



Income Tax Division
Department of Revenue & Customs
Ministry of Finance



Performance Indicator Report 2012

Income Tax Division
Department of Revenue & Customs
Ministry of Finance

VISION

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

MISSION

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

VALUES

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

FUNCTIONAL MANDATE AND STRATEGIES

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

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

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

FOREWORD

The Performance Indicator Report of Tax Administration Division for the Income year 2012. It is an exhaustive and statistical compendium on the performance of the division in its core areas such as assessment, collection and other administrative initiatives.

The report is organized in four parts; Part I gives an overview of the organizational set up of the division including staffing, qualification and training details and new developments and initiatives undertaken during the year; Part II discusses region wise taxpayer composition and the tax type. Part III covers revenue performance for IY 2012. Finally, Part IV provides an update on units under tax holiday and exempted category.

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

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

Gyeltshen
Commissioner
Tax Administration Division
DRC, HQ

TABLE OF CONTENTS

PART I: ORGANIZATIONAL STRUCTURE	1
1.1 ORGANIZATIONAL SET UP	3
1.2 STAFF STRENGTH	4
1.3 QUALIFICATION	5
1.4 TRAINING	6
1.5 ACTIVITIES UNDERTAKEN AS ON 31st July, 2014	7
 PART II: OVERVIEW OF DIRECT TAXES	 11
2.1 TYPES OF DIRECT TAXES & RATES	12
2.2 TAXPAYER HIGHLIGHTS	12
 PART III: TAX REVENUE HIGHLIGHTS	 21
3.1 OVERALL TAX COLLECTION	23
3.2 CIT ENTITIES COLLECTION	24
3.3 BIT ENTITIES COLLECTION	26
3.4 PIT COLLECTION	29
3.5 TAX REFUND	30
3.6 TAX OUTSTANDING	32
3.7 ASSESSMENT HIGHLIGHTS	32
3.8 ASSESSMENT EFFORTS	35
3.9 APPEALS	37
3.10 COST OF COLLECTION	38
 PART IV: FISCAL INCENTIVES	 41
5.1 FISCAL INCENTIVES	43
5.2 EXEMPTED ORGANIZATIONS	56



PART I: ORGANIZATIONAL STRUCTURE

1.1 ORGANIZATIONAL SET UP

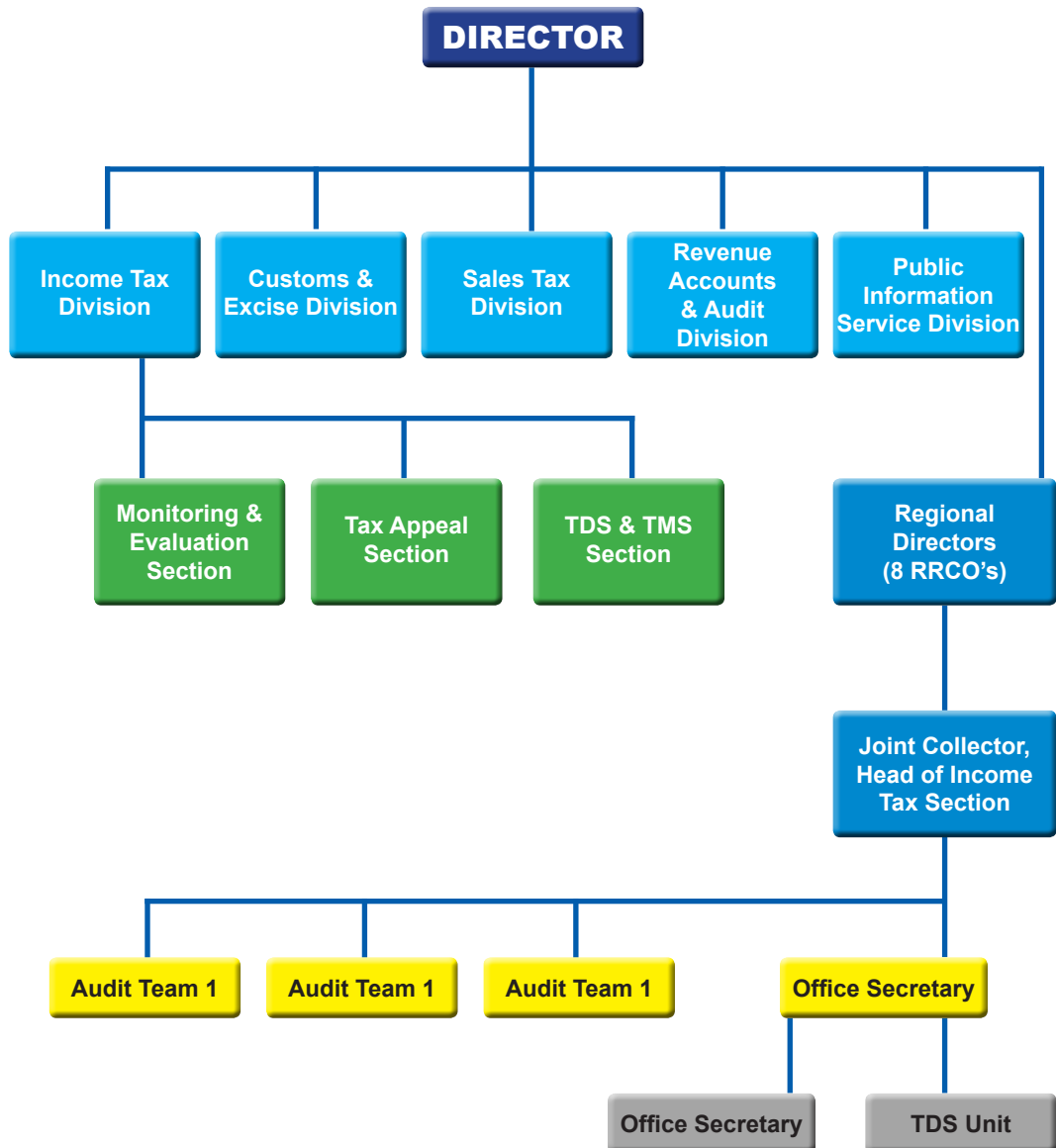


Table 1: Regional Offices and their Administrative Jurisdiction

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 August 2014, the Income Tax Division had total staff strength of 126 officials, comprising of 62 tax officers and 65 tax inspectors. In Jan 2014, nine 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.

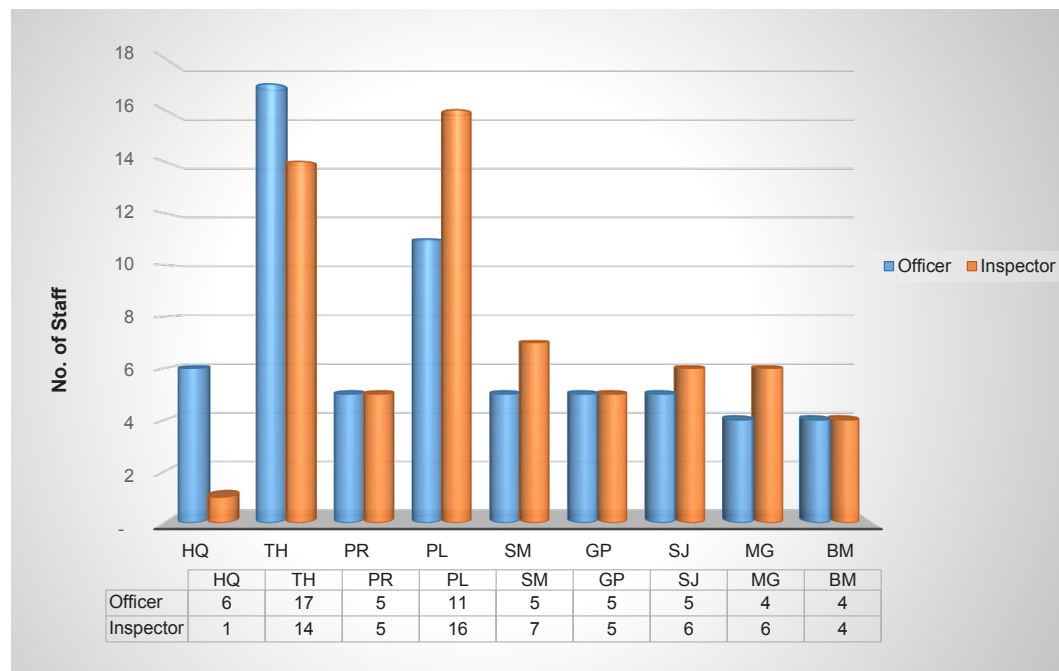
Table 2: Manpower Approved and Existing Summary

	Officers	Inspectors	Total
10th FYP Approved Manpower Strength	90.00	48.00	138.00
Existing Manpower Strength	62.00	64.00	126.00
Gap	28.00	(16.00)	12.00

Against the approved strength of 138 officials, the Income Tax Division has existing strength of 126 officials, which is short by 12 officials from the approved strength. The number of existing inspectors exceeds the approved strength by 16 inspectors whereas the strength of officers is short by 28 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	5	14	8	1	0	2	30

P/ling	1	11	11	2	1	1	27
Samtse	0	6	5	0	0	1	12
Gelephu	2	3	3	2	0	0	10
S/Jongkhar	0	6	4	1	1	0	12
Paro	1	4	5	0	0	0	10
Mongar	1	3	5	1	0	0	10
Bumthang	0	4	3		1	0	8
Total	16	51	45	7	3	4	126

*** 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 12 months (1st August 2013 till 31st July 2014) 14tax 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	2	1	2		5
Thimphu	2	0	0	0	2
P/ling	1	3	0	0	4
Samtse	1	1	0	0	2
Gelephu	0	2	0	0	2
S/Jongkhar	2	0	0	0	2
Paro	3	1	0	0	4
Mongar	0	0	0	0	0
Bumthang	1	0	0	0	1
Total	12	8	2	0	22

1.5 ACTIVITIES UNDERTAKEN AS ON 31st July, 2014

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. Proposal to exempt small and micro businesses in rural areas from Business Income tax

The Income Tax Division, based on the instruction from the Ministry of Finance submitted a proposal to exempt small and micro businesses in rural areas from Business Income Tax with the following objectives:

- To promote self-employment economic activities and opportunities in the rural areas through tax concessions and alleviate poverty;
- To encourage and support economic growth and development in rural areas and reduce rural urban migration;
- To relieve small and micro businesses of cumbersome administrative procedures and other practical hardships;
- To encourage and promote growth of small businesses in rural areas (outside the boundaries of four Thromdes and Dzongkhags headquarter Throms).

However only the small and micro businesses with the following category of trade license are eligible for BIT exemption:

- Business units holding **Micro Trade Registration Certificate** with any activity specifications;
- All activity specifications under the license classified as **Service** with exception to the following:
 - Travel agents and ticketing businesses;
 - Construction and logging businesses;
 - Consultancy and hiring businesses;
 - Cable and export businesses;
- All activity specifications under the license classified as **Trade**
- All activity specifications under the license classified as **Production** and **Manufacturing** with exception to the following.

- Mining and quarrying activities
- Crushing activity

However the exemption is not automatic and the following additional conditions must be fulfilled:

- Businesses are located away from the boundaries of Thimphu, Phuentsholing, Gelephu and S/Jongkhar Thromdes for Micro traders and for small business units, they are located outside boundaries of four Thromdes and Dzongkhag headquarter Throms
- If the turnover or investment limits prescribed for small and micro businesses in Annexure of the Rules on the Income Tax Act is exceeded, the exemption shall be withdrawn;
- The exemption shall apply to Business Income Tax only and not to other taxes such as, Customs Duty, Sales Tax or any other levies or taxes that would otherwise be applicable;
- Businesses availing tax incentives under FI 2010 are not eligible for this exemption
- Small businesses submitting annual accounts must continue submitting accounts even if they are exempted. If they fail to submit accounts, exemption will be withdrawn;
- The validity of the exemption will be for five years only beginning Income year till Income year 2018

1.5.2. Ratification of Double Tax Avoidance Agreement (DTAA) between the Royal Government of Bhutan and the Government of the Republic of India by the Second Session of the Second Parliament

Since the DTAA has been ratified by both the Governments, it will come in effect from 1st of January, 2015 in Bhutan and 1st of April, 2015 in India. DRC shall coordinate series of workshops with the officials of the department and with the stakeholders for awareness purposes.

1.5.3. 3rd Meeting of SAARC Competent Authorities on Avoidance of Double Taxation and Mutual Administrative Assistance in Tax matters was hosted by Bhutan from 28-29th July, 2014.

The 3rd Meeting of SAARC Competent Authorities on Avoidance of Double Taxation and Mutual Administrative Assistance in Tax Matters was hosted by Bhutan from 28-29, July, 2014. All the competent authorities from the member states attended the Meeting except from Afganisthan. The 3rd SAARC Competent Authorities Meeting was chaired by our Hon'ble Director, Department of Revenue & Customs.

SAARC Limited Multilateral Agreement on Avoidance of Double Taxation & Mutual Administrative Assistance in Tax Matters was signed amongst the SAARC member states on 13th November, 2005 at Dhaka by the Foreign Ministers of the member states, however the ratification process by all the member states was completed only in the year 2010, as such the agreement came into effect in Bhutan only from the year 2011. The agreement is limited only to teachers, researchers, scholars and students to ensure that the incomes earned by them are not doubly taxed. Although the agreement has come in effect, there is constant dialogue on the agreement with a meeting being held in each country on a rotational basis every year. Based on the decisions of the member states, there has been training's being hosted by member states on taxation issues with participation from member states. Recently, some member states have proposed for increasing the scope of the agreement to cover other types of income without being limiting to teachers, researchers, scholars, and students and decided to discuss during the next meeting.





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 81,437 taxpayers were registered with the Department of Revenue & Customs during the Income Year 2012, recording a growth of 5.24% over the previous year's total of 77,376 taxpayers. CIT recorded the highest increase with 30.95%, followed by PIT with 7.38% and BIT with 0.53%. 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 69.23% of the total taxpayers falling in the category. Business Income Taxpayer entities constituted 30.50% of the total taxpayers while Corporate Income Taxpayers constituted 0.27% of the total taxpayers.

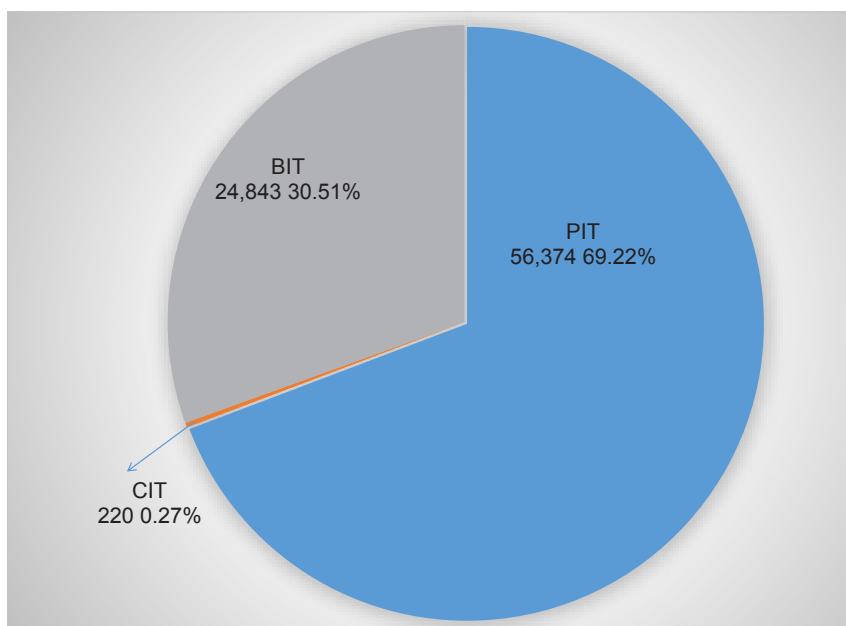


Table 6 : Taxpayer Details

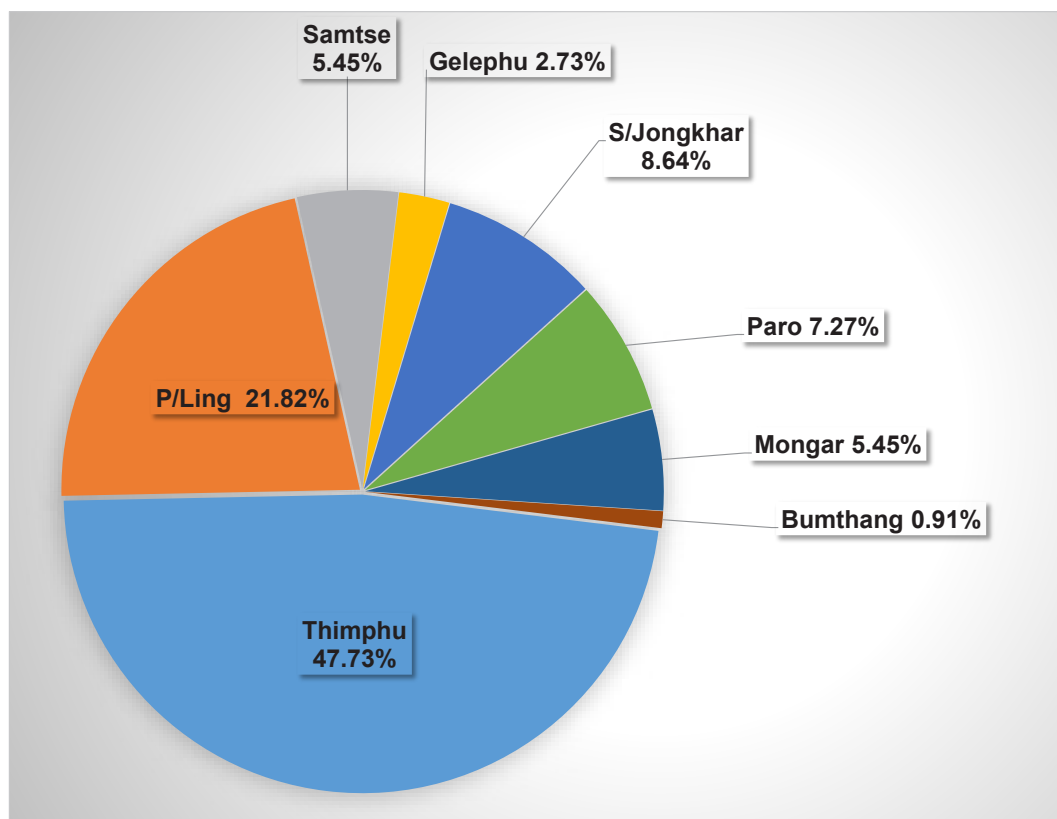
RRCOS	Personal Income Tax		Corporate Income Tax	Business Income Tax			Total	B
	Filers	e-filers	Filers	Filers	Estimated	NoP		
Thimphu	17,633	6,561	105	1,224	4,219	2,522	32,264	40%
P/Ling	6,607	835	48	415	2,238	732	10,875	13%
Samtse	3,547	188	12	101	1,409	281	5,538	7%
Gelephu	4,545	1,226	6	91	2,996	507	9,371	12%
S/Jongkhar	3,527	872	19	112	1,758	355	6,643	8%
Paro	3,416	624	16	113	1,174	502	5,845	7%
Mongar	3,140	1,700	12	108	2,287	584	7,831	10%
Bumthang	1,620	333	2	40	744	331	3,070	4%
Total	44,035	12,339	220	2,204	16,825	5,814	81,437	100%
		56,374	220			24,843	81,437	
%	69.22%		0.27%	30.51%				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 0.26% of the total taxpayers for the Income Year 2012. During the Income Year 2012, the Corporate Income Tax entities registered a growth of 25% over the previous year.

The Regional Revenue & Customs Offices Thimphu and Phuentsholing had the highest number of CIT entities registered at 47.61% followed by RRCO Phuentsholing with 22.85% and the balance 29.54% being spread over the balance six RRCOs. The RRCO S/Jongkhar had the highest growth rate of Corporate Income Tax entities which saw a growth of 280% followed by RRCO Paro with growth rate of 166%.

Figure 3: Distribution of CIT Entities

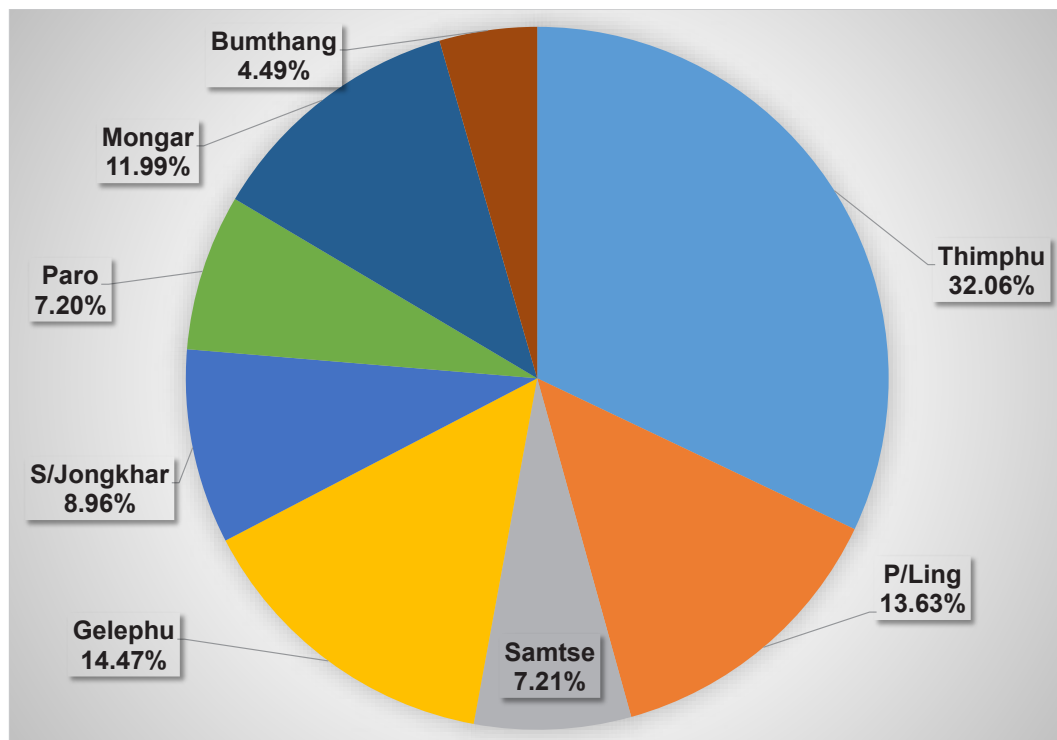


Business Income Tax Entities Distribution:

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 and partnerships with sizes varying from large to micro. During the Income Year 2012, BIT entities constituted 30.51% of the total registered taxable entities. BIT entities during the Income Year 2012 saw a growth of 0.53

% over the previous year. RRCO Phuentsholing had the highest growth in BIT entities which saw a growth of 37.65% followed by RRCO Paro with a growth rate of 36.87% over the previous year whereas RRCO Thimphu and RRCO S/jongkha had shown a negative growth of BIT entities could be because of the change in the recording system of tax entities over the past income 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 32.06% of the total registered BIT entities, RRCO Gelephu had the second highest number of BIT entities registered, accounting for 14.46% of the total BIT entities, followed by RRCO Phuentsholing with 13.62%. RRCO

Bumthang had the lowest number of BIT entities registered accounting for 4.48% of the total BIT entities. Other four RRCOs constitute the balance 35.38% of the total registered BIT entities.

Table 7: BIT Entities Profile

RRCOS	Taxes Based on Books	Taxes Based on Estimation	Non-Operational	Total	% Distribution
Thimphu	1,224.00	4,219.00	2,522.00	7,965.00	32.06%
P/Ling	415.00	2,238.00	732.00	3,385.00	13.63%
Samtse	101.00	1,409.00	281.00	1,791.00	7.21%
Gelephu	91.00	2,996.00	507.00	3,594.00	14.47%
S/Jongkhar	112.00	1,758.00	355.00	2,225.00	8.96%
Paro	113.00	1,174.00	502.00	1,789.00	7.20%
Mongar	108.00	2,287.00	584.00	2,979.00	11.99%
Bumthang	40.00	744.00	331.00	1,115.00	4.49%
Total	2,204.00	16,825.00	5,814.00	24,843.00	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, 91.12% of the BIT entities pay their taxes based on estimation whereas only 8.87% of the BIT entities pay their taxes based on book of accounts. The units not maintaining book of accounts have increased from 90.3% in the previous year to 91.12% in the Income Year 2012.

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 2012 recorded an increase of 7.38% PIT filers over the previous year. A total of 56,374 individuals filed PIT returns during the Income Year 2012.

The RRCO Thimphu had the highest number of PIT filers, which accounted for 42.91% of the total filers followed by RRCO Phuentsholing accounted for 13.20% whereas RRCO

Bumthang had the lowest number of PIT filers accounted only 3.46% of the total PIT filers. Other five RRCOs accounted 40.43% of the total PIT filers for the year 2012.

Figure 5: Distribution of PIT Tax payers

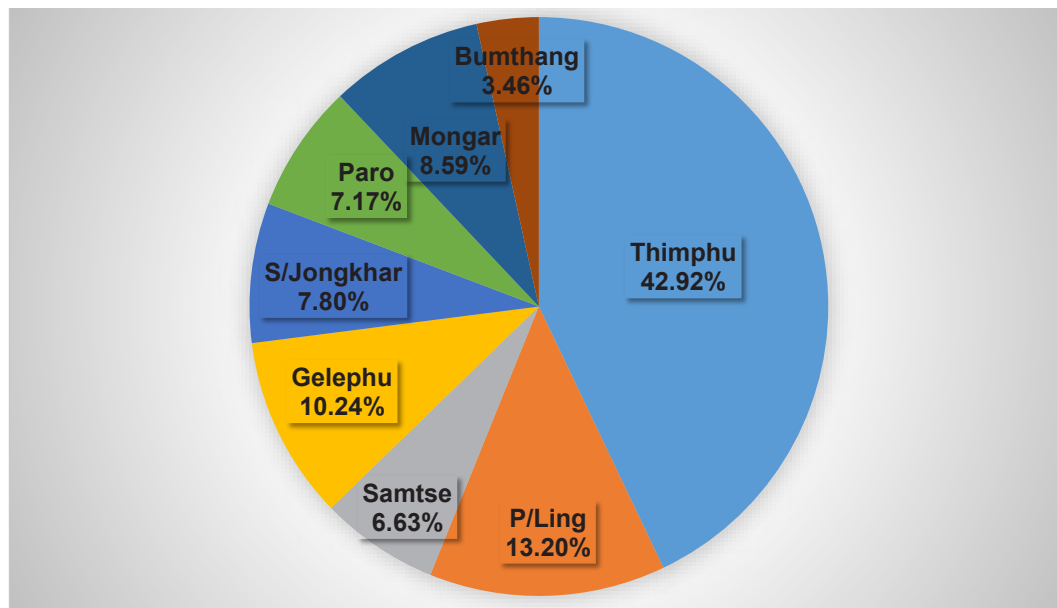
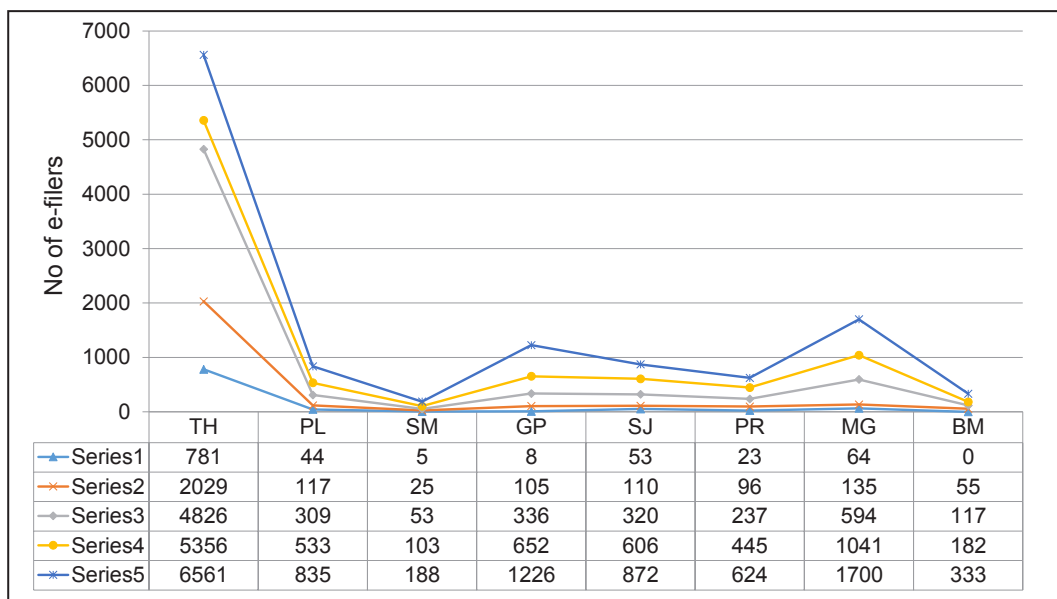


Figure 6: Distribution of e-filers



The Income Year 2012 also saw an increase of 38.36% in PIT e-filers over the previous year with 8918 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	22,813	7,203	3,661	5,650	4,284	3,838	4,744	1,885	54,078	95.93
Rental	1,167	176	45	106	104	155	84	63	1,900	3.37
Dividend	100	25	14	2	8	-	8	1	158	0.28
Interest	61	26	9	6	2	40	3	3	150	0.27
Cash crop	7	12	5	6	-	1	-	-	31	0.05
Other sources	46	-	1	1	1	6	1	1	57	0.10
Total	24,194	7,442	3,735	5,771	4,399	4,040	4,840	1,953	56,374	
% Distribution	42.92	13.20	6.63	10.24	7.80	7.17	8.59	3.46	100.00	100.00



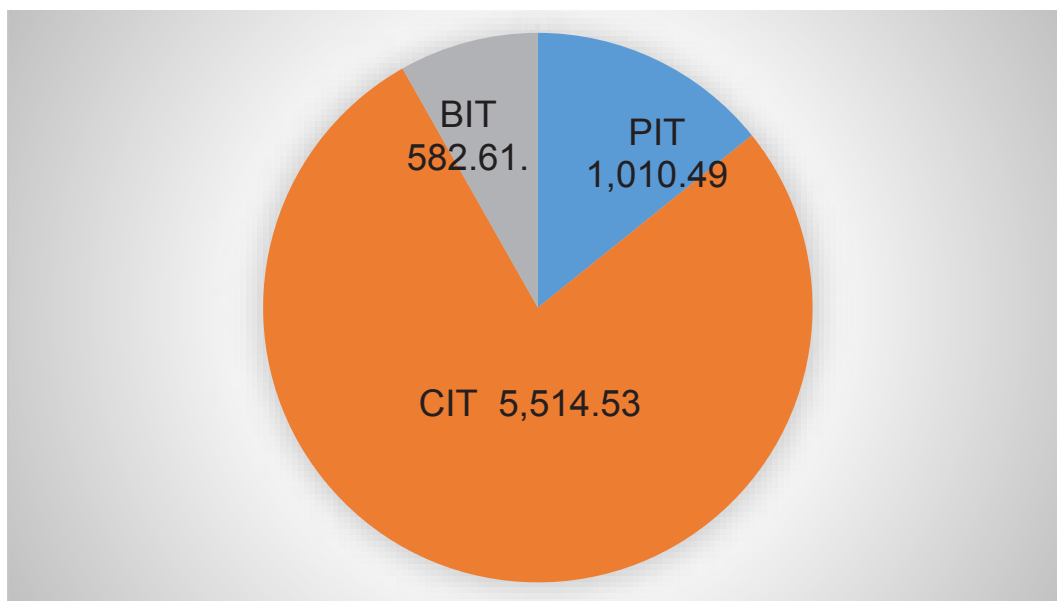
PART III

TAX REVENUE HIGHLIGHTS

3.1 OVERALL TAX COLLECTION

During the year, the total collection from BIT, CIT and PIT amounted to Nu. 7,107.63 million, recording an increase of 7.4% from Nu. 6,617.30 million in the previous income year. In the year 2012, PIT collection recorded the highest increase at 38.75% followed by 3.84 under BIT and 3.54% 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 77.58% followed by PIT at 14.22% and BIT at 8.20%. As compared to the previous IY, the share of PIT to the total tax revenue has increased by 3.23%. However there is reduction in the share of CIT and BIT to the total tax revenue compared to previous year despite there is increase in actual collection by 188.68 million and 21.55 million respectively.

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 77.58% of the total tax revenue while the total number of CIT entities, contributing this share of revenue is 0.26% of the total registered entities on the other hand PIT which constitute 69.23% of the total taxpayers accounted only 14.22% of the total direct tax revenue. BIT entities constitute 30.51% of the total registered entities and accounted only 8.20% of the total direct tax revenue.

3.2 CIT ENTITIES COLLECTION

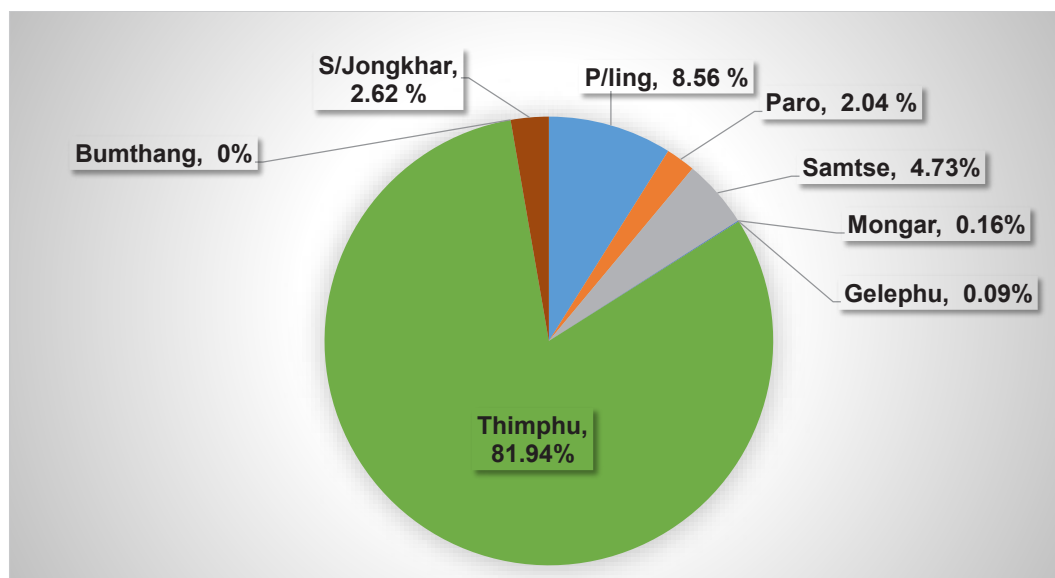
The total collection from Corporate Income Tax entities constituted 77.58% of the total direct tax revenue for the year, recording increase only by 3.54% over the previous IY's collection of Nu. 5,328.85 Million. The increase in CIT collection is noticed at RRCO Thimphu, Gelephu, Mongar, Samtse and Samdrupjongkhar. 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	% +/- 2011-2012
	2011	2012	2011	2012	2011	2012		
Thimphu	72	105	0	0	4,147,917,493.71	4,518,568,753.21	81.93	4.09
P/ling	72	48	0	0	670,313,027.92	472,191,009.17	8.56	(4.02)
Samtse	7	12	3	0	250,523,804.76	261,068,658.53	4.73	0.03
Gelephu	5	6	0	0	3,183,438.87	4,923,628.51	0.09	0.03
S/Jongkhar	5	14	5	5	139,401,962.80	136,869,477.80	2.48	(0.14)
Paro	6	13	2	3	117,520,205.83	112,258,246.88	2.04	(0.17)
Mongar	0	10	0	2	-	8,652,134.66	0.17	100
Bumthang	1	2	0	0	-	-	-	-
Total	127	210	12	10	5,328,859,933.89	5,514,531,908.76		

RRCO Thimphu continues to record the highest CIT collection at 8.93% followed by RRCO Phuentsholing at 8.56% and Samtse at 4.73%. RRCO Mongar has the highest increase at 100% since the contribution from CIT is noted only from IY 2012. RRCO Phuentsholing, RRCO S/jongkha and RRCO Paro had recorded a negative growth in CIT collection in comparison to the previous IY. RRCO Gelephu still recorded the recorded the lowest CIT collection.

Figure 8: Region-wise CIT Collection



3.2.1 Top Five Cit Payers

During the IY 2012, M/s Druk Green Power Corporation retained the first revenue contributor to the Royal Government Revenue Account, contributing Nu. 1,799.22 Million followed by M/s Druk Holding & Investment Limited contributing Nu. 1,371.74 Million. The Corporate Income Tax share of DGPC and DHIL are 32.62% and 24.87% respectively. M/s Bhutan Power Corporation Limited had occupied third position which was occupied by BoBL in the PY 2011. M/s Bhutan National Bank has emerged in fourth position followed by M/s Bhutan Telecom in the fifth position. The share of CIT contribution by top five CIT entities is 73.75% and 57.22% 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	1,799,218,412.54	Thimphu	SD
2	DHIL	1,371,737,475.90	Thimphu	SD
3	BPCL	308,060,966.00	Thimphu	SD
4	BNBL	297,858,093.97	Thimphu	SD
5	Bhutan Telecom	289,921,278.97	Thimphu	SD
		4,066,796,227.38		

3.3 BIT ENTITIES COLLECTION

The total Business Income tax entities collection for the year amounted to Nu. 582.61 million which is 3.84% increase over the previous IY's collection of Nu. 561.06 million. Although BIT entities submitting books of accounts constitute only 8.88% of the total registered BIT payers, contributed around 84.15 % of the total BIT collection. On the other hand, BIT payers who settled their taxes by estimated assessment contributed only 15.85% despite the fact that they constitute 91.12 % of the total registered BIT payers. A total of 5,814 entities (23.40) reported as non-operational during the income year 2012.

Table 11: Comparative BIT Collection

RRCOS	Account filers(Tax Amount)		Estimated (Tax amount)		Total tax Amount		% of Tax Amt 2012	%+-
	2011	2012	2011	2012	2011	2012	2012	2011-2012
Thimphu	278,113,458.26	314,651,648.12	49,728,140.00	37,021,025.00	327,841,598.26	351,672,673.12	60.36	7.27
P/ling	115,519,092.86	59,133,752.66	14,139,231.30	20,406,422.00	129,658,324.16	79,540,174.66	13.65	(38.65)
Samtse	33,814,239.61	67,193,537.51	2,421,965.05	2,830,036.86	36,236,204.66	70,023,574.37	12.02	93.24
Gelephu	3,871,397.64	5,980,814.38	7,982,282.84	8,650,053.49	11,853,680.48	14,630,867.87	2.51	23.43
S/ Jongkhar	19,945,162.45	21,454,580.47	3,360,100.00	4,206,942.72	23,305,262.45	25,661,523.19	4.40	10.11
Paro	5,945,208.46	10,882,837.59	5,657,709.71	6,800,410.09	11,602,918.17	17,683,247.68	3.04	52.40
Mongar	6,106,877.99	10,008,143.94	10,720,581.84	8,860,012.27	16,827,459.83	18,868,156.21	3.24	12.13
Bumthang	928,129.41	958,903.68	2,806,914.88	3,569,795.14	3,735,044.29	4,528,698.82	0.78	21.25
	464,243,566.68	490,264,218.35	96,816,925.62	92,344,697.57	561,060,492.30	582,608,915.92	100.00	181.18

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 32.06% and 60.36% respectively. The RRCO Thimphu contributes 64.18% under account filing category and 40.09% 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 13.63% and 13.65%. The percentage of contribution by RRCO P/ling under account filing category is 12.08% and 22.09% under estimated assessment category. Balance BIT collection from 54.31% of taxpayer from other regional offices stands 25.99%. 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	43,381,451.59	Samtse	SD
2	TCC Head Office	31,163,209.31	Pling	SD
3	Serja Equipment Hiring	19,372,823.99	S/Jongkhar	SD
4	TCC BOD/BOC	13,672,116.59	Pling	SD
5	Bhutan Hyundai Motors	10,101,397.47	Thimphu	SD
		117,690,998.95		

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. 92.34 Million recording a decrease of 4.62% over previous PY's collection of Nu. 96.82 Million. The estimated tax entities representing 91.13% of the total registered BIT payers contributed only 1.29 % of the direct tax revenue and 15.84% of the total BIT collection.

Amongst all RRCOs, RRCO Thimphu recorded the highest collection with Nu. 37.02 million which is decrease of 25.55% in comparison to the PY. RRCO P/ling recorded the second highest collection of Nu. 20.41 million followed by RRCO Mongar and RRCO Gelephu with

the collection of Nu. 8.86 million and 8.65 million respectively. RRCO Samtse recorded the least collection of Nu. 2.83 million. RRCO Bumthang has the least number of estimated tax entities with only 1,075 tax entities. RRCO Thimphu recorded 6,741 number of registered estimated tax entities which are the highest amongst the other RRCOs.

The national average collection per estimated unit for the IY 2012 was recorded Nu. 4,858.51. The highest average recorded is Nu. 175026.87 and the lowest average recorded was 397.50. The highest collection under estimated taxes was Nu. 1,058,530.00 by RRCO Thimphu and the lowest average collection was Nu. 100.00 collected by RRCO, Mongar.

Table 13: Average Estimated Collection in 20 Dzongkhags

RRCO	Dzongkhag	No. units tax collected	Estimated collection for 2012	Average tax Collected in 2012	Min. tax collected per TP	Max. tax Collected per TP
Thimphu	Thimphu	3,002.00	31,421,471.00	10,466.85	500.00	1,058,530.00
	Wangdue	721.00	3,168,477.00	4,394.56	250.00	255,170.00
	Punakha	401.00	2,403,977.00	5,994.96	250.00	68,750.00
	Gasa	95.00	27,108.00	285.35	250.00	3,500.00
	Subtotal	4,219.00	37,021,033.00	5,285.43	1,250.00	1,385,950.00
P/ling	Chhukha	2,238.00	20,406,422.60	9,118.15	200.00	474,641.00
	Subtotal	2,238.00	20,406,422.60	9,118.15	200.00	474,641.00
Samtse	Samtse	1,409.00	2,830,036.86	2,008.54	500.00	40,300.00
	Subtotal	1,409.00	2,830,036.86	2,008.54	500.00	40,300.00
Bumthang	Bumthang	468.00	1,389,101.18	2,968.16	500.00	79,613.14
	Trongsa	276.00	2,180,693.96	7,901.07	500.00	40,027.32
	Subtotal	744.00	3,569,795.14	5,434.61	1,000.00	119,640.46
Gelephu	Dagana	635.00	1,340,567.50	2,111.13	500.00	12,000.00
	Sarpang	1,365.00	4,682,698.99	3,430.55	500.00	56,000.00
	Zhemgang	294.00	1,326,429.00	4,511.66	500.00	17,300.00
	Tsirang	702.00	1,300,358.00	1,852.36	500.00	31,000.00
	Subtotal	2,996.00	8,650,053.49	2,976.43	2,000.00	116,300.00
S/Jongkhar	S/Jongkhar	1,027.00	1,997,630.72	1,945.11	500.00	105,460.00
	P/Gatshel	731.00	2,209,312.72	3,022.32	500.00	363,546.00
	Subtotal	1,758.00	4,206,943.44	4,967.43	1,000.00	469,006.00
Paro	Haa	191.00	869,936.89	4,554.64	500.00	71,190.00
	Paro	983.00	5,930,473.20	6,033.03	500.00	251,806.89
	Subtotal	1,174.00	6,800,410.09	5,293.84	1,000.00	322,996.89
Mongar	Mongar	798.00	3,697,322.98	4,633.24	100.00	230,000.00
	T/gang	864.00	2,965,126.72	3,431.86	100.00	161,200.00
	T/yangtse	370.00	1,270,323.21	3,433.31	500.00	95,000.00
	Lhuntse	255.00	927,239.36	3,636.23	300.00	85,503.00
	Subtotal	2,287.00	8,860,012.27	3,783.66	1,000.00	571,703.00
Overall		16,825.00	92,344,706.89	4,858.51	397.50	175,026.87

3.4 PIT COLLECTION

PIT collection for the year amounted to Nu. 1,010.49 million which is an increase of 38.54% (283.11million) over the PY's collection of Nu. 727.38 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)
	2011	2012	2011	2012	2011	2012	2011-2012
Thimphu	22,228.00	24,194.00	418,252,174.92	553,657,883.63	57.50	54.79	(2.71)
P/ling	7,468.00	7,442.00	127,783,539.70	155,454,884.61	17.57	15.38	(2.18)
Samtse	3,535.00	3,735.00	21,122,544.75	67,350,427.74	2.90	6.67	3.76
Gelephu	5,019.00	5,771.00	46,746,777.36	57,874,589.47	6.43	5.73	(0.70)
S/Jongkhar	4,341.00	4,399.00	12,519,418.84	54,629,866.84	1.72	5.41	3.69
Paro	3,746.00	4,040.00	48,128,799.47	53,963,182.01	6.62	5.34	(1.28)
Mongar	4,435.00	4,840.00	40,457,903.68	43,794,456.09	5.56	4.33	(1.23)
Bumthang	1,725.00	1,953.00	12,375,278.46	23,766,564.76	1.70	2.35	0.65
Total	52,497.00	56,374.00	727,386,437.18	1,010,491,855.15	100.00	100.00	(0.00)

The percentage of contribution by RRCO, Thimphu constituted for 54.79% followed by RRCO, P/ling with 15.38% of the total PIT revenue. The balance 29.83% is contributed by other six RRCOs. The two regions RRCO Thimphu and P/ling constitute 42.91% and 13.20% respectively. Two regions constitute around 70.17% of the total PIT revenue from 56.11% of total registered taxpayers.

3.4.1 Income Slab Wise Analysis

This is evident from the table given below that 63.83% of the total filers contributed 28.52% of the total PIT collection at 10% tax rate during the income year. The middle income group comprising of 16.87% (income slab ranging from Nu. 250,0001 to Nu. 500,000) of the total PIT filers contributed 28.60% of the total PIT collection at 15% tax rate. PIT payers falling at 20% and 25% tax rate contributed 42.87% of the total PIT collection although they constituted only 3.43% of the total filers. The remaining 15.86% 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%	8,942.00		0	
100,001-250,000	10%	35,984.00	288,203,168.72	28.52	8,009.20
250,001-500,000	15%	9,511.00	289,019,945.17	28.60	30,387.97
500,001-1,000,000	20%	1,524.00	179,802,783.62	17.79	117,980.83
1,000,001 & above	25%	413	253,465,957.64	25.08	613,719.03
Total		56,374.00	1,010,491,855.15	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. 6,618.16 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		% +-(2011-2012)			Total refund 2012	% distribution
	2011	2012	2011	2012	2011	2012	PIT	BIT	CIT		
Thimphu	67.25	60.78	0.00	0	0.00	0	(9.62)	0%	0%	60.78	48.75
P/ling	16.86	16.09	0.54	4.61	4.27	0.489	(0.05)	754%	-8855%	21.19	16.99
Samtse	2.85	6.16	0.00	0	0.00	0	116.14	0%	0%	6.16	4.94
Gelephu	13.30	13.26	0.00	0	0.00	0	(0.00)	0%	0%	13.26	10.64
S/Jongkhar	8.54	5.91	0.00	0	0.00	0	(0.31)	0%	0%	5.91	4.74
Paro	9.66	8.06	0.00	0	0.00	0	(0.17)	0%	0%	8.06	6.46
Mongar	10.63	5.93	0.32	0.4	0.00	0	(0.44)	25%	0%	6.33	5.08
Bumthang	4.47	2.99	0.00	0	0.00	0	(0.33)	0%	0%	2.99	2.40
Total	133.56	119.18	0.86	5.01	4.27	0.49	105.22	779%	-8855%	124.68	100.00

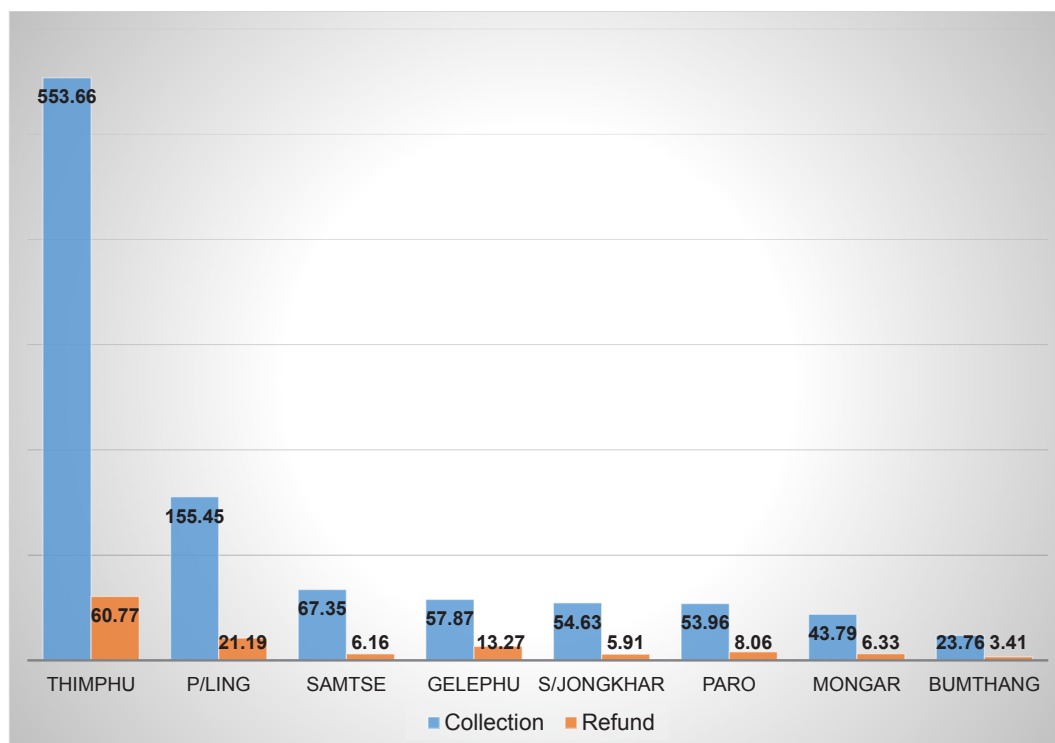
A total of 40,933 refund cases were recorded during the year. There was reduction in the number of refund cases as compared to the previous year cases of 43,227. The decrease in number of cases could be attributed due to changes in the policy for deduction of TDS on

net of PF and GIS which had resulted more payable cases every year. Out of total refund cases, 40,923 refund cases pertain to PIT, 11 cases pertain to BIT and 2 cases pertain to CIT. Amongst the eight RRCOs, RRCO Thimphu had processed 39.58% (16,200 cases) followed by RRCO Phuentsholing 13.59%(5,561 cases). The least refund was processed by RRCO Bumthang with only 3.46% (1,418 cases).

Amongst the regions, RRCO Thimphu had processed the maximum refund which is around 48.57% (60.77 million) of the total refund followed by RRCO Phuentsholing by 16.94% (21.19 million). The least amount of refund was processed by RRCO Samtse by 2.73% (3.4 million). Based on comparison between the collection and refund under PIT, RRCO Gelephu had processed the maximum refund of 22.93%. 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. 58.83 million. Total tax outstanding as a percentage of the total tax liability is recorded at 0.08 % during the IY 2012. The outstanding during the previous year was Nu. 83.40 million and the percentage of outstanding to the total tax collection during the previous year was 1.26%. CIT recorded the highest outstanding with Nu. 40.93 million followed by BIT with 17.60 million and PIT with 0.30 million. As compared to the previous year, tax outstanding under CIT, BIT and PIT had decreased by 14.44 million and 9.95 million and 0.18 million respectively. During the year, RRCO Bumthang recorded the highest percentage of outstanding taxes under PIT, RRCO P/ling recorded the highest percentage of outstanding taxes under BIT and RRCO Paro recorded the highest percentage of outstanding taxes under CIT at 0.51%, 4.71% and 4.77% respectively.

Table 17: Tax Outstanding Profile

(Figure in Million Ngultrum)

RRCOs	PIT		BIT		CIT		Total tax collected(2012)			% arrears (2012)		
	2011	2012	2011	2012	2011	2012	PIT	BIT	CIT	PIT	BIT	CIT
Thimphu	0.00	0	20.22	13.24	40.35	16.38	553.66	351.67	4518.57	-	3.76	0.36
P/Ling	0.00	0.028	5.85	3.75	15.02	19.19	155.45	79.54	472.19	0.02	4.71	4.06
Samtse	0.25	0	0.09	0	0.00	0	67.35	4.53	261.07	-	-	-
Gelephu	0.04	0	0.00	0.027	0.00	0	57.87	14.63	4.92	-	0.18	-
S/Jongkhar	0.00	0	1.34	0.11	0.00	0	54.63	18.87	136.87	-	0.58	-
Paro	0.02	0	0.03	0.21	0.00	5.36	53.96	17.68	112.26	-	1.19	.77
Mongar	0.17	0.15	0.03	0.25	0.00	0	43.79	70.02	8.65	0.34	0.36	-
Bumthang	0.00	0.12	0.00	0	0.00	0	23.76	25.66	0.00	0.51	-	-
Total	0.48	0.30	27.55	17.60	55.37	40.93	1,010.47	582.60	5,514.53	0.87	10.79	9.20

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	Over-all
PIT									
DA Targeted	24194	7071	3798	5771	4399	4086	4840	1953	56112
DA Completed	24194	6806	3798	5771	4399	4086	4435	1953	55442
% Completed	100.00	96.25	100	100	100	100	91.632	100	98.81
DA Pending	0	265	0	0	0	0	405	0	670
FA Targeted	0	0	0	0	0	6	0	0	6
FA Completed	0	0	0	0	0	6	0	0	6
% Completed	0	0	0	0	0	100	0	0	100
FA Pending	0	0	0	0	0	0	0	0	0
CIT									
DA Targeted	0	0	0	0	0	0	0	0	0
DA Completed	0	0	0	0	0	0	0	0	0
% Completed	0	0	0	0	100	100	0	0	100
DA Pending	0	0	0	0	0	0	0	0	0
FA Targeted	64	45	12	6	3	13	8	2	153
FA Completed	42	24	4	5	3	8	7	2	95
% Completed	65.625	53.33	33.33	83.333	0	61.538	0	0	62.09
FA Pending	22	21	8	1	0	5	1	0	58
BIT									
DA Targeted	384	245	72	67	26	113	1	40	948
DA Completed	273	220	50	67	19	72	1	40	742
% Completed	71.09	89.80	69.44	100.00	73.08	63.72	100.00	100.00	78.27
DA Pending	111	25	22	0	7	41	0	0	206
FA Targeted	50	75	29	24	60	34	107	40	398
FA Completed	38	42	8	18	22	9	71	33	238
% Completed	76	56.00	17.24	75.00	36.67	26.47	66.36	82.50	59.80
FA Pending	12	33	3	6	38	25	36	7	160
Overall Coverage									
DA Completed %	85.55	62.02	84.72	100.00	100.00	87.91	100.00	100.00	90.02

DA Pending	111	290	29	0	0	0	0	0	430.00
FA Completed %	47.21	54.67	100.00	79.17	47.92	62.67	92.11	38.24	65.25
FA Pending	34	54	0	7	50	30	3	21	199.00
Tax Officer to taxpayer ratio	1230	417	700	1040	738	537	1118	514	787

3.7.1 Desk Assessment (DA)

During the year, a total of 52,367 PIT returns were targeted for DA from a total of 56,112 PIT filers. The total percentage coverage under DA was 98.81%. Under PIT, all RRCOs recorded 100% DA coverage except under RRCO Phuentsholing and RRCO Mongar.

CIT units are not targeted normally and assessed through FA due to size and volume of business.

A total of DA targeted under BIT was 948 entities out of which 742 were completed recording only 78.27% coverage. The entities which were not assessed during the DA will be mostly assessed through FA. RRCO Gelephu, RRCO Mongar and RRCO Bumthang recorded 100% coverage under DA. The overall DA coverage which is 90.02% shown decrease by 3.73% over the past year. The maximum drop was from RRCO Phuentsholing which was recorded from 92.77% to 62.02%.

3.7.2 Field Assessment (Fa)

Except for RRCO Phuentsholing, Samtse and Samdrupjongkhar no other RRCOs had targeted any PIT payers for FA. All the RRCOs had completed 100% field assessments of PIT payers that were targeted for FA.

In total, 153 CIT entities were targeted for FA and had completed 95 entities. The percentage of completion was 62.09% recording a decrease in comparison to the previous year. However the total entities completed were increased from 62 entities to 153 entities.

Under BIT entities, the total numbers of entities targeted for FA were 398 entities out of which 238 entities were completed. The percentage of completion recorded were 59.80% which is a increase of 1.28%. The numbers of BIT entities completed were increased from 158 to 238 entities. RRCO Bumthang recorded 82.50% completion of FA followed by RRCO Thimphu by 76% and RRCO Paro by 75%.

3.7.3 Overall Assessment Efforts

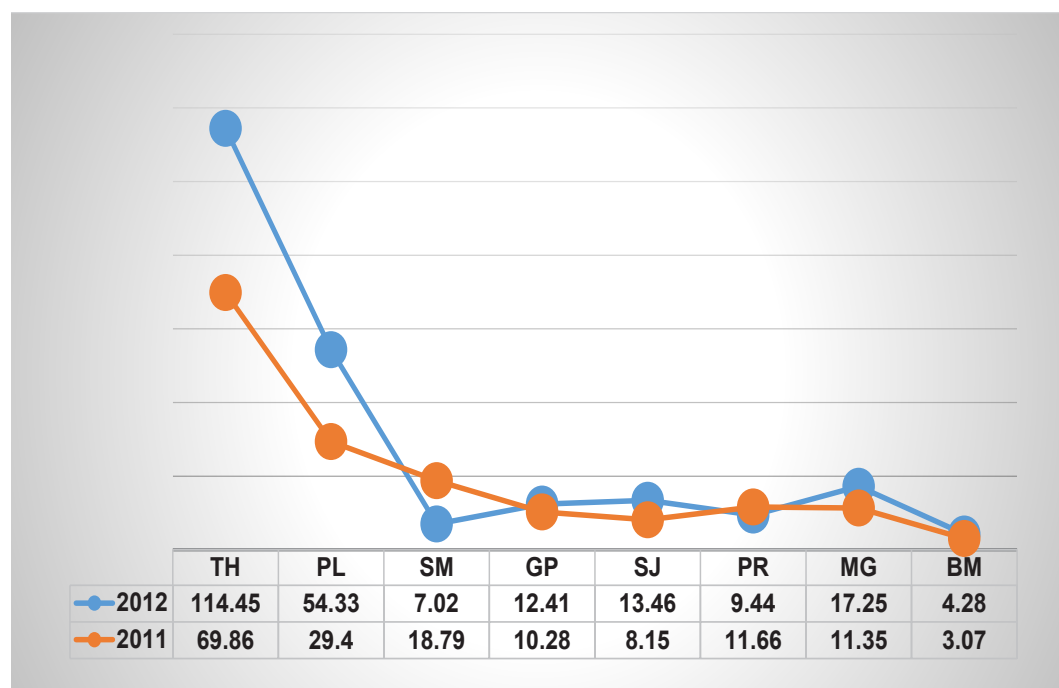
The overall coverage under DA for all three types of taxes (PIT,CIT,BIT) at the national level remained at 90.02% as compared to 93.73% in the previous income year leaving

pending assessments of 430 tax entities. Similarly, the overall coverage under FA for all three types of taxes at national level stood at 65.25% as compared to 68.39% in the previous IY recording a decrease of 3.14%. 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 1:787 recording a increase of ratio from the previous IY (1: 639). During the year RRCO Thimphu recorded the highest ratio of assessing officials to taxpayers at 1:1230 followed by RRCO Mongar at 1: 1118.

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. 114.45 million. RRCO Phuentsholing posted an additional tax of Nu. 54.34 million. The rest six RRCOs have posted an additional collection of Nu. 63.88 million. During the year, overall additional collection was recorded at Nu. 232.67 million. Compared to the previous AY's collection of 162.60 million, additional tax collection has increased by Nu. 70.07 million (43.09%).

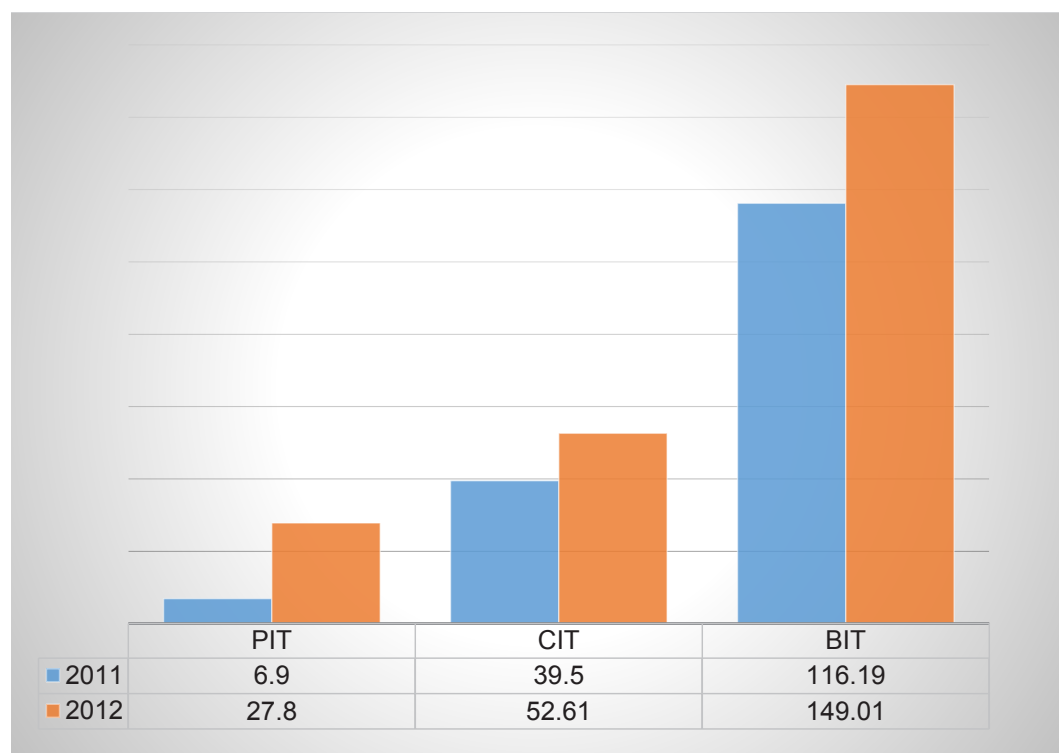
Figure 11: Assessment Efforts (in Million Ngultrum)



The overall assessment effort is recorded at 3.27% for AY 2013 recording an increase of 41.09% compared to the previous AY. From the total direct tax collection of Nu. 7,107.62 million, 3.27% is collected through the administrative and assessment efforts, while the remaining 96.73% 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.149.69 million, followed by CIT with Nu. 55.18 million and PIT with Nu. 27.80 million. Compared to the previous AY, assessment effort (collection) under BIT has increased by 28.83% i.e. from Nu. 116.19 million in AY 2012 to Nu. 149.69 million in AY 2013. The assessment effort under PIT has drastically increased by 302.90% in the year 2013 and CIT has increased by 33.19% 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	56,374	210	24,843	81,427
Filing time extension cases	21	42	349	412
Non operational taxpayers	0	10	5205	5215
No. of closed files/entities	93	0	104	197
No. of late submission fines imposed	338	26	459	823
No. of cases where 24% late interest imposed	1484	51	783	2318
No. of cases where concealment fine imposed	18	3	17	38
Total No. of cases where fines & penalties imposed	1840	80	1259	3179

Amount of late submission fines collected	464,270	337,300	11,05,068	1,906,638
Amount of 24% late interest collected	561,632.87	11,298,949.70	32,58,850.37	11,860,582.57
Amount of fines collected on concealment	318,613	45,59,991.69	411,706.51	5,290,311.20
Total amount of fines and penalties collected	1,344,515.87	11,636,249.70	4,775,624.88	19,057,531.77
TAX APPEALS				
No of appeals received	448	32	241	721
- on fines & penalties	202	20	119	341
- on disallowances	246	12	122	380
Appeal resolved at RRCO level	427	35	199	661
Total Amount waived by RTAC on:				
- Fines & penalties	18,53,891.21	60,08,959.92	28,84,529.27	10,747,380.40
No. of appeals forwarded to Head Office	2	13	18	33
Appeal resolved at HQ level	22	27	62	111
Amount waived in appeal at HQ level				
- Fines & penalties	9,427,401.77	13,198,362.47	8,170,414.72	31,424,672.57
-Disallowances	1,047,489.05	3,142,467.15	1,675,982.51	2,094,9781.71

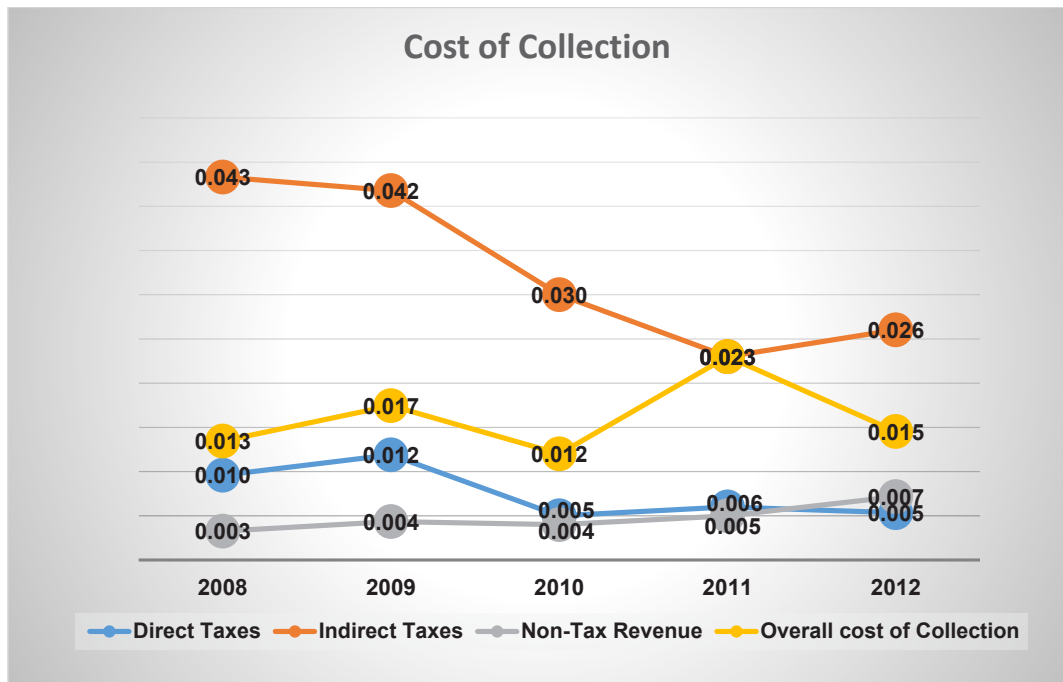
3.10 COST OF COLLECTION

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 0.5 Chetrum for direct tax revenue, 0.26 Chetrum for indirect tax revenue, and 0.7 Chetrum for non tax revenue. In order to collect direct tax revenue of Nu. 10,674.408 million (Re-computed on calendar year basis based on fiscal year wise collections), the government has incurred 0.50% of the total collection as the collection cost.

COST OF COLLECTION					
Income Year	2008	2009	2010	2011	2012
Direct Taxes	0.010	0.012	0.005	0.006	0.005
Indirect Taxes	0.043	0.042	0.030	0.023	0.026
Non-Tax Revenue	0.003	0.004	0.004	0.005	0.007
Overall cost of Collection	0.013	0.017	0.012	0.023	0.015

The cost of collection for direct taxes has decreased by 0.1 chetrum and indirect taxes have increased by 0.3 chetrum during the year. Cost of collection for non tax revenue has increased by 0.2 chetrum. The overall cost of collection has decreased from 0.23 chetrum in the previous year to 0.15 Chetrum during the year.

Figure 12: Trend Line Cost of Collection





PART IV

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, 2014, 80 number of business entities spreading over eight different RRCOs were under the tax holiday. The sector wise lists of units availing the tax holiday are given in the table below:

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	01/01/2014	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	04/01/2012	31/03/2017	5
6	Data Centre Services Pvt. Ltd.	Thimphu	01/01/2013	31/12/2017	5
7	Thimphu Techpark Pvt. Ltd	Thimphu	20/06/2013	19/06/2018	5
8	Green Dragon Media	Thimphu	04/10/2012	04/09/2017	5
9	Bhutan Development Bank Limited	Thimphu	01/01/2013	31/12/2014	2
10	Scan Café Pvt. Ltd	Thimphu	31/07/2013	31/07/2023	10

List of Business Units availing Tax Holiday:

Sl#	Name of Units	Location	Holiday period		No. of years
			From	To	
1	Handicrafts Emporium	Thimphu			
2	Bhutan Concrete Bricks	Thimphu	07/01/2010	29/06/2014	4
3	I Technologies	Thimphu	01/01/2010	31/12/2013	4
4	Business Bhutan	Thimphu	09/01/2009	31/08/2014	5
5	Sangsel Eco Trade & Environment	Thimphu	01/01/2011	31/12/2025	15
6	Lothuen Om Detshen	Gelephu	24/04/2010	23/04/2018	8
7	Handicrafts Emporium	Thimphu			
8	Young Building Materials	Thimphu	20/10/2011	19/10/2021	10
9	JK Furniture	Samtse	24/09/2012	23/09/2021	10
10	Druk Link Technology	Thimphu	01/01/2012	12/01/2017	5

11	Greener Way	Thimphu	07/01/2012	30/06/2027	15
12	Druk Green Venture	Gelephu	26/11/2012	25/11/2022	10
13	Sengaygang Stone Crushing Plant	Samtse	01/07/2013	07/01/2023	10
14	Tsirang Poultry Co-Operatives	Thimphu	12/02/2012	27/12/2022	10
15	Garab Powdering Unit	Samtse	22/1/2010	21/01/2020	10
16	Druk-Care Engineering	Thimphu	30/1/2012	29/01/2022	10
17	Yang Jung Sonam Brick & Fabrica- tion Enterprises	Gelephu	08/08/2012	08/07/2022	10
18	Karma Home Made wine industry	Paro	30/6/2013	29/05/2022	10
19	Green Print	Thimphu	01/01/2010	31/12/2025	15
20	Bee keepers Cooperative of Bhutan	Bumthang	03/02/2012	03/01/2022	10
21	Shaba Phunsum Milk Detshen	Paro	15/07/2013	15/07/2023	10
22	RSA Crab Unit	P/ling	01/01/2013	31/12/2022	10
23	Bhutan Crushing Unit	Samtse	17/01/2014	31/12/2014	1
24	Bio Plates	Gelephu	15/04/2014	16/04/2014	10
25	Rica Tyre & Tread	S/ Jongkhar	07/01/2014	30/06/2024	10
26	Dharma Arts & Crafts	Thimphu	01/01/2010	31/12/2018	9

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	01/01/2010	31/01/2024	14.1
2	Kuendrup Higher Secondary School	Gelephu	01/01/2011	28/02/2023	12.2
3	Yoezerling Higher secondary School	Paro	01/01/2011	31/12//2024	13.1
4	Sherub Reldri Higher Secondary School	Mongar	01/01/2010	28/02/2024	14.2
5	Royal Thimphu College	Thimphu	07/01/2009	30/06//2024	15
6	School for Language & Cultural Studies	Thimphu	1/03/2012/	28/02/2027	15
7	Jampel Higher Secondary Schhol	Paro	15/02/2013	14/02/2028	15
8	Yoezerling Children House	Paro	03/11/2013	03/10/2028	15
9	Zhoennu Rigphel Early Learning Centre	Mongar	05/09/2011	05/08/2026	15
10	Dungsam Academy	S/Jongkhar	01/03/2013	31/03/2028	15
11	Losel Gyatsho Academy	Gelephu	05/02/2013	04/02/2028	15

List of Hotels availing Tax Holiday:

Sl#	Name of Units	Location	Holiday period		No. of years
			From	To	
1	Ms. Chumey Nature Resort	Bumthang	01/01/2010	31/12/2018	8
2	MS. Yugharling Resort	Bumthang	01/01/2010	30/09/2019	9.9
3	Haven Resort Private Limited	Paro	11/01/2010	30/10/2015	5
4	Tenzinling Resort	Paro	01/01/2010	30/09/2018	8.9
5	Namgay Heritage Hotel	Thimphu	01/01/2010	31/12/2019	9.3
6	Migmar Hotel	Thimphu	01/01/2010	30/09/2019	9.9
7	Hotel Kisa	Thimphu	01/01/2010	31/12/2018	8
8	Tashi Namgay Resort	Paro	01/01/2010	31/12/2019	10
9	Khangku Resort	Paro	03/01/2010	28/02/2019	10
10	Bhutan Suites	Thimphu	01/01/2010	31/4/2019	9.4
11	Taj Tashi Hotel	Thimphu	01/01/2010	31/12/2018	8.1
12	Hotel Tashi Phuntsho	Paro	03/01/2010	29/02/2020	10
13	Nak Sel Boutique Hotel & Spa Pvt. Ltd.	Paro	09/01/2010	31/08/2010	10
14	Udumwara Resort	Paro	03/01/2011	28/02/2021	10
15	Rochog Pel Hotel	Thimphu	20/04/2011	19/03/2021	10
16	Bhutan Residence	P/Ling	04/01/2011	31/03/2021`	10
17	Khang Residence	Thimphu	10/01/2011	30/09/2021	10
18	Hotel Kuenzang Norling Resort	Bumthang	10/01/2011	30/09/2021	10
19	Hotel View Point Resort	Bumthang	10/01/2011	30/09/2021	10
20	Hotel Peling	Bumthang	01/01/2010	30/09/2018	8
21	Kinzang Zing Resort	Thimphu	24/09/2012	23/09/2022	10
22	Galling Resort	Paro	18/02/2013	17/02/2023	10
23	Drukchen Hotel	Paro	20/03/2013	19/03/2023	10
24	Hotel Pema Karpo	Thimphu	03/01/2013	28/02/2023	10
25	Peling Resort	P/ling	05/06/2012	05/05/2022	10
26	Wellness Resort & Convention Centre Projects	Thimphu	01/01/2014	31/12/2024	10
27	Heaven Resort Private Limited	Paro	11/01/2010	30/10/2020	10
28	Lingkhar Lodge	Mongar	01/04/2013	01/04/2028	15
29	Hotel Sernya	Thimphu	15/09/2013	14/09/2023	10
30	Khamsum Inn	Thimphu	20/02/2013	19/02/2023	10
31	Raven's Inn	Paro	04/10/2014	04/09/2024	10
32	Dhensa Boutique Resort	Thimphu	19/12/2013	18/12/2023	10
33	Gangtey Goenpa Lodge	Wangue	01/11/2013	01/01/2022	10

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.

Public Benefit Organization (PBO) registered with CSO Authority

Sl	Orgn. Code	Organisation Name	RRCO
1	E22	DrakTsho Vocational Training Centre for Special Children & Youth	Thimphu
2	E23	Disabled Persons' Association of Bhutan	
3	E24	Bhutan Centre for Media And Democracy	Thimphu
4	E25	Bhutan Association of Women Entrepreneurs	Thimphu
5	E29	Ability Bhutan Society	Thimphu
6	E30	Chithuen Phendhey Association	
7	E31	Lhomon Society	Thimphu
8	E32	Lhak-Sam	Thimphu
9	E35	Phuentsholing Sports Association	
10	E36	Royal Textile Academy of Bhutan	Thimphu
11	E37	The Loden Foundation	Thimphu
12	E62	GNH Centre Bhutan	Thimphu
13	E63	Bhutan Kidney Foundation	Thimphu
14	E64	Bhutan Center for Nature Conservation	Thimphu
15	E68	Royal Society for Protection of Nature	Thimphu
16	E01	RENEW	Thimphu
17	E70	Tarayana Foundation	Thimphu
18	E72	Bhutan Youth Development Fund	Thimphu
19	E78	SAARC Business Association of Home Based Workers (SABAH Bhutan)	Thimphu
20	E85	Menjung Foundation	Thimphu
21	E86	The Rural Education Foundation	Thimphu
22	E91	Bhutan Film Association	Thimphu
23	E92	Royal Society for protection and care of animals	Thimphu

Exempt Organizations not registered with CSO Authority

SI	Orgn. Code	Organisation Name	RRCO
1	E19	Bhutan Trust Fund for Environmental Conservation	Thimphu
2	E73	Bhutan Health Trust Fund	
3	E74	HRH Prince Nangyal Wangchuk Charitable Trust	
4	E75	World Peace Meonlam Tshokchen	
5	E76	India-Bhutan Foundation Trust Fund	
6	E81	Bhutan Chamber of Commerce and Industry (BCCI)	Thimphu
7		National Women's Association of Bhutan	
8		Kidu Foundation	

Exempt Organizations registered with CRO

SI	Orgn. Code	Organisation Name	RRCO
1	E05	Rangjung Foundation	Thimphu
2	E12	Ati Foundation	Thimphu
3	E14	Jamyang Khenpa (Dungkar Foundation)	Thimphu
4	E16	Tshokey Dorji Foundation	Thimphu
5	E17	Dungyel Rangdroel Drupchen Trust Fund	Thimphu
6	E18	Padma Fellowship	
7	E20	Ton Chhos Khor	Paro
8	E21	Ngajur Gomdey	Thimphu
9	E26	Lhuendup Choeling Choetshog	Thimphu
10	E33	Hindu Dharma Samudaya of Bhutan	Thimphu
11	E38	Wangchuck Jueden Tshogpa	
12	E39	Ugyen Pema Zangthog Pelri Chhoetshog	Thimphu
13	E42	Ewam Menjong Phendey Chhoetshog	
14	E50	Kuenzang Woesel Choling Chhoetshog	Thimphu
15	E56	Semchen Tshethar Chhoetshog	Thimphu
16	E58	Druk Ani Zhitshog	Thimphu
17	E59	Chethuen Nangpai Zhabtog Chhoetshog	Mongar
18	E60	Drolma Yoezer Khachab Ling Chhoetshog	Thimphu
19	E61	Karma Dubdey Ani Gonpai Chhoedey	Bumthang
20	E40	Padling Choeki Ga Tshal	Thimphu
21	E44	Padtselling Jangchubpelri Sanga Dorji Thekpa Chhoetshog	Thimphu
22	E65	Padma Sambhawa Foundation	S/Jongkhar
23	E41	Dudjom Foundation	Thimphu

24	E69	Sangye Migyur Ling Foundation	Phuntsholing
25	E27	Drodul Phendey Ling Chhoetshog	Gelephu
26	E79	Wamgoen Chhoetshog	Thimphu
27	E80	Arya Taray Foundation	Thimphu
28	E82	Pelri Pema Choling Chhoetshog	Thimphu
29	E84	Thonphu Goenpa	S/Jongkhar
30	E87	Rigde Maha Guru Chhoetshog	S/Jongkhar
31	E88	Shechen Dharma Society	Thimphu
32	E89	Deling Tesarling chhoetshog	S/Jongkhar
33	E90	Nyingma Foundation	Thimphu
34	E93	Semchen Tshethar Tshoggpa	Thimphu