>	<b>P/LING</b>	<b>SAMTSE</b>	<b>G/PHU</b>	<b>S/JONKHA</b>	<b>PARO</b>	<b>MONGAR</b>	<b>OVERALL</b>
<b>PIT</b>								
DA Targeted	8293	4003	1207	2714	1542	1502	1560	20821
DA Finalized	8011	4001	1173	2704	1538	1502	1560	20489
% Finalized	97%	100%	97%	100%	100%	100%	100%	98.4%
DA Pending	282	2	34	10	4	0	0	332
FA Targeted	8	151	20	10	0	0	5	194
FA Finalized	8	151	20	10	0	0	0	189
% Finalized	100%	100%	100%	100%	0%	0%	0%	97%
FA Pending	0	0	0	0	0	0	5	5
<b>CIT</b>								
DA Targeted	0	0	9	0	0	0	0	9
DA Finalized	0	0	9	0	0	0	0	9
% Finalized	0%	0%	100%	0%	0%	0%	0%	100%
DA Pending	0	0	0	0	0	0	0	0
FA Targeted	15	16	9	2	3	0	1	46
FA Finalized	4	15	9	2	3	0	1	34
% Finalized	27%	94%	100%	100%	100%	0%	100%	74%
FA Pending	11	1	0	0	0	0	0	12
<b>BIT</b>								
DA Targeted	453	189	165	90	0	29	16	942
DA Finalized	399	189	165	30	0	29	16	828
% Finalized	88%	100%	100%	33%	0%	100%	100%	88%
DA Pending	54	0	0	60	0	0	0	114

FA Targeted	94	82	123	60	101	42	16	518
FA Finalized	77	81	123	37	87	38	11	454
% Finalized	82%	99%	100%	62%	86%	90%	69%	88%
FA Pending	17	1	0	23	14	4	5	64

Overall Coverage								
DA Finalized	96%	100%	98%	98%	100%	100%	100%	98%
DA Pending	336	2	34	70	4	0	0	446
FA Finalized	76%	99%	100%	68%	87%	90%	55%	89%
FA Pending	28	2	0	23	14	4	10	81
Tax Officer to Taxpayer ratio	497	244	240	475	241	204	532	343

### 3.7.1 DESK ASSESSMENT (DA)

Out of a total of 20,821 returns received, only 332 returns remained un-assessed for the year due to lack of proper documentation from the taxpayers and system related problems in case of change in PIT registration at the time of DA. RRCO Phuentsholing, Paro, Gelephu, Samdrup Jongkhar and Mongar recorded 100% DA coverage notching the overall coverage of DA at 98.4%. The DA coverage for CIT units was 100%, with no DA pending for the year. Only RRCO Samtse targeted CIT units under Desk Assessment while the rest RRCOs did not target the CIT units under DA merely because of the fact the CIT units are substantially large compared to BIT units and possess revenue potential demanding detailed assessment, i.e. FA. The overall coverage of DA for BIT was 88% with 114 units remaining un-assessed.

### 3.7.2 FIELD ASSESSMENT (FA)

With increase in number of filers, the number of PIT returns selected for filed assessment has increased from 52 in 2005 to 194 in 2006. RRCO Phuentsholing alone has identified 151 returns for FA and the FA coverage was 100%. Out of 194 PIT returns, 189 returns were field assessed with overall coverage of 97%. On the CIT front, RRCO S/Jongkhar and Paro did not target any CIT units under FA as both the CIT units under RRCO Paro is under Tax Holiday. Similarly, RRCO S/Jongkhar might have devoted the assessment time in clearing the backlogs as reflected in the previous PI report. A total of 34 units out of 46 were assessed covering 74% of the total units selected for FA. The overall coverage under BIT was 88%, which is an improvement of 5% over the previous year. Out of a total of 942 units, 828 business units were field assessed during the income year.

### 3.7.3 OVERALL ASSESSMENT EFFORTS

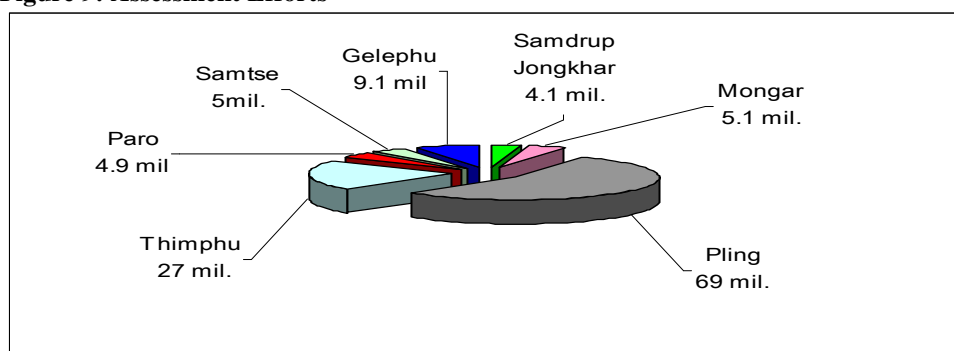
The overall coverage under DA for all three types of taxes (BIT, PIT and CIT) at the national level remained the same at 98% like the previous year. However, the overall coverage under FA for all the three types of taxes at national level increased by 5% compared to the previous year's coverage of 84% indicating a good assessment effort from the regional offices.

In terms of manpower availability, the ratio of assessing officials to taxpayers for the year recorded 1:343, that is, one assessing officer for every 343 taxpayers posting an increase of 8% compared to the previous year's ratio.

### 3.8 ASSESSMENT EFFORTS

Any additional revenue raised or collected purely through the assessment efforts of the RRCOs is taken as a yardstick to measure the effectiveness and efficiency of the division as well as the individual RRCO concerned. Similar to the preceding year, even during income year 2006, the larger regions continued to outperform the smaller regions in terms of tax collection. RRCO Phuentsholing posted an additional tax collection of Nu.44.3 million followed by RRCO Thimphu with an additional collection of Nu.26.9 million. RRCO Phuentsholing recorded an increase of 60% followed by RRCO Gelephu and Samtse at 42% and 13% respectively. On the other hand, RRCO Samdrup Jongkhar, Thimphu and Paro noted a decrease in additional collection by 21%, 17% and 7% respectively when compared to the previous year.

Figure 9: Assessment Efforts

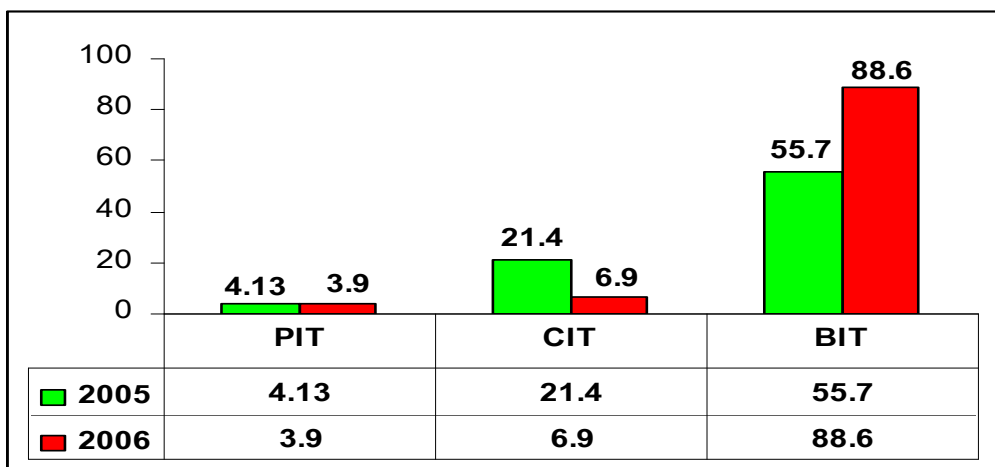


The overall assessment effort was recorded at 5% which is at par with the previous year's assessment effort. The overall assessment effort at 5% indicates that out of the total

collection of 1,896.85 million, 95% was collected through voluntary declaration by taxpayers and in the form of tax deducted at source by various withholding agencies. The remaining 5% is collected through the administrative and concerted assessment efforts of the division.

The additional tax collected from BIT registered 59% growth compared to previous year which is largely due to 173% increase in additional BIT collection under RRCO Phuentsholing (Nu. 14 million in 2005 to Nu.39 million in 2006). Amongst the RRCOs, except RRCO S/Jongkhar, the rest have recorded increase in additional BIT Collection. RRCO S/Jongkhar registered 39% decrease in additional BIT collection compared to previous year. However, with regard to additional CIT, compared to the previous year, it has decreased by 67% i.e. from Nu. 21.4 million in 2005 to Nu. 6.9 million in 2006. The reduction in number of field assessments from 37 in 2005 to 19 in 2006 under RRCO Phuentsholing and Thimphu has contributed to the decrease in overall assessment efforts under CIT. Similarly, PIT has also decreased from Nu.4.1 million in 2005 to Nu. 3.9 million in 2006 recording 6% decrease due to reduced salary and interest income for few top PIT payers.

**Figure 10: Assessment Effort by Tax Category (Nu. In million)**



### 3.9 APPEALS

Tax appeals arise when a taxpayer's rights are infringed by actions of the tax authorities or when taxpayers disagree with the demand notice issued by the RRCOs. Tax appeals are heard and examined at three stages; RRCO level, Head Office level and Ministry level (tax appeal board). Tax appeals are usually heard first at the RRCOs and then forwarded to the head office if the taxpayers disagree with the decision passed by the Regional Tax Appeal Committee (RTAC). Otherwise the decision of the RTAC is final. Further, in the event the taxpayers disagree with the decision passed by the head office Tax Appeal Committee (TAC), the appeal is forwarded to the Ministry. In case of disagreement with the decision passed by the appeal board at the Ministry, the taxpayer has the option of going to a court of law. However, the above appeal procedures do not in any way bar a person from filing an appeal in a court of law directly.

Most of the appeals were for waiver of fines and penalties incurred for delay in deposit of taxes or late filing. Few appeal cases were for disallowances made by the assessing team. The total number of appeals received during the year recorded 198 cases, which is an increase of 39.4% over the previous year's record of 142 cases. The decisions on 9 appeal cases are still pending by RRCO Mongar. More than 76% of the total appeal cases got resolved at the RRCO level and only 39 cases were referred to the Head Office for further decision. BIT taxpayers registered maximum appeal cases with 104 cases followed by PIT with 74 cases and CIT with 20 cases respectively. The total fines and penalties imposed during the period amounted to Nu.16.94 million, out of which Nu. 3.89 million was collected and Nu. 7.28 million waived off by RRCO and HQ appeal committee.

**Table 17: Appeal Details**

PARTICULARS	(Amount in Million Nu.)			TOTAL
	Type of Tax			
	PIT	CIT	BIT	
Filers	21,089	111	15,175	36,375
Filing Time Extension cases	29	19	209	257
Non Filers	268	0	135	403
Non Operational Taxpayers	0	4	2007	2,011
Tax Holiday Units	0	18	31	49
Penalty Cases	1,306	7	1,006	2,319
Penalty Imposed (Nu. In Million)	<b>1.51</b>	<b>8.30</b>	<b>7.12</b>	<b>16.94</b>
Penalty Collected (Nu. In Million)	<b>0.83</b>	<b>0.56</b>	<b>2.51</b>	<b>3.89</b>
No of Evasion Cases	1	0	4	5

No of Tax Delinquent Cases	0	0	1	1
<b>TAX APPEALS</b>				-
No of Appeals Received	74	20	104	198
Appeal Resolved at RRCO Level	69	7	74	150
Amount Waived in appeal at RRCO level (Nu. In Million)	<b>0.54</b>	<b>0.16</b>	<b>0.43</b>	<b>1.13</b>
No. of Appeals forwarded to Head Office	5	13	21	39
Appeals Resolved at HQ Level	5	11	21	37
Amount Waived in appeal at HQ level (Nu. In Million)	<b>0.91</b>	<b>3.75</b>	<b>1.49</b>	<b>6.15</b>
Appeals Requiring further examination by RRCOs		1		1
Appeal Forwarded to Appeal Board		1		1

### 3.10 COST OF COLLECTION

Ideally, a tax system is considered efficient if the cost of collection is less, compliance cost is negligible and the excess burden is relatively smaller. The cost of collection, amongst many other factors, is used as the indicator or yardstick to measure the efficiency and effectiveness of the tax administration efforts. Taking into account all the resources<sup>4</sup> allocated in collecting revenue, the costs incurred by the government for collecting 1 Ngultrum was about 0.12 Chetrum for direct tax revenue, 0.38 Chetrum for indirect tax revenue, and 0.04 Chetrum for non tax revenue. However, if the balance budget or unspent budget is excluded from the calculations then the actual cost of collection would be lower than this.

**Table 18: Cost of Collection details**

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Direct Taxes	0.019	0.020	0.021	0.018	0.017	0.017	0.020	0.018	0.012
Indirect Taxes	0.052	0.053	0.063	0.057	0.044	0.049	0.054	0.047	0.038
Non-Tax Revenue	0.005	0.006	0.007	0.007	0.008	0.008	0.008	0.009	0.004
Overall cost of Collection	0.017	0.019	0.021	0.019	0.019	0.019	0.020	0.021	0.017

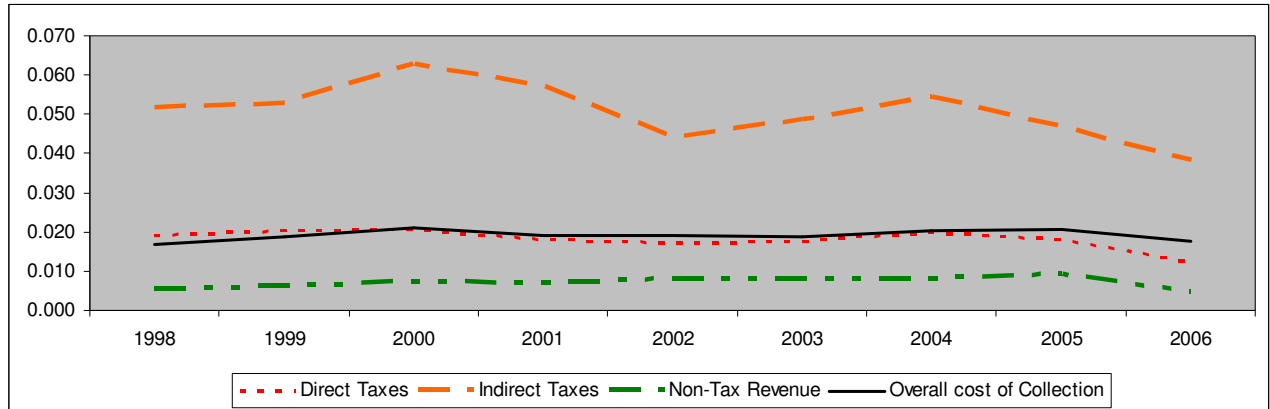
Compared to the previous year, cost of collection for all types of taxes as mentioned in the above table has decreased indicating an improved voluntary declaration and compliance from the taxpayers.

Looking at the trend in the cost of collection for the last nine years, no significant variation is observed. The maximum cost of collection was at Chetrum 2.1 in income year 2005 and minimum cost at Chetrum 1.7 in income years 1998 and 2006. The overall cost of collection in 2007 has actually gone down by 0.4 Chetrum compared to the previous year.

<sup>4</sup> Includes both recurrent and capital costs., and the ratio is calculated by dividing the total administrative costs incurred by the total revenue collections during the period

The cost of collecting every single Ngultrum of tax has become cheaper by Nu. .04 Chetrum in 2007.

**Figure 11: Trend Line Cost of Collection**



## PART IV

### TAX HOLIDAYS AND INCENTIVES

The Ministry of Finance had announced tax holidays and incentives for certain business and companies starting its commercial production between January 2003 and June 2007. The tax holiday was introduced with an objective to stimulate private sector growth and create a gainful employment opportunities. Tax holiday period ranging from three to seven consecutive years were given to manufacturing industries, information technology training and vocational institutes, hotels, schools and auto mechanical workshops depending on the nature of the business and location. However, the tax holidays and incentives scheme has expired from 30<sup>th</sup> June, 2007.

The total tax revenue foregone as a result of tax holidays amounted to Nu. 49,936,359.55 in 2006 recording an increase of 8% over the pervious years' figure of Nu.46,032,405.92. As on 31<sup>st</sup> of December 2007, 8 corporations, 12 incorporated companies, 11 non- incorporated companies, 15 hotels, and 8 schools and institutes are still under tax holidays.

A complete list of business units enjoying tax holidays with implied revenue loss on account of CIT/BIT for the last three income years is given below:



**Table 19: Corporations Enjoying Tax Holidays**

Name of Unit	Location	Holiday Period		30% BIT/CIT			Period
		From	To	IY 2004	IY 2005	IY 2006	
Druk Seed Corporation	Paro	2002	until fully commercialized(accounts not submitted as on date)				
Bhutan Eco Ventures Pvt. Ltd	Paro	2004	2007	A/c with RRCO Thimphu	Loss	Loss	3
Bhutan Broadcasting Services Ltd.	Thimphu	2003	2008	Loss	Loss	Loss	5
Bhutan Development Finance Corporation	Thimphu	2007	2009	18,541,208.40	23300101	26486322.9	3
Handicrafts Development Corporation	Thimphu	2002		314,235.12	534,276.59	825295.62	
Bhutan GRC	Thimphu	2004	2011	-	467,628.56	311268.36	7
Bhutan Times Ltd.	Thimphu	2006	2010	-	-	173110.15	5
Bhutan Observer Pvt. Ltd	Thimphu	2006	2010	-	-	Loss	5

**Table 20: Incorporated Companies Enjoying Tax Holidays**

Name of Unit	Location	Holiday Period		30% BIT/CIT			Period
		From	To	IY 2004	IY 2005	IY 2006	
Druk Plaster and Chemicals	S/Jongkhar	2003	2008	-	-	868,992.90	5
SD Eastern Bhutan Ferro Silicon Pvt. Ltd.	S/Jongkhar	2007	2010	-	-	-	3
Rangshar Industries Pvt. Ltd (Copper Section)	P/ling	2004	2007	4,860,708.18	26,476,829.36	3,625,828.05	3
Samphel Norbu Products (P) Ltd	P/ling	2005	2008	748,061.62	2,914,060.41	2,914,060.41	3
Bhutan Steel Industries Ltd	P/ling	2003	2006	2,265,411.81	2,096,813.40	329,288.62	3
Bhutan Brewery Pvt. Ltd	P/ling	2006	2009	-	-	Loss	3
RSA Pvt. Ltd (Marble processing unit)	P/ling	2006	2009	-	-	1,523,573.10	3
Bhutan Metal (P) Ltd	P/ling	2005	2008	4,285,137	6,045,160	6,045,159.90	3
Kenpa Pvt. Ltd (Vanaspati)	P/ling	2006	2009	374,308		3,598,548.90	3
Mega Pvt. Ltd (Vanaspati)	P/ling	2006	2009	-	-	354,594.28	3
Bhutan Packaging Industry	P/ling	2005	2007	Loss	Loss	Loss	3
Jigme Plotex Pvt. Ltd (manufacturing div)	Samtse	2004	2007	Loss	Loss	402,453.79	3

**Table 21: Business Units Enjoying Tax Holidays**

Name of Unit	Location	Holiday Period		30% BIT/CIT			Period
		From	To	IY 2004	IY 2005	IY 2006	

Yarkay Poly Products	Phuentsholing	2004	2007	6,708,907.17	3,052,322.69	Loss	3
Yarkay Jewellery	Phuentsholing	2004	2007	174,735.45	32,486.93	Loss	3
Druk Iron and Steel Industries	Phuentsholing	2004	2007	Loss	1,013,027	1,013,026.63	3
Bhutan Battery	Phuentsholing	2005	2008	-	loss	Loss	3
Rabten Wire Industries	Phuentsholing	2006	2009	-	-	loss	3
Om Chips & Food Processing Unit	Phuentsholing	2006	2009	-	-	loss	3
Lhaki Poles & Allied Industries	Gomtu	2005	2008	-	Loss	Non-opl.	3
Druk Lukzokhang	Phuentsholing	2006	2009	-	-	Loss	3
Bhutan Concrete Bricks	Thimphu	2007	2010				3
2 Q Engineering Works	Paro	2005	2008		Loss	-	3
Sonam Fabrication Workshop	Paro	2005	2008		3,636	-	3

**Table 22: Hotels Enjoying Tax Holidays**

Name of Unit	Location	Holiday Period		30% BIT/CIT			Period
		From	To	IY 2004	IY 2005	IY 2006	
Rinchenling Lodge	Paro	2004	2009	loss	10,056.00	144,052.66	5
Namsay Choling Resort	Paro	2005	2008	loss	loss	loss	3
Mandala Resort	Paro	2003	2006	loss	15,296.59	loss	3
Holiday Home, Paro	Paro	2004	2008	loss	loss	loss	5
Hotel Joryang	Paro	2004	2007	loss	121,553.18	168,666.79	3
Hotel Rigsum	Paro	2004	2009	loss	loss	loss	5
Hotel Zhiwaling	Paro	2005	2008	NA	loss	loss	3
Hotel Jigmeling	Paro	2006	2009	NA	NA	loss	3
Hotel Paro	Paro	2007	2009	NA	NA	NA	3
Hotel Tashiling	Thimphu	2006	2008	NA			3
Bhutan Resort Corporation Limited	Thimphu	2005	2008	-	-	-	3
Amankora, Punakha	Punakha	2005	2008	-	-	-	3
Amankora, Gangtey	Wangdue	2005	2008	-	-	-	3
Hotel Dewachen	Wangdue	2004	2009	loss	48,602.41	320,064.41	5
Yoezerling Hotel	Bumthang	2007	2010	-	-		5

**Table 23: Schools and Institutes Enjoying Tax Holidays**

Name of Unit	Location	Holiday Period		30% BIT/CIT			Period
		From	To	IY 2004	IY 2005	IY 2006	

Kuen-Gaa Higher Secondary School	Paro	2004	2009	382077.43	203,700.45	711,953.00	5
Yoezerling Pry. School	Paro	2003	2008	loss	86,107	42993.98	5
K. Gangri Pry. School	Paro	2006	2009	NA	loss	loss	5
Tenzin Primary School	Paro	2006	2009	NA	loss	loss	3
Dzongkha Language Institute	Thimphu	2005	2008	NA		29,816.10	3
Kuenphen Institute of Technology	Thimphu	2004	2008	loss	loss	47,289.00	5
Bhutan Centre for Excellence	Thimphu	2007	2010				3
E-Druk IT Institute	Thimphu	2007	2010				3

### Exempted Organizations

Donations made to the following organizations were exempted from taxes as per Rule No.1.7, Part III of the Rules on the Income Tax Act 2001.

- a. Youth Development Fund
- b. Bhutan Health Trust Fund
- c. National Women's Association of Bhutan,
- d. Royal Society for the Protection of Nature
- e. Bhutan Trust Fund
- f. HRH Prince Namgyal Wangchuk Charitable Trust
- g. World Peace Moenlam Tshokchen
- h. India-Bhutan Foundation Trust Fund
- i. RENEW
- j. Tarayana Foundation

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

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