

1.1 Organizational Set Up

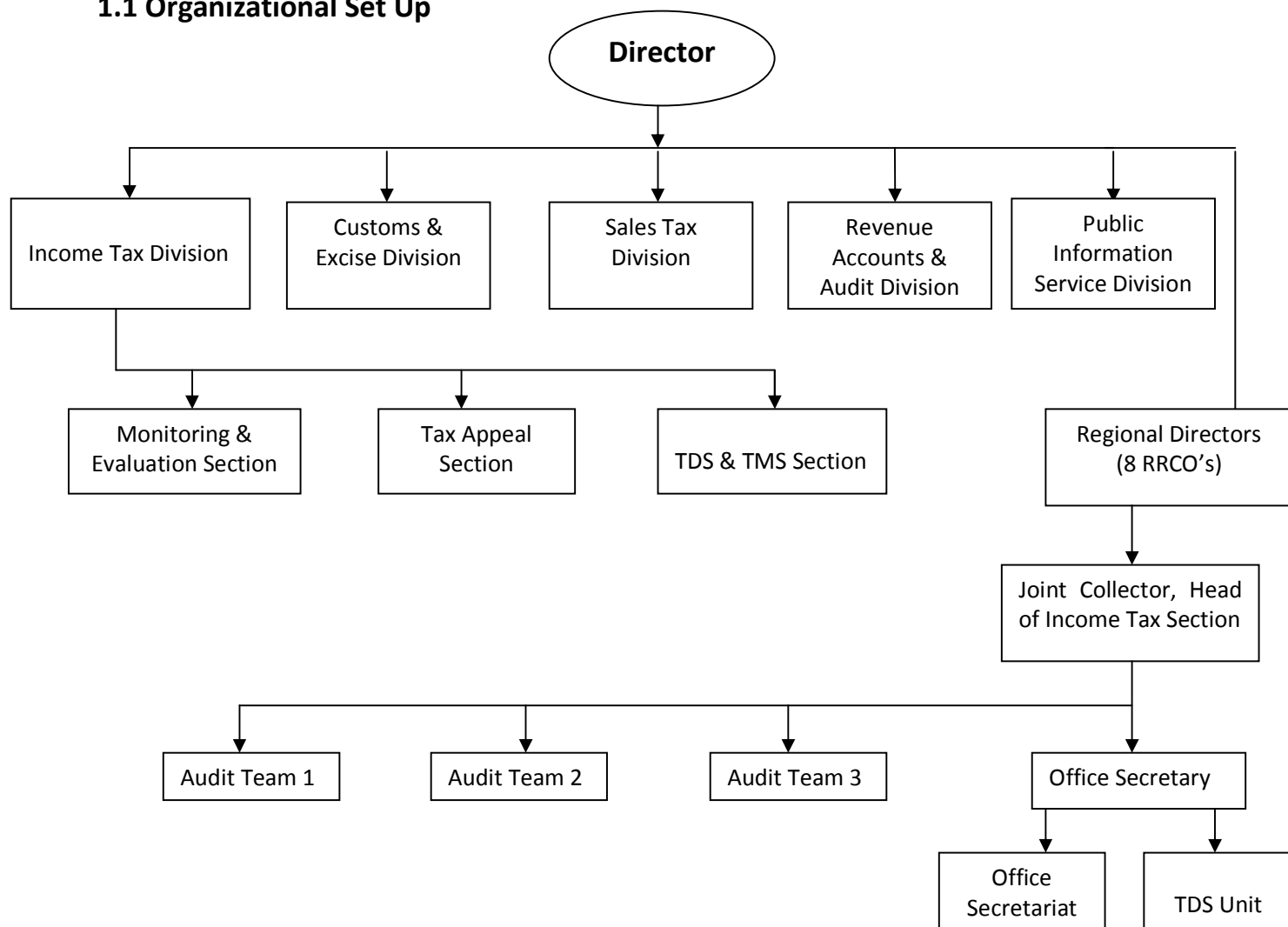


Table 1: Regional Offices and their Administrative Jurisdiction

Regional Office	Coverage	Dzongkhag
Thimphu	4 Western Dzongkhags	Thimphu, Punakha, Wangdiphodrang & Gasa
Paro	2 Western Dzongkhags	Paro & Haa
Phuentsholing	1 Southern Dzongkhag	Chukha
Gelephu	3 Southern & 1 Central Dzongkhag	Dagana, Sarpang, Tsirang & Zhemgang
Samtse	1 Southern Dzongkhag	Samtse
Mongar	4 Eastern Dzongkhags	Mongar, Lhuentse, Trashigang & Trashiyangtse
Bumthang	2 Central Dzongkhags	Bumthang & Trongsa
Samdrupjongkhar	2 South Eastern Dzongkhags	Samdrupjongkhar & Pemagatshel

1.2 STAFF STRENGTH

As of 31st July 2013, the Income Tax Division had total staff strength of 121 officials, comprising of 55 tax officers and 66 tax inspectors. In Jan 2013, eight new officers joined the division after completing the induction course at RIM.

As per the 10th Five Year Plan, the approved manpower strength of the Income Tax Division of the Department is 138 Officials. The table below shows the approved, existing and the gap in manpower of the Income Tax Division.

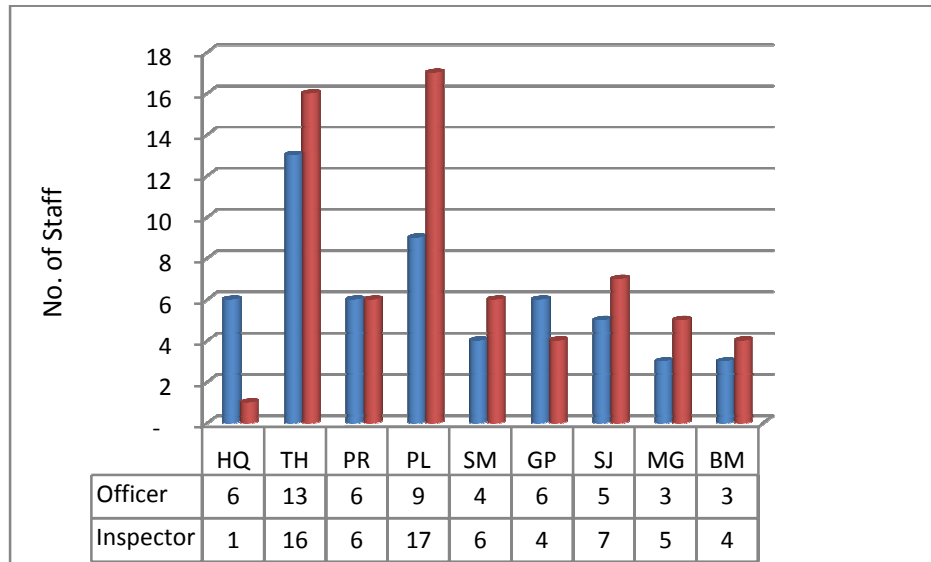
Table 2: Manpower Approved and Existing Summary

	Officers	Inspectors	Total
10th FYP Approved Manpower Strength	90.00	48.00	138.00
Existing Manpower Strength	55.00	66.00	121.00
Gap	35.00	(18.00)	17.00

Against the approved strength of 138 officials, the Income Tax Division has existing strength of 121 officials, which is short by 17 officials from the approved strength. The number of existing inspectors exceeds the approved strength by 18 inspectors whereas the strength of officers is short by 35 officers from the approved strength. The recruitment of inspectors has been stopped during the 10th Five Year Plan (2009) onwards. Although the Income Tax Division of the Department has been allocated officers on a yearly basis, the Division has constantly been facing shortage of manpower from the approved list mainly arising due to the promotion of staff and movement of staff within the Government Ministries.

The available manpower has been allocated to the RRCOs based on the maximum approved strength as per the 10th FYP and other factors like Revenue potential of the region and the taxpayer base.

Figure 1: Staff Distribution



1.3 QUALIFICATION

The minimum qualification requirement for officer level entry in the division is bachelor degree with Post Graduate Diploma in Financial Management from RIM. As of 31st July 2013, the division has 14 officers with a post graduate degree, 37 officers with an undergraduate degree (including 4 up gradation cases), and 56 with pre university level qualifications. 8 officers are currently pursuing their post graduate degrees and 4 tax inspectors are pursuing their undergraduate courses in India. The qualification details are given in the table below.

Table 3: Qualification Details

RRCO	Master Degree	Bachelors Degree	Class XII	Class X	Pursuing Masters	Pursuing UG*	Total
Head Office	6	0	1	0	0	0	7
Thimphu	3	10	13	0	2	1	29
P/ling	1	8	11	3	1	2	26
Samtse	1	3	5	0	0	1	10
Gelephu	0	3	2	2	3	0	10
S/Jongkhar	1	3	5	1	2	0	12
Paro	1	5	6	0	0	0	12
Mongar	1	2	4	1	0	0	8
Bumthang	0	3	3	1	0	0	7
Total	14	37	50	8	8	4	121

* Under Graduate Studies

1.4 TRAINING

Trainings are essential in enhancing work productivity as well as changing attitudes and behaviors of the employees. It not only sharpens the work skills, but also allows them to keep abreast of the changing business conditions and environments. The nature of work, complexity and risks involved are very high unlike other professions. In a period of 13 months (1st July 2012 till 31st July, 2013), 18 tax officials have availed trainings on cost sharing basis between the sponsors and the RGOB in different places. The region wise details are given in the table below.

Table 4: Training Details

RRCO	OECD Korea	SAARC Countries	Others	In-house	Total
Head Office	0	2	1	10	13
Thimphu	4	2	2	24	32
P/ling	3	2	1	16	22
Samtse	1	0	1	6	8
Gelephu	0	1	0	7	8
S/Jongkhar	1	1	0	7	9
Paro	1	1	0	7	9
Mongar	1	0	0	7	8
Bumthang	0	1	0	6	7
Total	11	10	5	90	116

1.5 ACTIVITIES UNDERTAKEN AS ON 31st July, 2013

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

1.5.1 PIT RE-STRUCTURING PROPOSAL

The Income Tax Division, based on the instruction from the Ministry of Finance submitted a proposal on PIT re-structuring to the Ministry by considering changes to selected existing parameters to meet the following objectives:

- Relieve individuals in the lower Income level from the burden of taxation (PIT),
- Revise the Education Allowance deductibility under PIT considering the increasing cost of education.
- Address equity concerns by maintaining rate progressivity.

In doing so, several options are proposed to study the impact on the taxpayer base and overall PIT collection.

1.5.2 FISCAL INCENTIVES 2010

The Fiscal Incentives 2010, Second Edition was compiled and published by the Department. The Second Edition contains the additions approved for clarity.

1.5.3 In-Country Trainings

The Income Tax Division during the year conducted the following In-country trainings for Income Tax Officials, organized by the Institute of Management Studies and funded by the generous assistance of Representative office of Denmark and the DANIDA Fellowship Centre:

- a) **Avoidance of Double Taxation & Drafting Legislation:** The Training was held in Thimphu from the 8th to 12th October 2012. A total of 25 tax officials were trained on the Avoidance of Double Taxation and Drafting legislation. The two resource speakers were invited from the International Bureau for Fiscal Documentation (IBFD).
- b) **Capacity Building for Tax Treaty Negotiation:** The training on capacity building on Tax Treaty Negotiation was held in Thimphu from the 29th to 31st October 2012. A total of 25 tax officials were trained on tax treaty negotiations. The two resource speakers were invited from the International Bureau of Fiscal Documentation (IBFD).
- c) **Estimating and Costing of Construction Materials:** The training on Estimating and Costing of Construction Materials was held in Thimphu from the 13th to 17th of May 2013. A total of 25 tax officials were trained on Estimating and Costing of Construction Materials. The resource speakers were invited from Royal Institute of Technology in Richending.

1.5.3 DOUBLE TAXATION AVOIDANCE AGREEMENT SIGNED WITH THE GOVERNMENT OF THE REPUBLIC OF INDIA



The Agreement on Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes between the Royal Government of Bhutan and the Government of the Republic of India was

signed on the 4th of March 2013 at New Delhi in India by former His Excellency Lyonpo Wangdi Norbu, Minister of Finance for the Royal Government of Bhutan and His Excellency Shri P. Chidambaran, Union Minister of Finance, for the Government of the Republic of India. The Agreement has been endorsed by the Cabinet and ratified by the Lower House during the 1st Session of the 2nd Parliament of Bhutan. It has to be also ratified by the Upper House during the 2nd Session of the Second Parliament. The agreement will come into effect in the year following the year of ratification by Parliament.

PART II

OVERVIEW OF DIRECT TAXES

2.1 TYPES OF DIRECT TAXES & RATES

Direct Taxes applicable in the country as Authorized by the Income Tax Act of the Kingdom of Bhutan 2001 are Corporate Income Tax, Business Income Tax and Personal Income Tax. Taxpayers are accordingly categorized into CIT payers, BIT payers and PIT payers.

i. Corporate Income Tax (CIT)

CIT is a corporate tax levied at the rate of 30% on net profit. CIT is levied on those entities that are registered as a Company under the Companies Act of the Kingdom of Bhutan, 2000.

ii. Business Income Tax (BIT)

BIT is levied on the unincorporated business entities that operate with a license issued by the government. BIT is levied at the rate of 30% on net profit.

iii. Personal Income Tax (PIT)

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

Table 5: PIT Rate and Income Slab

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

2.2 TAXPAYER HIGHLIGHTS

A total of 77,376 taxpayers were registered with the Department of Revenue & Customs during the Income Year 2011, recording a growth of 14.99% over the previous year's total of 67,287 taxpayers. CIT recorded the highest increase with 25.37%, followed by BIT with 22.01% and PIT with 13.04%. Amongst the RRCOs, RRCO Samdrupjongkhar recorded the highest taxpayer growth with 21.58% followed by RRCO Thimphu at 21.86% and RRCO Mongar at 20.19%. RRCO Samtse registered the least taxpayer growth at 6.02 % over the previous year.

Figure 2: Taxpayer Composition

In terms of taxpayer composition, Personal Income Tax (PIT) entities constituted the highest number of taxpayers with 67.85% of the total taxpayers falling in the category. Business Income Taxpayer entities constituted 31.94% of the total taxpayers while Corporate Income Taxpayers constituted 0.22% of the total taxpayers.

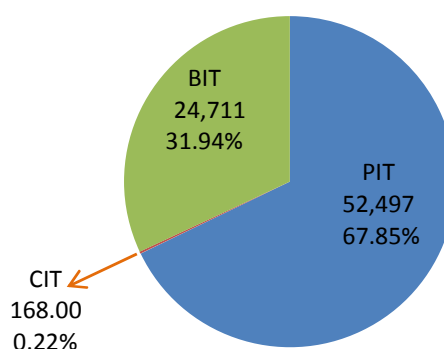


Table 6 : Taxpayer Details

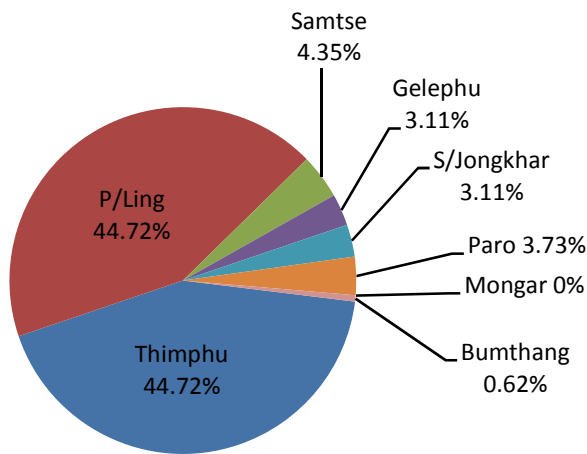
RRCOS	Personal Income Tax		Corporate Income Tax	Business Income Tax			Total	B
	Filers	e-filers	Filers	Filers	Estimated	NoP		
Thimphu	16,872	5,356	72	1,078	6,429	2,321	32,128	42%
P/Ling	6,935	533	72	388	1,556	515	9,999	13%
Samtse	3,432	103	7	102	1,277	131	5,052	7%
Gelephu	4,367	652	5	93	3,124	346	8,587	11%
S/Jongkhar	3,735	606	5	95	1,724	416	6,581	9%
Paro	3,301	445	6	99	890	318	5,059	7%
Mongar	3,394	1,041	-	38	2,242	483	7,198	9%
Bumthang	1,543	182	1	33	694	319	2,772	4%
Total	43,579	8,918	168	1,926	17,936	4,849	77,376	100%
	52,497		168	24,711			77,376	100%
%	67.85%		0.22%	31.94%				100.00%

Corporate Income Tax Units

Corporate Income Tax is levied on the entities incorporated under the Companies Act of the Kingdom of Bhutan 2000. The Corporate Income Tax entities accounted for 0.22% of the total taxpayers for the Income Year 2011. During the Income Year 2011, the Corporate Income Tax entities registered a growth of 46.09% over the previous year.

The Regional Revenue & Customs Offices Thimphu and Phuentsholing had the highest number of CIT entities registered at 44.2% each from the total CIT entities, while Regional Revenue & Customs Office Mongar did not have any Corporate Income Tax entities registered with it. RRCO Gelephu had the highest growth rate of Corporate Income Tax entities which saw a growth of 400% over the previous year whereas RRCO Samtse had a negative growth rate of 12.50% over the previous year mainly arising from the deregistration of the companies.

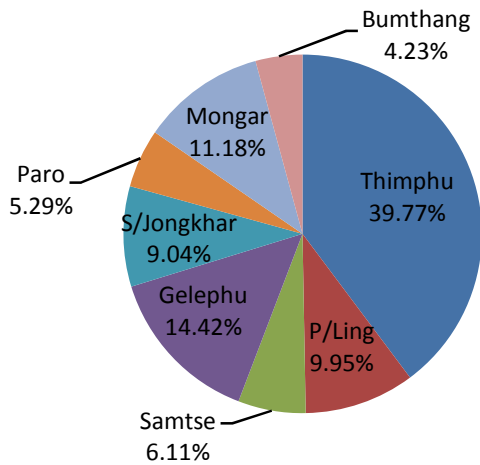
Figure 3: Distribution of CIT Entities



Business Income Tax Entities Distribution:

Business Income Tax (BIT) is levied on unincorporated businesses that are operating with a license issued by relevant Government Authorities. The category includes sole proprietorships & partnerships with sizes varying from large to micro. During the Income Year 2010, BIT entities constituted 31.94% of the total registered taxable entities. BIT entities during the Income Year 2011 saw a growth of 19.30% over the previous year. RRCO Thimphu had the highest growth in BIT entities which saw a growth of 13.18 % over the previous year whereas RRCO Paro had the lowest growth in BIT entities which recorded a negative growth of 0.10% over the previous year.

Figure 4: Distribution of BIT Entities



The Regional Revenue & Customs office Thimphu had the highest number of Business Income Tax entities registered, accounting for 39.77% of the total registered BIT entities. RRCO Gelephu had the second highest number of BIT entities registered, accounting for 14.42% of the total BIT entities whereas RRCO Bumthang had the lowest number of BIT entities registered accounting for 4.23% of the total BIT entities.

Table 7: BIT Entities Profile

RRCOS	Taxes Based on Books	Taxes Based on Estimation	Non-Operational	Total	% Distribution
Thimphu	1,078.00	6,429.00	2,321.00	9,828.00	39.77%
P/Ling	388.00	1,556.00	515.00	2,459.00	9.95%
Samtse	102.00	1,277.00	131.00	1,510.00	6.11%
Gelephu	93.00	3,124.00	346.00	3,563.00	14.42%
S/Jongkhar	95.00	1,724.00	416.00	2,235.00	9.04%
Paro	99.00	890.00	318.00	1,307.00	5.29%
Mongar	38.00	2,242.00	483.00	2,763.00	11.18%
Bumthang	33.00	694.00	319.00	1,046.00	4.23%
Total	1,926.00	17,936.00	4,849.00	24,711.00	100.00%

For the purpose of monitoring and collection, Business Income Tax entities are further categorized into entities that pay taxes based on book of accounts and entities that pay taxes based on estimation. From the total business entities that are in operation, 90.3% of the BIT entities pay their taxes based on estimation whereas only 9.7% of the BIT entities pay their taxes based on book of accounts. The units maintaining book of accounts have increased from 8.3% in the previous year to 9.7% in the Income Year 2011.

The BIT entities that do not maintain book of accounts, taxes are based on estimation as authorized by General Provisions, Chapter 2, Section 4.3 of the Income Tax Act. The assessment is based on the following methods:

- Import & Export Information available with the Department
- Tax Returns filed for the last three years

- Tax Deducted at Source (TDS) Records
- Taxes paid on Estimation in the preceding years
- Taxes paid by other similar entities
- Information provided by the taxpayer and the gathered from third parties

Personal Income Tax (PIT) Entities

Personal Income Tax is applicable on individuals having sources of income from Salary, Real Property, Dividends, Interest Income, Cash Crops and Other sources. The Income Year 2011 recorded an increase of 13.04% PIT filers over the previous year. A total of 52, 497 individuals filed PIT returns during the Income Year 2011.

Regional Revenue & Customs Office Thimphu had the highest number of PIT filers, which accounted for 42% of the total filers whereas RRCO Bumthang had the lowest number of PIT filers accounting for 3% of the total PIT filers.

Figure 5: Distribution of PIT Tax payers

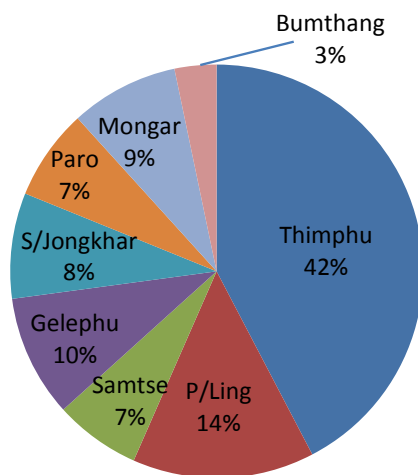
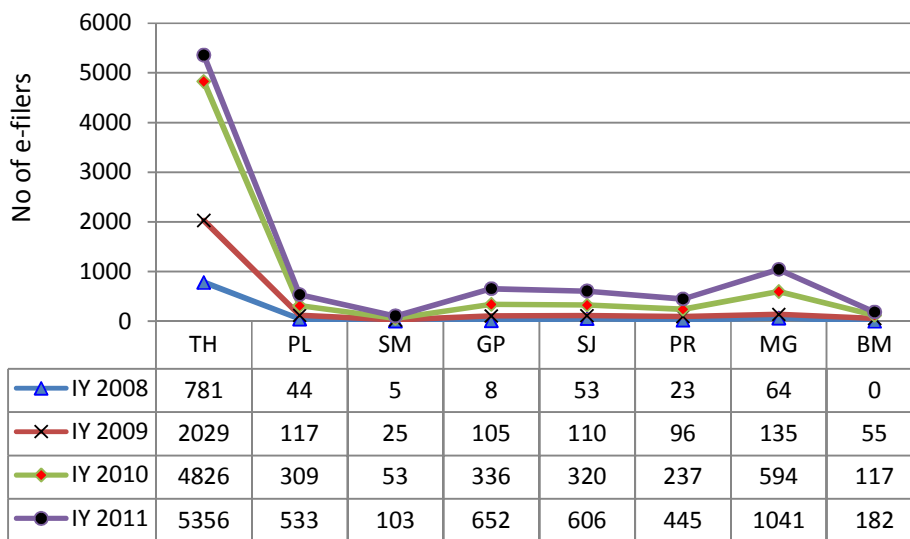


Figure 6: Distribution of e-filers



The Income Year 2011 also saw an increase of 30.3% in PIT e-filers over the previous year with 5356 individuals filing electronically.

Table 8 : Income Source wise PIT profile

Income source	RRCOs								Total	% income distribution
	TH	PL	SM	GP	SJ	PR	MG	BM		
Salary	20,928	7,235	3,468	4,914	4,247	3,567	4,347	1,716	50,422	96.05
Rental	1,038	167	37	89	85	141	76	5	1,638	3.12
Dividend	112	25	12	1	8	3	7	1	169	0.32
Interest	73	26	11	7	1	25	3	-	146	0.28
Cash crop	10	1	6	7	-	2	-	-	26	0.05
Other sources	67	14	1	1	-	8	2	3	96	0.18
Total	22,228	7,468	3,535	5,019	4,341	3,746	4,435	1,725	52,497	
% Distribution	42.34	14.23	6.73	9.56	8.27	7.14	8.45	3.29	100.00	100.00

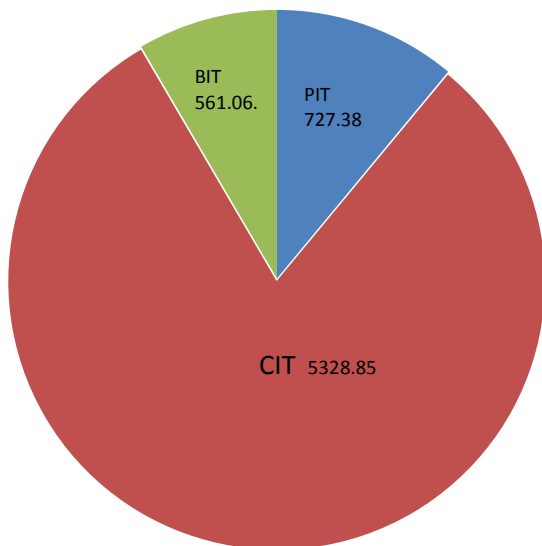
Part III Tax Revenue Highlights

3.1 OVERALL TAX COLLECTION

During the year, the total collection from BIT, CIT and PIT amounted to Nu. 6,617.30 million, recording an increase of 9.53% million from Nu. 6,041.14 million in the previous income year. In the year 2011, PIT collection recorded the highest increase at 54.71% followed by 50.56% under BIT and 2.49% under CIT.

Figure 7: Tax Revenue Composition (in million Ngultrums)

As in the past the share of CIT to the total tax collection continues to remain the highest at 80.52% followed by PIT at 10.99% and BIT at 8.48%. As compared to the previous IY, the share of PIT to the total tax revenue has increased by 3.22% followed by BIT at 2.31%. However there is reduction in the share of CIT to the total tax revenue compared to previous year despite there is increase in actual collection by 129.45 Million.



The relationship between the number of registered entities and the revenue collection under each type of direct tax continues to remain reversed. The CIT collection during the year was 80.52% of the total tax revenue while the total number of CIT entities, contributing this share of revenue is 0.22% of the total registered entities on the other hand PIT which constitute 70.70% of the total taxpayers accounted only 11.01% of the total direct tax revenue. BIT entities constitute 29.04% of the total registered entities and accounted only 8.45% of the total direct tax revenue.

3.2 CIT ENTITIES COLLECTION

The total collection from Corporate Income Tax entities constituted 80.52% of the total direct tax revenue for the year, recording increase only by 2.49% over the previous IY's collection of Nu. 5,199.40

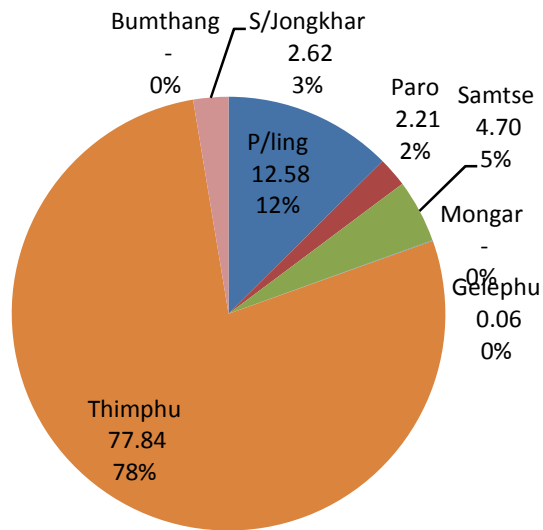
Million. The increase in CIT collection is noticed at RRCO Phuentsholing, Gelephu and Paro. The increase in CIT could be attributed to improved performance and improved tax compliance by the tax entities.

Table 9: Comparative CIT Collection

RRCOS	No. of Units		NoP		Tax Amount		% of tax amt	% +/- 2010-2011
	2010	2011	2010	2011	2010	2011		
Thimphu	48	72	1	0	4,164,871,666.00	4,147,917,493.71	77.84	(0.41)
P/ling	48	72	7	0	552,195,864.00	670,313,027.92	12.58	21.39
Samtse	13	7	3	3	270,470,431.00	250,523,804.76	4.70	(7.37)
Gelephu	1	5	0	0	-	3,183,438.87	0.06	100.00
S/Jongkhar	11	5	1	5	151,968,210.00	139,401,962.80	2.62	(8.27)
Paro	5	6	0	2	59,923,304.00	117,520,205.83	2.21	96.12
Mongar	0	0	0	0	-	-	-	
Bumthang	1	1	0	0	-	-	-	
Total	127	168	12	10	5,199,429,475.00	5,328,859,933.89		

RRCO Thimphu continues to record the highest CIT collection at 77.84% followed by RRCO Phuentsholing at 12.58% and Samtse at 4.70%. RRCO Gelephu has the highest increase at 100% followed by RRCO Paro and Phuentsholing at 96.12% and 21.39% respectively. RRCO Thimphu, Samtse and S/Jongkha had shown a negative growth of 0.41%, 7.37% and 8.27% respectively. As mentioned in the previous PI report, RRCO Mongar still does not have registered CIT entity. RRCO Gelephu recorded the lowest CIT collection since they have only one CIT entity paying taxes.

Figure 8: Region-wise CIT Collection



3.2.1 TOP FIVE CIT PAYERS

During the IY 2011, M/s Druk Green Power Corporation retained the first revenue contributor to the Royal Government Revenue Account, contributing Nu. 1,691.47 Million followed by M/s Druk Holding & Investment Limited contributing Nu. 1,292.38 Million. The Corporate Income Tax share of DGPC and DHIL are 37.74% and 24.25% respectively. M/s Bhutan Power Corporation Limited had occupied third position in the PY 2010 which is replaced by M/s Bank of Bhutan Limited. M/s Bhutan Telecom has emerged in fourth position followed by M/s Bhutan Nation Bank in the fifth position. The share of CIT contribution by top five CIT entities is 69.94% and 56.33% from the total direct tax collection. The share of CIT contribution by the top five CIT entities is expected to increase once the final tax liability is ascertained after the assessments. The details of the top five CIT entities are given below:

Table 10: Top Five CIT Entities

Sl#	Unit Name	Tax Amount	RRCO	Remarks
1	DGPCL	1,691,470,656.47	Thimphu	SD
2	DHIL	1,292,388,851.70	Thimphu	SD
3	BoBL	276,395,919.62	P/ling	SD
4	Bhutan Telecom	248,998,950.72	Thimphu	SD
5	BNB	217,868,609.31	Thimphu	SD
		3,727,122,987.82		

3.3 BIT ENTITIES COLLECTION

The total Business Income tax entities collection for the year amounted to Nu. 561.06 million which is 51.20% increase over the previous IY's collection of Nu. 371.05 million. Although BIT entities submitting books of accounts constitute only 7.95% of the total registered BIT payers, contributed around 83.09 % of the total BIT collection. On the other hand, BIT payers who settled their taxes by estimated assessment contributed only 16.91% despite the fact that they constitute 92.05 % of the total registered BIT payers. A total of 4849 entities (20.01%) are reported as non-operational and 477 entities (1.97%) as closed entities and 1 transfer cases reported between the RRCOs.

Table 11: Comparative BIT Collection

RRCOS	Account filers(Tax Amount)		Estimated (Tax amount)		Total tax Amount		% of Tax Amt 2010	%+-
	2010	2011	2010	2011	2010	2011	2011	2010-2011
Thimphu	149,751,444.00	278,113,458.26	43,022,285.00	49,728,140.00	192,773,729.00	327,841,598.26	58.43	70.07
P/ling	68,034,127.00	115,519,092.86	13,846,164.00	14,139,231.30	81,880,291.00	129,658,324.16	23.11	58.35
Samtse	42,677,226.00	33,814,239.61	1,922,385.00	2,421,965.05	44,599,611.00	36,236,204.66	6.46	(18.75)
Gelephu	4,174,066.00	3,871,397.64	7,973,808.00	7,982,282.84	12,147,874.00	11,853,680.48	2.11	(2.42)
S/Jongkhar	4,744,950.00	19,945,162.45	3,963,798.00	3,360,100.00	8,708,748.00	23,305,262.45	4.15	167.61
Paro	6,027,536.00	5,945,208.46	7,969,898.00	5,657,709.71	13,997,434.00	11,602,918.17	2.07	(17.11)
Mongar	4,564,910.00	6,106,877.99	8,322,331.00	10,720,581.84	12,887,241.00	16,827,459.83	3.00	30.57
Bumthang	763,923.00	928,129.41	3,291,203.00	2,806,914.88	4,055,126.00	3,735,044.29	0.67	(7.89)
	280,738,182.00	464,243,566.68	90,311,872.00	96,816,925.62	371,050,054.00	561,060,492.30	100.00	280.42

As in the past, RRCO Thimphu continues to be the highest contributor of BIT revenue both under estimated as well as under account filing category. The percentage of BIT entities and percentage of collection under RRCO Thimphu is 39.07% and 58.68% respectively. The RRCO Thimphu contributes 59.91% under account filing category and 52.63% under estimated category of tax entities. RRCO P/ling is the second highest contributor and the percentage of BIT entities and percentage of collection under RRCO P/ling stands 9.85% and 23.21%. The percentage of contribution by RRCO P/ling under account filing category is 24.88% and 14.97% under estimated assessment category. Balance BIT collection from 48.92% of taxpayer from other regional offices stands 18.12%. The lowest contributor under account filing category is RRCO Bumthang and RRCO Samtse from estimated assessment category of tax entities.

3.3.1 TOP FIVE BIT ENTITIES

M/s Lhaki Cement registered with RRCO, Samtse continues to occupy the first position contributing 5.07% of total collection under BIT entities. The second place occupied by M/s Sherja Equipment Hiring Unit registered with RRCO, S/Jongkhar, contributing 3.06% of total BIT contribution under BIT entities. M/s Sherja Equipment Hiring Unit was earlier in fourth place in the previous IY. M/s Samden Vehicles continues to occupy the third place as done in the past. Fourth and fifth place occupies by M/s Jorphel

Enterprise registered with RRCO, P/ling and M/s Wangmo Enterprise registered with RRCO, Thimphu. The Second place which was earlier occupied by M/s TCC, Head Office is now registered as a CIT Entity. M/s Samden Vehicles which had earlier occupied fifth place is dropped below the top five tax payers. The share of the top five BIT entities collection accounted for 12.47% and 1.05% of the total direct tax revenue collection. The share of the top BIT entities is expected to increase once the final tax liability is ascertained after the assessments. The details of the top five BIT entities are given:

Table 12: Top Five BIT Entities

Sl#	Unit Name	Tax Amount	RRCO	Remarks
1	Lhaki Cement	28,340,989.96	Samtse	SD
2	Serja Equipment Hiring	17,119,596.33	S/Jongkhar	SD
3	Bhutan Hyundai Motors	11,255,931.37	Thimphu	SD
4	Jorphel Enterprise	6,774,728.13	Pling	SD
5	Wangmo Enterprise	6,230,195.54	Thimphu	SD
		69,721,441.33		

3.3.2 ESTIMATED COLLECTION

Taxpayers are assessed under this method where the taxpayer has failed to maintain proper books of accounts. Estimated collection is one of the methods of tax collection. The other method of collection is through filing of books of accounts. The assessment is usually based on the available information with the department, taxpayers or third parties. Although this method of tax assessment and collection is subject to criticism by the tax entities, however the department has no option but to finalize the estimated assessment based on Rule. The total estimated collection during the year amounted to Nu. 94.47 Million recording an increase of 4.61% over previous PY's collection of Nu. 90.31 Million. In comparison to the PY, the total number of estimated units grew by 10%. The estimated tax entities representing 92.21% of the total registered BIT payers contributed only 1.43 % of the direct tax revenue and 16.91% of the total BIT collection.

Amongst all RRCOs, RRCO Thimphu recorded the highest collection with Nu. 49.72 million which is an increase of 15.58% in comparison to the PY. RRCO P/ling recorded the second highest collection of Nu. 14.13 million followed by RRCO Mongar and RRCO Gelephu with the collection of Nu. 8.38 million and 7.98 million respectively. RRCO Samtse recorded the least collection of Nu. 2.42 million. RRCO Bumthang has the least number of estimated tax entities with only 1013 tax entities. RRCO Thimphu recorded 8750 number of registered estimated tax entities which is the highest amongst the other RRCOs.

The national average collection per estimated unit for the IY 2011 was recorded Nu. 4,625.18. The highest average recorded is Nu. 131,294.23 and the lowest average recorded was 317.05. The highest

collection under estimated taxes was Nu. 538,345.00 by RRCO Thimphu and the lowest average collection was Nu. 45.00, collected by RRCO, Thimphu.

Table 13: Average Estimated Collection in 20 Dzongkhags

RRCO	Dzongkhag	No. units tax collected	Estimated collection for 2011	Average tax Collected in 2010	Min. tax collected per TP	Max. tax Collected per TP
Thimphu	Thimphu	4,731.00	41,916,714.25	8,860.01	96.00	538,345.00
	Wangdue	1,050.00	4,163,073.17	3,964.83	45.00	179,379.00
	Punakha	535.00	3,493,186.96	6,529.32	150.00	58,083.00
	Gasa	113.00	155,165.92	1,373.15	100.00	3,800.00
	Subtotal	6,429.00	49,728,140.30	5,181.83	391.00	779,607.00
P/ling	Chhukha	1,641.00	14,139,231.30	8,616.23	300.00	247,922.00
	Subtotal	1,641.00	14,139,231.30	8,616.23	300.00	247,922.00
Samtse	Samtse	1,277.00	2,421,965.05	1,896.61	150.00	17,192.00
	Subtotal	1,277.00	2,421,965.05	1,896.61	150.00	17,192.00
Bumthang	Bumthang	409.00	1,916,210.99	4,685.11	500.00	68,822.72
	Trongsa	285.00	890,703.89	3,125.28	500.00	39,600.00
	Subtotal	694.00	2,806,914.88	3,905.19	1,000.00	108,422.72
Gelephu	Dagana	582.00	1,137,109.14	1,953.80	500.00	16,500.00
	Sarpang	1,254.00	4,331,284.78	3,453.98	500.00	47,000.00
	Zhemgang	296.00	1,430,328.17	4,832.19	500.00	17,000.00
	Tsirang	646.00	1,083,560.75	1,677.34	500.00	34,000.00
	Subtotal	2,778.00	7,982,282.84	2,979.32	2,000.00	114,500.00
S/Jongkhar	S/Jongkhar	983.00	1,692,849.00	1,722.13	500.00	35,000.00
	P/Gatshel	730.00	1,667,251.00	2,283.91	500.00	20,500.00
	Subtotal	1,713.00	3,360,100.00	4,006.03	1,000.00	55,500.00
Paro	Haa	151.00	807,685.58	5,348.91	500.00	52,341.90
	Paro	797.00	4,850,024.13	6,085.35	450.00	133,590.00
	Subtotal	948.00	5,657,709.71	5,717.13	950.00	185,931.90
Mongar	Mongar	820.00	4,082,594.23	4,978.77	100.00	233,279.00
	T/gang	978.00	3,312,342.93	3,386.85	100.00	133,313.00
	T/yangtse	390.00	1,939,277.98	4,972.51	100.00	439,663.00
	Lhuntse	254.00	1,386,366.70	5,458.14	250.00	310,554.00
	Subtotal	2,442.00	10,720,581.84	4,699.07	550.00	1,116,809.00
Overall		17,922.00	96,816,925.92	4,625.18	317.05	131,294.23

3.4 PIT COLLECTION

PIT collection for the year amounted to Nu. 727.38 million which is an increase of 54.72% (256.72million) over the PY's collection of Nu. 470.66 million. The details of PIT collection along with the total PIT payers is given in the table below:

Table 14: PIT Collection

RRCOs	No. of Taxpayers		Tax Amount		% of share of PIT collection		% +/- (tax Amt)
	2010	2011	2010	2011	2010	2011	2010-2011
Thimphu	19,306.00	22,228.00	246,236,726.00	418,252,174.92	52.32	57.50	69.86
P/ling	6,525.00	7,468.00	91,261,243.00	127,783,539.70	19.39	17.57	40.02
Samtse	3,499.00	3,535.00	20,458,680.00	21,122,544.75	4.35	2.90	3.24
Gelephu	4,707.00	5,019.00	18,804,713.00	46,746,777.36	4.00	6.43	148.59
S/Jongkhar	3,784.00	4,341.00	31,915,490.00	12,519,418.84	6.78	1.72	(60.77)
Paro	3,227.00	3,746.00	25,445,352.00	48,128,799.47	5.41	6.62	89.15
Mongar	3,937.00	4,435.00	28,168,538.00	40,457,903.68	5.98	5.56	43.63
Bumthang	1,455.00	1,725.00	8,369,251.00	12,375,278.46	1.78	1.70	47.87
Total	46,440.00	52,497.00	470,659,993.00	727,386,437.18	100.00	100.00	381.58

The percentage of contribution by RRCO, Thimphu constituted for 57.50% followed by RRCO, P/ling with 17.57% of the total PIT revenue. The balance 24.93% is contributed by other six RRCOs. The two regions RRCO Thimphu and P/ling constitute 42.34% and 14.22% respectively. Two regions constitute around 75.09% of the total PIT revenue from 56.56% of total registered taxpayers. The top ten PIT payers constitute 8.45% of the total PIT revenue.

3.4.1 INCOMR SLAB WISE ANALYSIS

This is evident from the table given below that 61.50% of the total filers contributed 30.46% of the total PIT collection at 10% tax rate during the income year. The middle income group comprising of ...15.45% (income slab ranging from Nu. 250,0001 to Nu. 500,000) of the total PIT filers contributed 28.35% of the total PIT collection at 15% tax rate. PIT payers falling at 20% and 25% tax rate contributed 41.19% of the total PIT collection although they constituted only 2.92% of the total filers. The remaining 20.13% contributed zero tax since their net taxable income (after specific and general deductions) was less than or equal to Nu. 100,000.00.

Table 15: PIT Analysis

Income Slab	Rate	No. of TP	Tax amount	% of Tax paid	Average tax paid
0-100,000	0%	10569		0	
100,001-250,000	10%	32285	221,559,793.11	30.46	6,862.62
250,001-500,000	15%	8110	206,246,824.13	28.35	25,431.17
500,001-1,000,000	20%	1181	102,412,557.91	14.08	86,716.81
1,000,001 & above	25%	352	197,167,262.03	27.11	560,134.27
Total		52,497.00	727,386,437.18	100.00	

3.5 TAX REFUND

During the year 2011, a total of Nu. 138.69 representing 2.10% of the total direct tax collection of Nu. 6618.16 million was refunded to PIT, CIT and BIT entities. PIT refund accounted for 96.30% , CIT refund accounted for 3.08% and BIT refund accounted only Nu. 0.62% % of the total refund. In comparison to the previous year, the total refund has increased by 34.23% (Nu. 35.37million). PIT refund increased by 40.82% and BIT refund increased by 48.27% whereas CIT refund was decreased by 45.95%. The increase in PIT refund is directly attributed due to increase in number of PIT filers. The overall increase in PIT collection was around 54.72%. The increase was from 470.65 to Nu. 728.24 million.

Table 16: Comparative Tax Refund:

(Figure in Million Ngultrum)

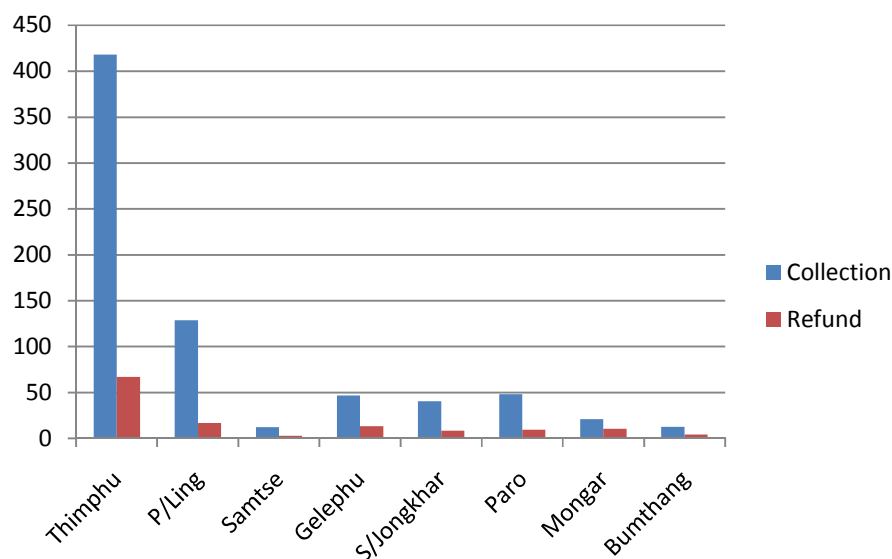
RRCOs	PIT		BIT		CIT		% +(2010-2011)			Total refund 2011	% distribut i-on
	2010	2011	2010	2011	2010	2011	PIT	BIT	CIT		
Thimphu	45.73	67.25	0.00	0.00	0.00	0.00	47.06	0%	0%	67.25	48.49
P/ling	12.85	16.86	0.42	0.54	7.90	4.27	31.21	100%	54.05	21.67	15.62
Samtse	5.19	2.85	0.00	0.00	0.00	0.00	(45.09)	0%	0%	2.85	2.05
Gelephu	8.33	13.30	0.00	0.00	0.00	0.00	59.66	0%	0%	13.30	9.59
S/Jongkhar	5.61	8.54	0.00	0.00	0.00	0.00	52.23	0%	0%	8.54	6.16
Paro	6.64	9.66	0.16	0.00	0.00	0.00	45.48	100%	0%	9.66	6.97
Mongar	7.42	10.63	0.00	0.32	0.00	0.00	43.26	100%	0%	10.95	7.90
Bumthang	3.07	4.47	0.00	0.00	0.00	0.00	45.60	0%	0%	4.47	3.22
Total	94.84	133.56	0.58	0.86	7.90	4.27	279.42	300%	54.05%	138.69	100.00

A total of 43,227 refund cases were recorded during the year. There was 36.89 % growth as compared to previous year. Out of total refund cases, 43,217 refund cases pertain to PIT, 8 cases pertain to BIT and 2 cases pertain to CIT. Amongst the eight RRCOs, RRCO Thimphu had processed 41.58% (17,972 cases) followed by RRCO Phuentsholing 12.90%(5,575cases). The least refund was processed by RRCO Bumthang with only 3.4% (1,471 cases).

Amongst the regions, RRCO Thimphu had processed the maximum refund which is around 48.49% (67.25 million) of the total refund followed by RRCO Phuentsholing by 15.62% (21.67 million). The least amount of refund was processed by RRCO Samtse by 2.05% (2.85 million). Based on comparison between the collection and refund under PIT, RRCO Mongar had processed the maximum refund of 50.31%. It was only RRCO Phuentsholing who had processed all the three types of refunds in the previous year.

The details of the total PIT collection and total PIT refunded under each RRCO are given in the graph below:

Figure 9: Total PIT Collection Vis-à-vis Total PIT refund (in Million Ngultrum)



3.6 Tax Outstanding

The total outstanding during the year was recorded at Nu. 83.40 million. Total tax outstanding as a percentage of the total tax liability is recorded at 1.26 % during the IY 2011. The outstanding during the previous year was Nu. 35.69 million and the percentage of outstanding to the total tax liability during the previous year was 0.59%. CIT recorded the highest outstanding with Nu. 55.37 million followed by BIT with 27.55 million and PIT with 0.48 million. As compared to the previous year, tax outstanding under CIT and BIT had increased by 46.55 million and 1.99 million. However outstanding under PIT has decreased from 1.30 million to Nu. 0.48 million showing better compliance under PIT than other types of taxpayers. During the year, RRCO Samtse recorded the highest percentage of outstanding taxes under PIT at 52.08%. Similarly, RRCO Thimphu recorded the highest percentage of outstanding under BIT and CIT at 73.39% and 72.87% respectively.

Table 17: Tax Outstanding Profile

(Figure in Million Ngultrum)

RRCOs	PIT		BIT		CIT		Total tax Liability (2011)			% arrears (2011)		
	2010	2011	2010	2011	2010	2011	PIT	BIT	CIT	PIT	BIT	CIT
Thimphu	1.04	0.00	24.50	20.22	6.35	40.35	418.25	327.84	4147.92	-	6.17	0.97
P/Ling	0.15	0.00	0.00	5.85	0.00	15.02	128.64	129.66	670.31	-	4.51	2.24
Samtse	0.00	0.25	0.00	0.09	0.00	0.00	12.38	3.74	0.00	2.02	2.38	0.0%
Gelephu	0.07	0.04	0.31	0.00	0.00	0.00	46.74	11.85	3.18	0.08	-	0.0%
S/Jongkhar	0.01	0.00	0.18	1.34	0.00	0.00	40.46	16.83	0.00	-	7.96	0.0%
Paro	0.02	0.02	0.37	0.03	2.47	0.00	48.13	11.60	117.52	0.04	0.23	0.0%
Mongar	0.00	0.17	0.00	0.03	0.00	0.00	21.12	36.24	250.52	0.80	0.07	0.0%
Bumthang	0.01	0.00	0.20	0.00	0.00	0.00	12.52	23.30	139.40	-	0	0.0%
Total	1.30	0.48	25.56	27.55	8.82	55.37	728.24	561.06	5328.85	2.95	21.33	3.21

3.7 Assessment Highlights

The Income Tax act mandates every tax return to go through either desk assessment (DA) within 90 days of the filing of return or field assessment (FA) once in a cycle of two years.

During the DA stage, it is expected to confirm logical and arithmetical checks on the figures submitted and reasonableness checks on the level of self declared tax and if required it is examined through FA. During the DA, ratio analysis for respective sector and size of the business being carried out to test the tax compliance. Basically entities submitting huge refunds claim, entities submitting losses and the entities which have not been assessed for past two income years will be assessed through field assessment.

During the FA, tax officials are involved in three major stages, planning, assessment and issuing of assessment report. At planning stage, tax officials are involved in planning of field assessment, developing a general strategy, division of work, timing and extent of assessment procedures. FA assessment is more comprehensive than DA and it is normally carried out at the business premises of the taxpayer.

Table 18: Assessment coverage 2011

Particulars	TH	PL	SM	GP	S/J	PR	MG	BM	Overall
PIT									
DA Targeted	22058	7468	3651	5054	4346	3740	4435	1725	52477
DA Completed	21989	7427	3651	5054	4346	3740	4435	1725	52367
% Completed	99.69	99.45	100	100	100	100	100	100	99.79
DA Pending	69	41	0	0	0	0	0	0	110
FA Targeted	69	0	0	0	0	6	0	0	75
FA Completed	69	0	0	0	0	6	0	0	75
% Completed	100	0	0	0	0	100	0	0	100
FA Pending	0	0	0	0	0	0	0	0	0
CIT									
DA Targeted	0	1	0	0	2	1	0	0	4
DA Completed	0	1	0	0	2	1	0	0	4
% Completed	0	100	0	0	100	100	0	0	100
DA Pending	0	0	0	0	0	0	0	0	0
FA Targeted	25	24	3	5	0	5	0	0	62
FA Completed	19	24	3	1	0	4	0	0	51
% Completed	76	100	100	20	0	80	0	0	82.26
FA Pending	6	0	0	4	0	1	0	0	11
BIT									
DA Targeted	263	279	71	47	0	89	38	0	787
DA Completed	101	220	54	47	0	89	38	0	549
% Completed	38.40	78.85	76.06	100.00	-	100.00	100.00	-	69.76
DA Pending	162	59	17	0	0	0	0	0	238
FA Targeted	2	39	5	46	96	10	38	34	270
FA Completed	0	30	5	20	46	9	35	13	158

% Completed	0	76.92	100.00	43.48	47.92	90.00	92.11	38.24	58.52
FA Pending	2	9	0	26	50	1	3	21	112
Overall Coverage									
DA Completed %	69.05	92.77	88.03	100.00	100.00	100.00	100.00	100.00	93.73
DA Pending	231	100	17	0	0	0	0	0	348.00
FA Completed %	58.67	88.46	100.00	31.74	47.92	90.00	92.11	38.24	68.39
FA Pending	8	9	0	30	50	2	3	21	123.00
Tax Officer to taxpayer ratio	1108	385	505	859	548	422	890	396	639

3.7.1 Desk Assessment (DA)

During the year, a total of 52,367 PIT returns were targeted for DA from a total of 52,477 PIT filers. The total percentage coverage under DA was 99.79%. Under PIT, all RRCOs recorded 100% DA coverage except under RRCO Thimphu and RRCO Phuentsholing.

CIT units are not targeted normally and assessed through FA due to size and volume of business; however, RRCO Phuentsholing and RRCO S/jongkhar had targeted few units and had completed 100%.

A total of DA targeted under BIT was 787 entities out of which 549 were completed recording only 69.76% coverage. The entities which were not assessed during the DA will be mostly assessed through FA. RRCO Gelephu, RRCO Paro and RRCO Mongar recorded 100% coverage under DA. RRCO S/Jongkha and RRCO Bumthang had not targeted BIT entities for DA instead all the BIT entities were targeted under FA. The overall DA coverage which was 69.76% shown reduction by 13.64%. The maximum drop was from RRCO Thimphu which was recorded from 66.6% to 38.40%.

3.7.2 FIELD ASSESSMENT (FA)

Except for RRCO Thimphu and RRCO Paro no other RRCOs had targeted any PIT payers for FA. RRCO Thimphu and RRCO Paro recorded 100% completion of PIT payers that were targeted for FA.

In total, 62 entities were targeted for FA and had completed 51 entities. The percentage of completion was 82.26% recording a decrease of 2.96% in comparison to the previous year. However the total entities completed were increased from 46 entities to 51 entities.

Under BIT entities, the total numbers of entities targeted for FA were 270 out of which 158 entities were completed. The percentage of completion recorded were 58.52% which is decreased by 30.48%. The numbers of BIT entities completed were decreased from 251 to 158 entities. RRCO recorded 100% completion of FA followed by RRCO Mongar by 92.11% and RRCO Paro by 90%.

3.7.3 OVERALL ASSESSMENT EFFORTS

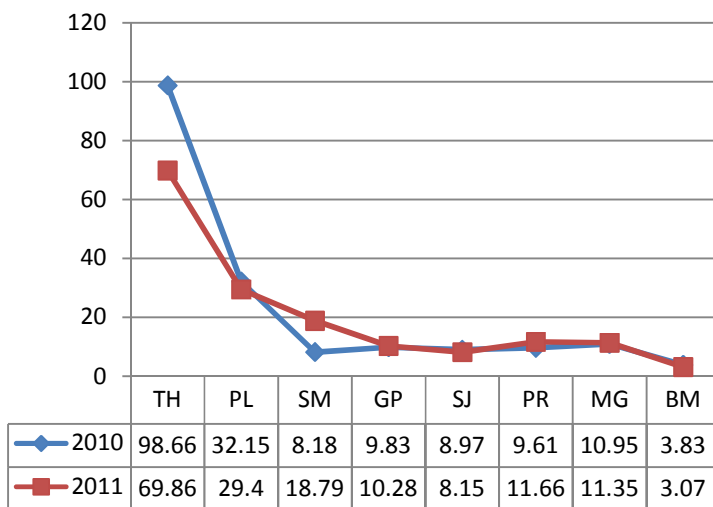
The overall coverage under DA for all three types of taxes (PIT,CIT,BIT) at the national level remained at 93.73% as compared to 99.4% in the previous income year leaving pending assessments of 348 tax entities. Similarly, the overall coverage under FA for all three types of taxes at national level stood at 68.39% as compared to 81.7% in the previous IY recording a decrease of 13.31%. One of the reasons for

increasing number of pending assessments is due to mismatch between the numbers of taxpayers with the corresponding increase in the manpower. The ratio of assessing officials to taxpayers for the year stands at 1: 639 recording a slight decrease of ratio from the previous IY (1: 641). During the year RRCO Thimphu recorded the highest ratio of assessing officials to taxpayers at 1:1108 followed by RRCO Mongar at 1: 890.

3.8 ASSESSMENT EFFORTS

Amongst many others, additional taxes collected by the RRCOs are used one of the measures to evaluate the effectiveness and efficiencies of the RRCO as well as individual official concerned. As usual, the larger regions continued to outclass the smaller regions in terms of tax collection. RRCO Thimphu continues to top amongst the RRCOs by posting an additional tax collection of Nu. 69.86 million. RRCO Phuentsholing posted an additional tax of Nu. 29.40 million. The rest six RRCOs have posted an additional collection of Nu.63.33 million. During the year, overall additional collection was recorded at Nu. 164.94 million. Compared to the previous AY's collection of 182.18 million, additional tax collection has dropped by Nu. 17.24 million (9.46%).

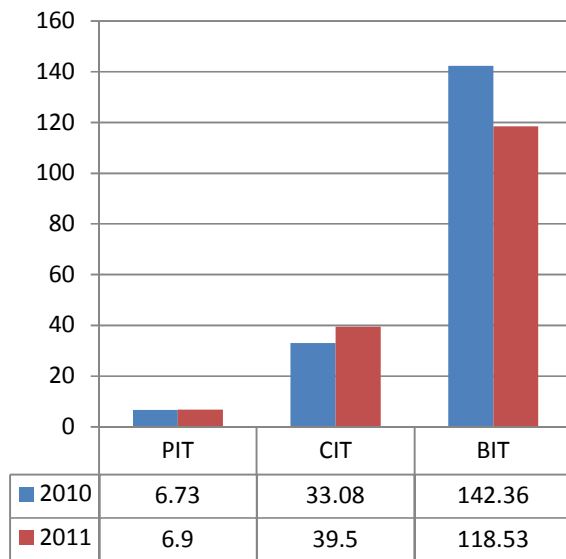
Figure 10: Assessment Efforts (in Million Ngultrum)



The overall assessment effort is recorded at 2.49% for AY 2012 recording a decline by 0.53% compared to the previous AY. From the total direct tax collection of Nu. 6,617.30 million, 2.49% is collected through the administrative and assessment efforts, while the remaining 97.51% of the collection is either through TDS arrangements or self/voluntary declaration by taxpayers.

Out of the total additional collection, maximum is collected from BIT with Nu.118.53 million, followed by CIT with Nu. 39.5 million and PIT with Nu. 6.9 million. Compared to the previous AY, assessment effort (collection) under BIT has decreased by 16.76% i.e. from Nu. 142.4 million in AY 2011 to Nu. 118.53 million in AY 2012. However, additional collection under PIT and CIT recorded a positive growth of 2.52% and 19.41% respectively.

Figure 11: Assessment Effort by Tax Category (In Million Ngultrum)



3.9 APPEALS

Tax appeals arise when the taxpayers disagree with one or more findings in the demand notice issued by the RRCOs after the tax assessment.

Presently, there are three tiers of appeal. The first tier is at RRCO level followed by Head Office level and at Ministry level (Tax appeal Board). The tax appeals are first reviewed by the Regional Tax Appeal Committee (RTAC) set up at the RRCO level. However, Taxpayers are required to submit the appeals within 30 days from the date of the issue of demand notice. If the taxpayer disagrees with the decision passed by the RTAC, taxpayer can appeal within 30 days to the DRC Appeal Committee for further review. Otherwise the decision of the RTAC is final. Further, if the taxpayer is still not happy with the decisions of the DRC Appeal Committee, he/she can appeal to the Appeal Board at the Ministerial Level within 60 days from the date a decision has been passed.

It is imperative to adhere with the time limit prescribed in the IT Act otherwise the appeal will be rejected. If the decision of the Appeal Board is still not agreeable to the taxpayer, then the taxpayer has the option to appeal to the court of law. However, in no case the taxpayer is barred from filing their appeal directly in a court of law.

During the year, a total of 541 appeal cases were received by the RRCOs registering a growth of 48% over the previous year's total of 365 cases. Compared to the previous year, BIT recorded the highest increase with 93.08% followed by CIT with 60% and PIT with only 7.18%. Out of total 541 appeal cases received by RRCOs, 154 cases were forwarded to DRC.

Table 19: Appeal Details

Particulars	Type of Tax			Total
	PIT	CIT	BIT	
Filers	56344	209	24939	81492
Filing time extension cases		33	219	252
Non operational taxpayers		10	4849	4859

No. of closed files/entities	47	33	477	557
No. of late submission fines imposed	7606	15	1090	8711
No. of cases where 24% late interest imposed	9108	39	2525	11672
No. of cases where concealment fine imposed	13	1	36	50
Total No. of cases where fines & penalties imposed	16727	55	3651	20433
Amount of late submission fines collected	477,387.14	62,500.00	1,746,890.38	2,286,777.52
Amount of 24% late interest collected	175,619.44	864,090.00	3,757,528.52	4,797,237.96
Amount of fines collected on concealment		2,201,560.00	1,324,735.00	3,526,295.00
Total amount of fines and penalties collected	653,006.58	3,128,150.00	6,829,153.90	10,610,310.48
TAX APPEALS				
No of appeals received	194	40	307	541
- on fines & penalties	126	18	209	353
- on disallowances	68	22	98	188
Appeal resolved at RRCO level	112	12	183	307
Total Amount waived by RTAC on:				
- Fines & penalties	1,590,477.39	766,500.38	551,059.46	2,908,037.23
-Disallowances	0	0	0	0
No. of appeals forwarded to Head Office	52	15	87	154
Appeal resolved at HQ level	52	15	87	154
Amount waived in appeal at HQ level				
- Fines & penalties	8,618,913.94	11,114,815.26	7,259,921.80	26,993,651.00
-Disallowances	865,800.00	1,700.00	18,438,683.81	19,306,183.81

3.10 COST OF COLLECTION

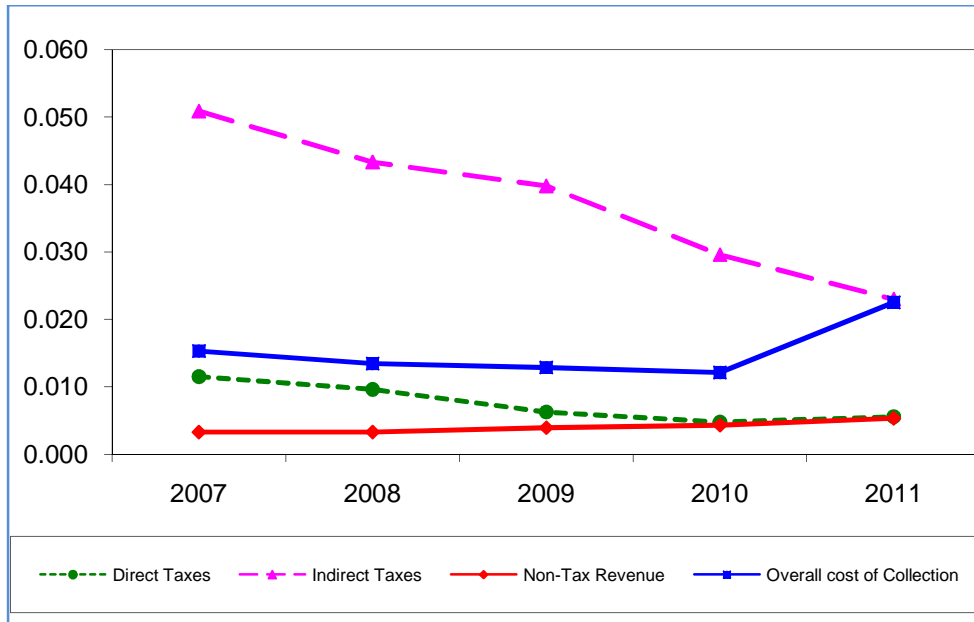
The cost of collection, amongst others, is used to measure the efficiency and effectiveness of the tax administration efforts by taking into account the actual expenditure incurred vis-à-vis total revenue collected during the period. The cost of collection incurred for collecting 1 Ngultrum is about 0.6 Chetrum for direct tax revenue, 0.2 Chetrum for indirect tax revenue, and 0.5 Chetrum for non tax revenue. In order to collect direct tax revenue of Nu. 8,822.113 million (Re-computed on calendar year basis based on fiscal year wise collections), the government has incurred 0.60% of the total collection as the collection cost.

Table 20: Cost of Collection details

	2007	2008	2009	2010	2011
Direct Taxes	0.011	0.010	0.006	0.005	0.006
Indirect Taxes	0.051	0.043	0.040	0.030	0.023
Non-Tax Revenue	0.003	0.003	0.004	0.004	0.005
Overall cost of Collection	0.015	0.013	0.013	0.012	0.023

The cost of collection for direct taxes has increased by 0.1 chetrum and indirect taxes have decreased by 0.1 chetrum during the year. Cost of collection for non tax revenue has increased by 0.1 chetrum. The overall cost of collection has increased from 0.12 chetrum in the previous year to .023 Chetrum during the year.

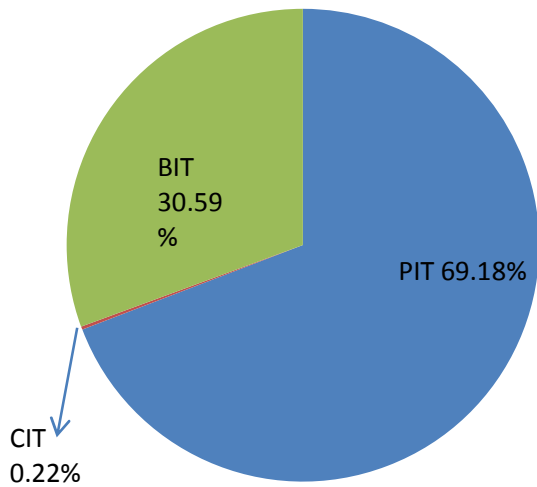
Figure 12: Trend Line Cost of Collection



4.1 TAXPAYER HIGHLIGHTS

A total of 81,262 taxpayers had filed the tax returns with eight RRCOs as of 31st March 2013. The total number of filers will increase when the extended filing period for some tax period for some taxpayers become due and late filers file their tax returns. A total of 91 taxpayers reported closed during the income year. The taxpayer composition for the IY 2012 as on 31st March 2013 is given below:

Figure 13: Taxpayer Composition



PIT filers constituted the largest composition of tax entities at around 69.18% followed by BIT entities at 30.59 % and CIT only at 0.22% of the total tax entities. Amongst the eight Regional offices, RRCO Thimphu constituted the highest tax entities with 42.40 % followed by RRCO Phuentsholing and RRCO Gelephu with 12.48% and 10.87% respectively. RRCO Bumthang recorded the lowest number of tax entities at 3.56% followed by RRCO Paro at 6.68%.

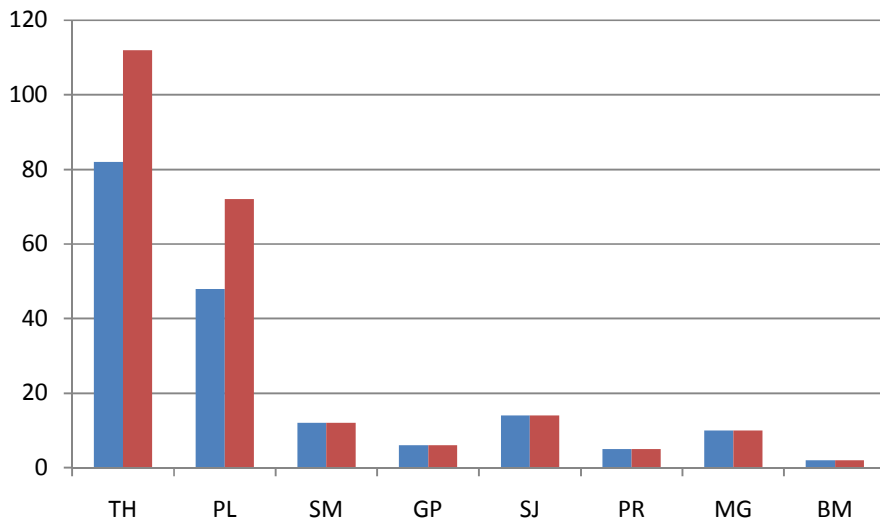
Table 21: Taxpayer Details:

RRCOs	PIT		CIT		BIT		NoP	Closed	Total	% dis-tribution
	Filers	E-filers	Filer	C2	Acct	Est.				
Thimphu	18205	6561	82		1167	6296	2212	0	34523	42.40
P/ling	6607	835	48	10	415	2238	0	9	10162	12.48
Samtse	3547	188	12		101	1409	281	9	5547	6.81
Gelephu	4006	1226	6		101	3046	459	6	8850	10.87
S/Jongkha	3527	872	14	1	112	1758	355	0	6639	8.15
Paro	3588	618	5		65	929	236	0	5441	6.68
Mongar	2901	1667	8		98	2098	588	0	7360	9.04
Bumthang	1566	333	2	1	17	651	331	0	2901	3.56
Total	43947	12300	177	12	2076	18425	4462	24	81423	100.00
Percentage	69.08		0.23		30.69					

4.1.1 CIT PAYERS

The number of CIT filers as of 31st March 2013 was recorded 179 tax entities recording an increase by 30.65% compared to the previous year's total of 137 entities up to 31st March, 2012. From the total filers of 179 entities, 2 CIT entities reported non-operational. The region wise distribution of CIT payer is shown below:

Figure 14: Region wise distribution of CIT filers vis-à-vis Registered CIT entities



4.1.2 BIT PAYERS

BIT units accounted for 30% of the total filers as of 31st of March, 2013. Amongst the RRCOs, RRCO Thimphu continues with maximum BIT filers with 9,675 entities followed by 3,505 entities at RRCO Gelephu. RRCO Bumthang recorded the least BIT filer at 999 entities.

Figure 15: BIT filer Distribution

It is recorded that a total of 24,862 BIT entities had filed the tax returns as on 31st March 2013. Amongst the total BIT filers, 91.65% comprises BIT estimated units and balance 8.35% is account filers. It is reported that 17.95% BIT entities were non-operational as on 31st March, 2013.

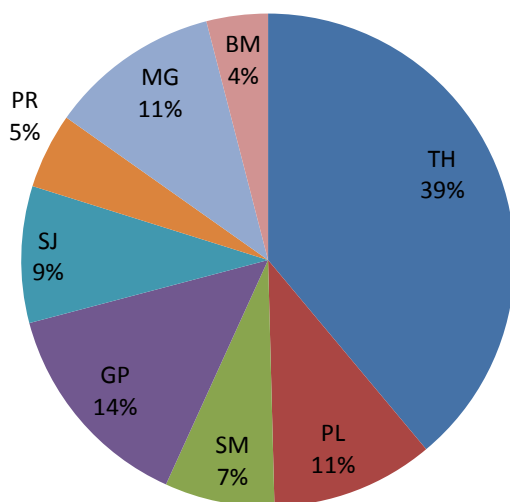


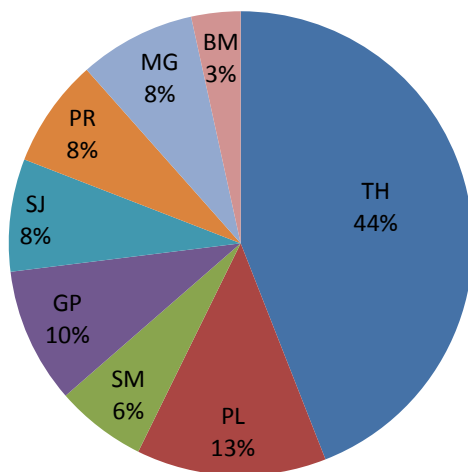
Table 22: BIT profile

RRCOs	Non- Estimated	Estimated	NOP	Closed Entities	Total
Timphu	1,167.00	6,296.00	2212	-	9,675.00
P/ling	415.00	2,238.00	0	9.00	2,662.00
Samtse	101.00	1,409.00	281	9.00	1,800.00
Gelephu	101.00	2,945.00	459	6.00	3,511.00
S/Jongkha	112.00	1,758.00	355	-	2,225.00
Paro	65.00	929.00	236	-	1,230.00
Mongar	98.00	2,098.00	588	-	2,784.00
Bumthang	17.00	651.00	331	-	999.00
Total	2,076.00	18,324.00	4462	24.00	24,886.00
%	8.34	73.63	17.93	0.10	100.00

4.1.3 PIT PAYERS

As of 31st March 2013, the division recorded a total of 56,221 PIT filers out of which 13,387 had opted to file electronically. The percentage of increase over previous year was 7.09%. The total PIT filers recorded in the previous year were 52,497 filers. PIT filers through electronic means have increased at 53.22% from previous year which was 8,737 filers. As usual, RRCO Thimphu recorded the highest number of PIT filers at 44.1% followed by RRCO Phuentsholing at 13.2% and RRCO Gelephu at 9.5%. A detailed region wise PIT filer distribution is shown in the figure below:

Figure 16: PIT Filer Distribution

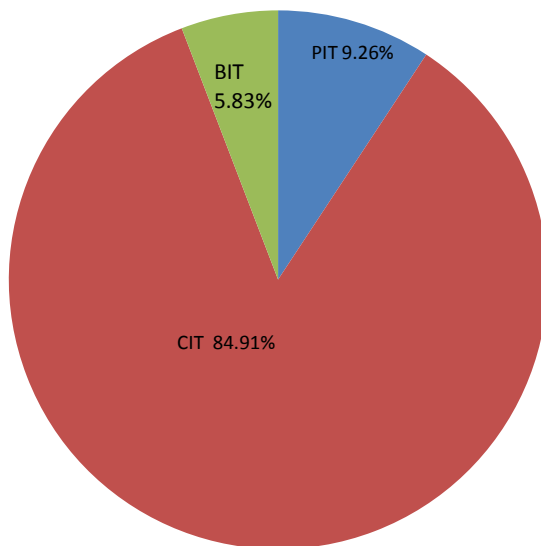


4.2 SELF DECLARATION HIGHLIGHTS

Taxes are either collected in the form of TDS, advance tax, provisional tax and additional taxes if collected after assessments. The tax collection figure under this part refers to the self declared amount computed from the returns as of 31st March 2013.

The total self declared tax amount under BIT,CIT and PIT amounted to Nu. 9,132.72 million recording an increase by 53.70% compared to the previous year's collection of Nu. 5,941.61million as of 31st March, 2012. Except for PIT, no additional taxes were raised under BIT and CIT since assessment will start only from 1st of April. Under PIT, an additional tax Nu. 1.36 million was collected after desk assessment. Similarly in the previous years as of 31st March the total additional collected was only Nu. 0.17 million.

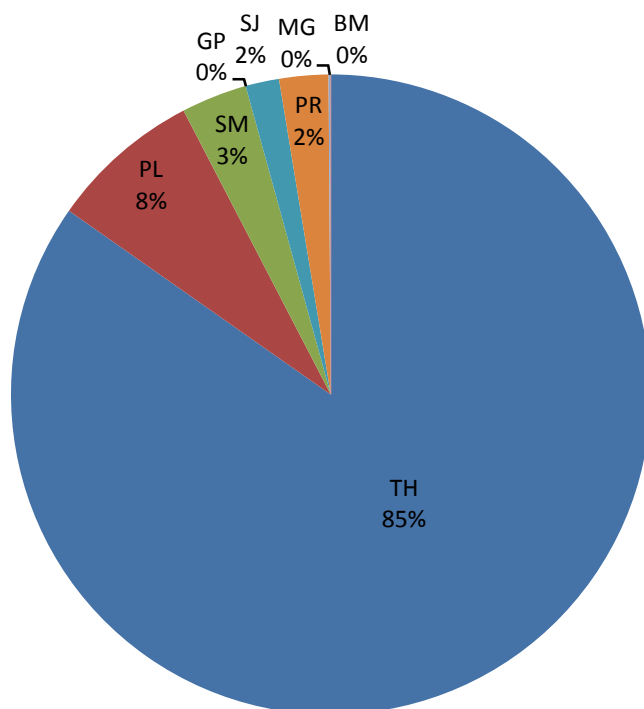
Figure 17: Tax Revenue Composition



4.3 CIT COLLECTION

The total CIT collection amounted to Nu. 7,754.64 million. This accounts 84.91% of the total direct tax revenue collected till 31st March 2013. PIT collection accounted 9.26% and BIT collection accounted for 5.83% of the total self declared taxes as of 31st March, 2013.

Figure 18: Region wise CIT collection:



Amongst the RRCOs, RRCO Thimphu collected 84.74% of the total CIT declared for the IY 2012 followed by RRCO Phuentsholing at 7.63% and RRCO Samtse at 3.33%, RRCO Paro and RRCO S/Jongkha, RRCO Mongar collected 2.49%, 1.69%, 0.11% respectively. RRCO Gelephu and RRCO Bumthang do not have any CIT collection.

4.4 BIT COLLECTION

The total self declared BIT (estimated and non-estimated) amounted to Nu. 532.69 million recording an increase of 36.8% compared to the previous year's BIT collection of Nu. 389.40 million as of 31st March 2012. From the total amount collected, 82.37% was collected from the account filers and only 7.63% collected from non account filers (estimated units). As in the past amongst the regions, RRCO Thimphu recorded the highest collection with 64.89% followed by RRCO Samtse with 13.02%. RRCO Bumthang recorded the least collection with 0.76%.

Table 23: Region wise BIT collection as of 31st March 2013

RRCO	Estimated	Non Estimated	Total	% Distribution
Thimphu	47,054,875.98	298,637,674.00	345,692,549.98	64.89
P/Ling	14,331,538.52	39,718,612.60	54,050,151.12	10.15
Samtse	2,830,036.86	66,507,588.77	69,337,625.63	13.02
Gelephu	8,650,053.49	2,880,058.00	11,530,111.49	2.16
S/Jongkhar	4,206,942.72	19,692,073.83	23,899,016.55	4.49
Paro	4,901,819.02	3,699,096.92	8,600,915.94	1.61
Mongar	8,383,297.35	7,153,777.00	15,537,074.35	2.92
Bumthang	3,569,795.14	481,893.81	4,051,688.95	0.76
Total	93,928,359.08	438,770,774.93		
% Share	17.63	82.37	532,699,134.01	100.00

4.4.1 ESTIMATED COLLECTION

The total estimated collection as of 31st March 2013 was Nu. 93.92 million recording a decrease in collection by 9.25%. The decrease could be attributed due to filing of accounts by the potential BIT units which were finalized on estimated basis in the previous year. This is apparent from the amount of collection under account filing category during the income year. Estimated collection made up 14.27% of the total BIT collection and 1.02% of the total self declared direct tax revenue. As in the past, RRCO Thimphu topped the list of RRCOs in terms of estimated collection with Nu. 47.05 million followed by RRCO Phuentsholing with 14.33 million and RRCO Gelephu with 8.6 million.

Table 24: Region wise Estimated Collection

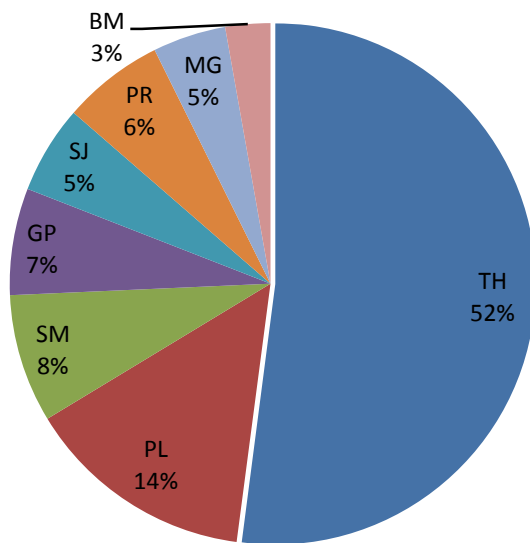
RRCO	Estimated Collection		% Change	% Distribution
	IY 2011(31.3.2012)	IY 2012 (31.3.2013)		
Thimphu	46,640,813.00	47,054,875.98	0.89	50.10
P/Ling	18,959,302.00	14,331,538.52	(24.41)	15.26
Samtse	2,421,965.00	2,830,036.86	16.85	3.01
Gelephu	7,825,853.00	8,650,053.49	10.53	9.21
S/Jongkhar	4,901,262.00	4,206,942.72	(14.17)	4.48
Paro	8,675,970.00	4,901,819.02	(43.50)	5.22
Mongar	9,889,916.00	8,383,297.35	(15.23)	8.93
Bumthang	4,190,373.00	3,569,795.14	(14.81)	3.80
Total	103,505,454.00	93,928,359.08		100.00

The Collection of both the Income Years is inclusive of 2% TDS which was treated as final tax liability for small and petty contractors.

4.5 PIT COLLECTION

PIT collection (self declared plus additional raised through DA) as of 31st March 2013 amounted to Nu. 846.75 million recording an increase of 32.07% from Nu. 641.12 million in the previous year. PIT collection constituted 9.26% of the total direct tax collection as of 31st March, 2013.

Figure 19: Region wise PIT Collection:



Amongst RRCOs, RRCO Thimphu contributed 52.06% (Nu. 440.85 Million) of the total PIT collection recording an increase of Nu. 219.87 from Nu. 220.98 million in the previous year followed by RRCO Phuentsholing contributed 14.26% (Nu. 120.78 million) of the total PIT collection recording an increase of 32.19 from Nu. 88.59 million. As in the past, RRCO Bumthang recorded the least contribution by 2.78% (Nu. 23.53 million) since they have the least number of PIT payers. PIT collection from RRCO Thimphu, Phuentsholing,, Samtse,, Samdrupjongkhar, Paro includes additional PIT collected from Desk assessment conducted from 1st March, 2013 till 31st March, 2013. The above RRCOs have collected 1.36 million from desk assessment.

PART V

FISCAL INCENTIVES

5.1 Fiscal Incentives

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

As of 31st December, 2013, 60 number of business entities spreading over seven different RRCOs were under the tax holiday. However, RRCO S/Jongkhar does not have any unit under Tax Holiday. The sector wise lists of units availing the tax holiday are given in the table below.

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

Sl#	Name of Units	Location	Holiday period		No. of years
			From	To	
1	Bhutan Broadcasting Services Ltd.	Thimphu	1/1/2014	31/12/2016	3
2	The Journalist Private Limited	Thimphu	20/12/2009	19/12/2014	5
3	Druk Neytshuel Private Limited	Thimphu	29/08/2010	31/08/2015	5
4	The Bhutanese Private Limited	Thimphu	21/02/2012	28/02/2017	5
5	Bhutan Today Private Limited	Thimphu	1/4/2012	31/03/2017	5
6	Data Centre Services Pvt. Ltd.	Thimphu	1/1/2013	31/12/2017	5
7	Thimphu Techpark Pvt. Ltd	Thimphu	20/06/2013	19/06/2018	5
8	Green Dragon Media	Thimphu	10/4/2012	9/4/2017	5

Table 26: List of Business Units availing Tax Holiday

Sl#	Name of Units	Location	Holiday period		No. of years
			From	To	
1	Bhutan Concrete Bricks	Thimphu	1/7/2010	29/06/2014	4
2	I Technologies	Thimphu	1/1/2010	31/12/2013	4
3	Business Bhutan	Thimphu	1/9/2009	31/08/2014	5
4	Green Print	Thimphu	1/1/2010	31/12/2014	5
5	Sangsel Eco Trade & Environment	Thimphu	1/1/2011	31/12/2015	5
6	Lothuen Om Detshen	Gelephu	24/04/2010	23/04/2015	5
7	Handicrafts Emporium	Thimphu			
8	Young Building Materials	Thimphu	20/10/2011	19/10/2016	5
9	JK Furniture	Samtse	24/09/2012	23/09/2017	5
10	Druk Link Technology	Thimphu	1/1/2012	1/12/2017	5
11	Greener Way	Thimphu	1/7/2012	30/6/2017	5
12	Druk Green Venture	Gelephu	26/11/2012	25/11/2017	5
13	Sengaygang Stone Crushing Plant	Samtse	7/1/2013	6/1/2018	5
14	Tsirang Poultry Co-Operatives	Thimphu	2/12/2012	27/12/2017	5

15	Garab Powdering Unit	Samtse	22/1/2010	21/1/2015	5
16	Druk-Care Engineering	Thimphu	30/1/2012	29/01/2017	5
17	Yang Jung Sonam Brick & Fabrication Enterprises	Gelephu	8/8/2012	7/8/2017	5
18	Karma Home Made wine industry	Paro	30/6/2013	29/5/2018	5

Table 27: List of Institutes and Colleges availing Tax Holiday

Sl#	Name of Units	Location	Holiday period		No. of years
			From	To	
1	Tenzin Higher Secondary School	Paro	1/1/2010	31/01/2014	5
2	Kuendrup Higher Secondary School	Gelephu	1/1/2011	31/12//2015	5
3	Yoezerling Higher secondary School	Paro	1/1/2011	31/12//2015	5
4	Sherub Reldri Higher Secondary School	Mongar	1/1/2010	31/12//2014	5
5	Royal Thimphu College	Thimphu	1/7/2009	30/06//2014	5
6	School for Language & Cultural Studies	Thimphu	1/03/2012/	28/02/2017	5
7	Jampel Higher Secondary Schhol	Paro	15/02/2013	14/02/2018	5
8	Yoezerling Children House	Paro	11/3/2013	10/3/2018	5

Table 28: List of Hotels availing Tax Holiday

Sl#	Name of Units	Location	Holiday period		No. of years
			From	To	
1	Ms. Chumey Nature Resort	Bumthang	1/1/2010	31/12/2014	5
2	MS. Yugharling Resort	Bumthang	1/1/2010	31/12/2014	5
3	Haven Resort Private Limited	Paro	1/11/2010	30/10/2015	5
4	Tenzinling Resort	Paro	1/1/2010	30/09/2014	5
5	Namgay Heritage Hotel	Thimphu	1/1/2010	31/12/2014	5
6	Migmar Hotel	Thimphu	1/1/2010	31/12/2014	5
7	Hotel Kisa	Thimphu	1/1/2010	31/12/2014	5
8	Tashi Namgay Resort	Paro	1/1/2010	31/12/2014	5
9	Khangku Resort	Paro	1/3/2010	28/02/2015	5
10	Bhutan Suites	Thimphu	1/1/2010	31/12/2014	5
11	Taj Tashi Hotel	Thimphu	1/1/2010	31/12/2014	5
12	Hotel Tashi Phuntsho	Paro	1/3/2010	29/02/2015	5
13	Nak Sel Boutique Hotel & Spa Pvt. Ltd.	Paro	1/9/2010	31/08/2015	5
14	Udumwara Resort	Paro	1/3/2011	28/02/2016	5
15	Rochog Pel Hotel	Thimphu	20/04/2011	19/03/2016	5
16	Bhutan Residence	P/Ling	1/4/2011	31/03/2016	5
17	Khang Residence	Thimphu	1/10/2011	30/09/2016	5
18	Hotel Kuenzang Norling Resort	Bumthang	1/10/2011	30/09/2016	5
19	Hotel View Point Resort	Bumthang	1/10/2011	30/09/2016	5
20	Hotel Peling	Bumthang	1/1/2010	30/09/2015	5
21	Kinzang Zing Resort	Thimphu	24/09/2012	23/9/2017	5
22	Galling Resort	Paro	18/02/2013	17/02/2018	5
23	Drukchen Hotel	Paro	20/03/2013	19/03/2018	5
24	Hotel Pema Karpo	Thimphu	1/3/2013	28/02/2018	5
25	Peling Resort	P/ling	6/5/2012	5/5/2017	5
26	Wellness Resort & Convention Centre Projects	Thimphu	1/1/2014	31/12/2019	5

5.2 Exempted Organizations

Donations made to the following organizations are exempted from taxes as per Rule No.1.7, Part III of the Rules on the Income Tax Act 2001. However, the exemptions are not automatic and shall be required to be registered under the Civil Society Organizations Act and the Religious Organization's Act of Bhutan, 2007.