



# Yongsel

*Newsletter*

OF REVENUE & CUSTOMS DEPARTMENT MINISTRY OF FINANCE, BHUTAN

## ANNUAL GENERAL MEETING OF DEPARTMENT OF REVENUE & CUSTOMS



***The H.E Finance Minister releasing Rules Book(left). The Hon'ble Finance Minister, Director of DRC and Participants of Annual General Meeting(right)***

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The Eighth Annual Meeting was held from 25-27 December, 2001 at the Conference Hall of Bhutan Chamber of Commerce and Industry, Thimphu. The meeting was chaired by the Director of the Department of Revenue & Customs, Mr. Nima Wangdi. The three day meeting was attended by officials from

Headquarter, representatives from regional offices, Liaison and Transit Office in Kolkata.

As in past Annual General Meetings, tax and customs issues were discussed with emphasis on streamlining of rules and procedures for smooth functioning and uniformity in enforcement especially at the field level. The revenue performance for the current fiscal year was reviewed and projection for the FY 2001-02 was revised. The 9<sup>th</sup> Five Year Plan revenue estimate was also presented. On tax matter, the implementation of Personal Income Tax (PIT) was discussed in-depth. The importance of public awareness and accurate/timely dissemination of information was also discussed as such activities are considered crucial for the introduction of new taxes and enforcement of rules and Acts. In the meeting, the officials from the Ministry of Finance

presented the 9<sup>th</sup> FYP objectives and activities of the Department. The update on the benefit received from Danida Project for Institutional Strengthening of DRC and the status of computerisation including the demonstration of DRC webpage was presented.

The Annual Meeting concluded with fruitful discussions. His Excellency the Finance Minister, Yeshey Zimba graced the Closing Ceremony of the Annual Meeting and released the publication of Rules on Sales Tax, Customs and Excise Act. His Excellency congratulated the Department for doing excellent job in revenue collection and reiterated to continue to work hard. His Excellency also emphasised on the importance of tax education and awareness activities with the enactment of the Acts for DRC and stressed on the accountability and transparency of tax authorities through which they can contribute to their best to the Tsa Wa Sum.

### ***NEWSLETTER TEAM***

***\* Yangchen Chhoedon***  
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***\* Aum Sangay Zam***  
***\*Karma Loday***

***Layout & design by:-***  
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## ENACTMENT OF TAX LEGISLATION

*The Department of Revenue and Customs now has direct and indirect tax acts in place that provides the department with legal footing for protection of tax authorities on one hand and, rights and responsibilities of the taxpayers on the other. Most importantly, these acts foster accountability and transparency with proper procedures for collection and deposit of government revenue.*

### **Sales Tax, Customs and Excise Act 2000**

During the 78<sup>th</sup> session of the National Assembly in the year 2000, Sales Tax, Customs and Excise Act of the Kingdom of Bhutan, 2000, was passed and came into immediate effect from July 2000. The Act covers tax and duties liability, valuation, assessment and collection, import and export clearance and excise duties. The Act also lays down the framework for the formation of Appeal Committee and Appeal Board for settlement of disputes and appeals.

Under the General Provisions, besides fines and penalties, it also includes inspection of accounts, recovery, duties and functions of staffs, making the system effective and transparent.

### **Income Tax Act 2001**

The Income Tax Act of the Kingdom of Bhutan, 2001, passed by the 79<sup>th</sup> session of the National Assembly is significant as it includes the introduction of Personal Income Tax (PIT) with effect from January 2002. It is more so since the Act was passed under the auspices of the then Chairman of the Council of Ministers, His Excellency Yeshey Zimba the Finance Minister. His Excellency once rightfully commented that it was a gift to the government he was honored to make during his Chairmanship.

The Income Tax encompasses three sections i.e. Business Income Tax (BIT), Corporate Income Tax (CIT) and Personal Income Tax (PIT).

Both the Acts came in the right time and it is published in both Dzongkha and English. The Acts provide a legal framework that enables the department to function more professionally and efficiently, especially with the implementation of PIT, a new concept to Bhutan.

The Department of Revenue & Customs is now making every effort to educate the taxpayers on the new Acts. This is pursued through series of awareness workshops conducted by all Regional Revenue and Customs Offices covering the twenty Dzongkhags, including government organizations and corporations. In addition, aggressive taxpayer awareness workshop will be initiated during the year 2002, to educate taxpayers on the Personal Income Tax (PIT). Simultaneously, information will be disseminated via mass media, i.e., the Kuensel and BBS, and publication of information pamphlets. ■

## JOINT ANNUAL REVIEW MEETING

*The Danida Project Phase II – Institutional Strengthening of the Department of Revenue & Customs is currently in its 4<sup>th</sup> year of implementation. The project is due for completion in December 2002.*

The third Joint Annual Review Meeting of Danish assistance to the Good Governance and Public Administrative Reform (GG/PARP) took place from 11-20 June 2001. The Review Team consisted of the officials from the Liaison Office of Denmark (LOD) and Department of Aid and Debt Management.

The Review Team had session with DRC on June 18, 2001. The Director of DRC briefed on the status and progress of the Project with activities undertaken. The workplan of the

Department and the Project budget for the fiscal year was discussed. Issues related to HRD, procurement of office equipment and computers was also discussed. One of the outcome was the Review Team approved the proposal for setting up of LAN and WAN facilities to connect regional offices with headquarter during this fiscal year though they raised concern on the overall replacement cost of IT equipment in later period. Issue on Personal Income Tax and budget provision for PIT system development was discussed. From the overall budget approved, maximum was allocated under the in-country activities.

The next Joint Annual Review Meeting will be held in June 2002. ■



*The above publications are available for sale in Regional Revenue & Customs Offices*



*Ms Sonja Davidsen, Tax Advisor, from Ministry of Taxation of Denmark has been with the Department of Revenue and Customs for three years from December 1998-2001 under Danida Project Phase II - Institutional Strengthening of DRC. Sonja was attached with Tax Administration in DRC and she was actively involved in many areas besides the review of rules, regulations and drafting of direct and indirect tax Acts, drawing up of tax related activities/plans and in-country training. She has rendered valuable contributions to DRC.*

***The staff of DRC convey our BEST WISHES in her new post back in Denmark.***

*Below is an article which Sonja contributed for YONGSEL on the eve of her departure.*

I have now finalized my term with DRC. Three (3) wonderful years have passed and I have to say goodbye for now. Hopefully it will be a "see you again", either in Denmark or Bhutan.

#### ***My First Impressions***

Looking back I remember the flight

coming in, the beautiful mountains, Paro Valley and the hospitality I was met with when I arrived. The customs officers offered me a cup of tea and looked after all procedures. At that time the airport building was not so grand but the kindness I was met with will always stay with me.

The drive to Thimphu was the second impression that has stuck in my mind - narrow roads, sunshine and the beautiful scenery. I truly felt that I had arrived at Shangri La. That impression has stayed with me for the years I have spent here. Every time I left Bhutan I came back saying to myself "it surely is nice to be back home"!

#### ***Achievements in DRC***

Work wise I have had very good and competent colleagues and we have achieved a lot together.

Firstly, I am happy that the acts on direct and indirect tax were passed. We finalized the Rules and started the implementation of the PIT. You still have a lot to do on taxpayer education and administrative systems, but I feel confident that you will solve that task to the satisfaction of the Government and taxpayers.

One thing is the positive attitude DRC is met with. A lot of taxpayers say that the principle of PIT is a step in the right direction and that they will gladly contribute to the Government's development of Bhutan. In that respect you are lucky. In other countries there is a lot of resistance when implementing tax on personal income.

Secondly, we have implemented an indicator system that will be an overall management tool as well as a tool to measure the effectiveness of

DRC. It is also a good system to start quality development within the organization.

With the indicator system you have started to think of quality measures such as: how much time shall pass before answering inquiries; how do we improve the telephone service; how do we best inform of taxpayer rights and obligations and how do we develop a service concept which will develop DRC into an organization that is open, competent and service minded in dealing with both Government agencies and taxpayers.

Thirdly, we have developed the BACS (Bhutan Automated Customs System) for customs. That will improve the import procedures and ease the administration at the check posts as well as support a more effective data collection.

Fourthly, as a result of your efforts, the collection of tax has increased, giving the Government better possibilities to sustain the main objectives, distributing wealth and working towards a better society.

#### ***Wishing you all the best***

I could go on, but I have to go. I just want to say that I admire your loyalty and hard work for the Department and I wish you all the best in the future.

I am going back to Denmark to a job in the Ministry of Taxation as Vice Regional Director in a Customs and Tax Regional Office in Maribo, that is in the Southern part of Denmark. Let's keep in touch, and please write if I can be of help in any way. My email is: sonjadavidsen@yahoo.com

Thank you for all the good times we have shared. ■

**Tashi Delek!**

## TAX OFFICIALS' MEET 2001

*Tax Officials' Meet was held at the DRC headquarters from 9-20 July, 2001. Over thirty participants both from the DRC, HQs and RRCOs attended the meeting. It was the first of its kind to be held by the Tax Administration Division.*

### **The objective of the meeting was:**

- To strengthen the capacity of tax administration in assessment and auditing techniques
- To share field experiences of tax officers and resolve common issues and problems faced in the RRCOs
- To ensure uniformity in application/implementation of rules and procedures
- To draw up appropriate strategies and action plans for the tax administration
- To set quality standards and targets for effective and efficient

administration and collection of tax revenue.

Total Quality Management (TQM) a management system to bring the best in individual, and foster continuous self-improvement in the quality of work was presented by Sonja Davidsen, Tax Advisor.

Highlights on the main issues discussed in the meeting were:

- (i) Review of Bhutan Sales Tax on Hotels and Bars
- (ii) Review of Performance Indicators
- (iii) Assessment Techniques
- (iv) Review and up gradation of TMS (Tax Management System)
- (v) Review of tax policy issues
- (vi) Clarification on TDS
- (v) Draw up action plans for implementation of PIT.

The Head of Tax Administration, Deputy Director, Sangay Zam expressed satisfaction over the success of the Tax Officials' Meet, which was the first of its kind, conducted by DRC and said it will be instituted as an annual affair. She also added that all regional offices should continue to share experiences and information to further the efficiency of the department through mutual education.

The Director, Nima Wangdi congratulated the participants for partaking enthusiastically in the meeting that was conducted for the first time. The Director stressed on the importance of sharing information among RRCOs and the need to develop a systematic method to channel information between RRCOs and the Head Office besides setting quality standards and targets for tax administration. ■

## BASIC PRINCIPLES OF TAXATION

### **A brief definition of Tax:**

*Tax is a compulsory payment by the people to the Government, levied for general benefit and welfare of the public irrespective of the exact amount of service rendered to the taxpayer.*

*There is no direct relation or quid pro quo between the amount of tax paid and the benefit received, which means it is not necessary that public welfare benefit be available only to the payers, but the society as a whole.*

### **Why are taxes levied?**

The taxes are levied with following objectives:

1. To raise revenue for the Government to cover the cost of administration, maintenance of law and order, and also to extend wide range of social services
2. To regulate the economic equity through Income Taxes.
3. To control and check wasteful and harmful production through Excise Duties and levy of sales tax.
4. To maintain balance of trade and balance of payment through Customs/Import Duties.
5. To promote Industrial development by exemptions and concessions of taxes and suitable export duties.
6. To raise productive capacity of the economy by raising the will and power to save and invest by means of moderate tax rates, tax free allowance and rebate.

such as education, health, pensions and other development activities through resource mobilization.

### **Direct and Indirect Taxes:**

Taxes can be classified into two types- Direct taxes and Indirect taxes. The economic definition of a direct tax is one, which is demanded from the very person who it is intended for. Indirect taxes are those, which are demanded from one person in the expectation and intention that he shall indemnify himself at the expense of others. In other words, indirect taxes are those, which are passed on to someone else.

### **Examples of taxes in Bhutanese context:**

Typical examples of direct taxes in Bhutan are Salary Tax, Health contribution, Business Income Tax, Corporate Income Tax, Personal Income Tax (effective from 1<sup>st</sup> January 2002), Motor Vehicle Tax, Land Tax,

*Continued on page 5*

House Tax, Stamp Duty, Registration & License Fees, etc., while some examples of Indirect taxes are Customs duty, Sales tax, Excise duties etc.

### There are some economic effects of taxation:

1. High personal tax affects savings and the will to work. This could

be averted by moderate rate of taxes. Therefore, relief and concessions are provided in certain types of saving. Deductions, depreciation etc. are allowed under Corporate Income Tax and Business Income Tax.

2. Indirect taxes lead to double taxation which results in cost

push affects creating inflation. Some concessions of import duty, excise duty and exemptions on essential goods are, therefore, considered under special circumstances according to priority. ■

*By: K. Dorji*

*RRCO: Thimphu*

## TRAINING EXPERIENCE AT RIM

*The trainees begin the day with a very early morning study followed by social work and breakfast before classes. This is a typical way in which the trainees begin the day at the Royal Institute of Management (RIM), Simtokha.*

It is, indeed, a very fortunate opportunity to be at the RIM. The trainees are taught all the skills necessary to shoulder the responsibilities in their respective future assignments with efficiency and confidence. We, the in-service trainees, are also groomed in the same astute way. Please find below some of the most prominent benefits we are blessed with at the institute.

**a) Refresh and update knowledge and skills:** The trainees are taught and made aware of new developments in managerial works, financial accounting, auditing, and information technology. At the same time, there are opportunities to attend sessions to re-cap old subjects, which help us refresh and update our knowledge and skills.

**b) Share practical experiences:** Having job experiences, we, the in-service trainees, contribute to the classes by sharing our practical views from the field, offering

a reality dimension to the in-class theories. This helps the class understand the theories easily and makes learning more enjoyable. This also has an additional benefit of bringing better awareness of what actually happens in the real working world to the academic atmosphere of the institute.

**c) Socialize with younger generation:** Given the diversity among the attendees of institute we are able to interact with young, enthusiastic, and energetic colleagues, an experience that leaves us feeling young, rejuvenated and mentally refreshed. It prompts us to reflect back to our school/training lives, and at the same time learn newer and more creative ideas from them.

**d) Career enhancement:** After completion of our courses we will earn certificate of Diploma in Financial Management. Given the period of national development, it is essential and timely to add to our other skills and experiences. The new knowledge will enable us to perform our responsibilities better, and as a result be able to offer an enhanced public service. It also adds to our desirability if one were to seek employment outside the civil service.

**e) A respite from hectic office work:** Working in the office every day, doing the same job year after year, tend to make work monotonous and shrivels enthusiasm. So, such trainings provides relief to body and spirit, an opportunity to recuperate from routine stress while learning new skills at the same time. One can rejoin work with new skills and with a renewed and even greater enthusiasm. To put it crudely, it is a vacation compared to the drill of tax collection.

In a nutshell, trainings such as ours have multiple benefits to both the employees and employers. It sharpens the effectiveness and efficiency of the employees who would return to contribute in an improved way to their respective organizations.

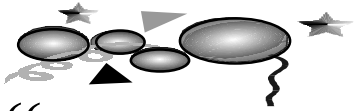
Lastly, we sincerely thank everybody at the Department of Revenue and Customs that helped us avail this opportunity for a Diploma in Financial Management at the RIM. We assure you that we are taking full advantage of our course to better ourselves with aspirations to better serve our Department in particular and the Royal Government at large. ■

*By: Yeshi Dorji and Sonam  
DFM Trainees*



# ADMINISTRATION & PERSONNEL

## WELCOME TO DRC!



“Heroes are people who rise to the occasion and slip quietly away.”

TOM BROKAW

### Congratulations !

#### January 2001 Promotions

Name	Designation	Grade	Place
1. Tashi Pem	Asstt. Director	VII	Thimphu
2. Kinzang Lhamu	DCA	X	Thimphu
3. Karma Dorji	Dy. Inspector	XIII	DRC, HQ
4. Chhokey	PA to Director	XIII	DRC, HQ
5. Phub Dem	Dy. Tax Inspector	XIII	Thimphu
6. Sangay Wangdi	Dy. Tax Inspector	XIII	Thimphu
7. Tshewang Jamtsho	Dy. Inspector	XIII	Thimphu
8. Zangpo	Driver	XIII	Thimphu
9. Karma Wangchuk	Dy. Inspector	XIII	P/ling
10. Choney Wangmo	Dy. Tax Inspector	XIII	P/ling
11. Lhamu Tshering	Dy. Tax Inspector	XIII	P/ling
12. Kinzang Dorji	Dy. Tax Inspector	XIII	P/ling
13. Leki Dorji	Dy. Inspector	XIII	P/ling
14. Singye Tshewang	Dy. Tax Inspector	XIII	S/jongkha
15. Pema Chophel	Dy. Inspector	XIII	S/jongkha
16. Yeshey Jamtsho	Dy. Inspector	XIII	Gelephu
17. Rinchen Norbu	Dz. Calligrapher	XIII	Gelephu
18. Kaka Tshering	Dy. Inspector	XIII	Gelephu
19. Pem Norbu	Dy. Inspector	XIII	Samtse
20. Chencho Dorji	Dy. Inspector	XIII	LTO
21. Pema Choden	APO	XIV	DRC, HQ
22. Rinchen Zangmo	Computer Operator	XIV	DRC, HQ
23. Pampha Chhetri	LDC	XIV	Thimphu
24. Sangpo	Asstt. Inspector	XIV	P/ling
25. Egen Darjee	Asstt. Inspector	XIV	Samtse
26. Rajan Thapa	Asstt. Inspector	XIV	Gelephu
27. Tshewang Norbu	Asstt. Inspector	XIV	S/jongkha
28. Tenzin Dhendup	Asstt. Inspector	XIV	LTO
29. Yonten	Driver	XVI	Gelephu

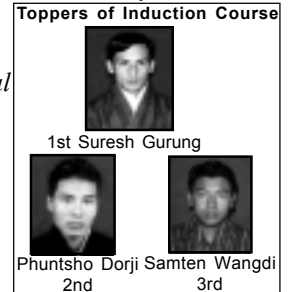
#### July 2001 Promotions

Name	Designation	Grade	Place
1. Dorji Dukpa	Chief Accountant	IX	DRC, HQ
2. Lungten Tshering	Chief Accountant	IX	DRC, HQ
3. Jaganath Sharma	Programmer	XI	DRC, HQ
4. Chophel	Dy. Inspector	XIII	Thimphu
5. Jangchuk Dorji	Dy. Inspector	XIII	LTO
6. Dhendup	Dy. Inspector	XIII	Samtse
7. Kuenzang Chophel	Dy. Inspector	XIII	Samtse
8. Yeshey Choden	Revenue Clerk	XIII	DFS
9. Sangay Tshewang	Asstt. Inspector	XIV	Thimphu
10. Chador	Asstt. Inspector	XIV	Samtse
11. Dhendup Dorji	Asstt. Inspector	XIV	P/ling
12. Ngayel Tenzin	Peon	GSCI	Gelephu

The fifth batch of new Inspectors who completed Induction Course on Tax, Customs & Excise at the Royal Institute of Management (RIM), Simtokha have been appointed in DRC.

First group appointed with effect from 1<sup>st</sup> July, 2001:

- i) Mr. Suresh Gurung
- ii) Mr. Phuntsho Dorji
- iii) Mr. Krishna Prasad Nepal
- iv) Mr. Nagphel
- v) Mr. Tshering Wangdi
- vi) Mr. Sangay Phuntsho
- vii) Mr. Kinzang Thinley
- viii) Mr. Rupen Gurung
- ix) Mr. Kinzang Wangchuk
- x) Mr. Samten Wangdi (Inservice Candidate)



Second group appointed with effect from September, 2001:

- i) Mr. Choki Dorji
- ii) Mr. Ngawang Samdrup
- iii) Mr. Kelzang Tobgay
- iv) Mr. Tashi
- v) Mr. Pema Chhophel
- vi) Mr. Penjor
- vii) Mr. Tshewang Thinley
- viii) Mr. Leki Tobden

Two assistant data managers have joined the Department during July 2001:

- (i) Mr. Tashi Tshering, Computer Section in DRC, HQ
- (ii) Mr. Tshering Tobgay, Checkpost, RRCO, P/ling

Also warm welcome to new 8 PGC FM graduates who joined DRC after the completion of 1 year course at RIM, Simtokha.

### RESIGNED:

**Mr. S.K. Sharma**, Dy. Director, Head of Revenue Accounts and Audit, RRCO Thimphu resigned from May 31, 2001. He was first appointed in DRC on 19.9.1974. He has served over twenty-seven years in DRC.

**Mr. Kamal Rai**, Assistant Tax Inspector, RRCO Thimphu, resigned on May 31, 2001. He was appointed in DRC on 1.8.95. He has served for six years.

**Mrs. Phuntsho Deki**, Computer Operator of Paro Airport Customs, RRCO Thimphu, resigned from July 21, 2001. She was first appointed on August 5, 1986. She has served for fifteen years.

**Mrs. Kinley Wangmo**, Assistant Accountant of Paro Airport Customs, RRCO Thimphu resigned from July 21, 2001. She was first appointed on April 23, 1993. She has served for eight years.

**Mr. Phub Rinzin**, Deputy Chief Accountant, RRCO Thimphu, resigned from November 15, 2001. He was first appointed on August 9, 1984. He has served for seventeen years.

**Mrs. Chuki**, PA to Director, DRC, resigned from December 31, 2001. She first joined in DRC in December 1991. She has served for 10 years in DRC.

**The staff of DRC wish Good Luck in their new venture!**

## Ex-Country Training : March to December 2001

1. Training Course on WTO Valuation Agreement at Royal Customs Academy (AKMAL) at Malacca, Malaysia: May 9-17, 2001 – funded by Danida and Royal Customs & Excise, Malaysia.
  - (i) *Mr. Sonam Gyeltshen* Superintendent RRCO, P/ling
  - (ii) *Mr. Phuntsho Wangdi* Superintendent RRCO, P/ling
2. Training Course on Customs Management and Technique at Customs and Excise Department, Singapore: June 25-29, 2001 – funded by Singapore Colombo Plan.
  - (i) *Mr. Pema Wangchen* Superintendent RRCO, G/phu
3. Training on Tax Policy & Administrative Issues at IRAS, Singapore: June 25–July 6, 2001 – funded by IMF, Govt. of Singapore.
  - (i) *Mr. Sonam Tenzin* Asstt. Director DRC, HQ
4. Training Programme for Advanced Network and Internetwork Administrator at Netcom Solution Pvt. Ltd. at Kolkata, India: July 23–August 9, 2001 – funded by Danida.
  - (i) *Mr. Jigme Dorji* Programmer RRCO, Samtse
5. Training Course on Customs Fraud at Royal Customs Academy (AKMAL) at Malacca, Malaysia: August 13–22, 2001 – funded by Danida & Royal Customs and Excise, Malaysia.
  - (i) *Mr. Sonam Dorji* Superintendent DRC, HQ
  - (ii) *Mr. Karma Jigme* Inspector RRCO, P/ling
6. Workshop on Policy Formulation in the area of Precursor Control at Kathmandu, Nepal: August 17-18, 2001 – funded by UNDCO/SAARC.
  - (i) *Mr. Tharchen Lhendup* Asstt. Collector RRCO, P/ling
7. Tax Conference on Capacity Building Program-2001 at ADB Institute at Tokyo, Japan: September 5-15, 2001 – funded by Asian Development Bank.
  - (i) *Mr. Nima Wangdi* Director DRC, HQ
8. Commercial Fraud Course at Royal Customs Academy (AKMAL) at Malacca, Malaysia: November 5–16, 2001 – funded by Danida & Royal Customs and Excise, Malaysia.
  - (i) *Mr. Wangchuk Thaye* Asstt. Collector RRCO, P/ling
  - (ii) *Mr. Namgay Tshering* Asstt. Supdt. RRCO, T/phu
9. Effective Supervision Course at Royal Customs Academy (AKMAL) at Malacca, Malaysia: October 9–19, 2001 – funded by Danida & Royal Customs and Excise, Malaysia.
  - (i) *Mr. Dheo Raj Gurung* Asstt. Supdt. RRCO, P/ling
  - (ii) *Mr. Kuenzang Thinley* Asstt. Inspector RRCO, S/J
10. Training Management Course at Royal Customs Academy (AKMAL) at Malacca, Malaysia: October 23–November 2, 2001 – funded by Danida & Royal Customs and Excise, Malaysia.
  - (i) *Ms. Pema Yangzome* U. Secretary, RRCO, T/phu
  - (ii) *Ms. Phuntsho Choden* S.F. Officer DRC, HQ
11. Seminar on Customs Valuation organized by World Trade Organization (WTO) at Mumbai, India: November 26–December 14, 2001– funded by WTO.
  - (i) *Mr. Kesang Dorji* Regional Director RRCO, T/phu
12. Attachment Course with Thai Customs Administration, Customs Department, Ministry of Finance, Bangkok, Thailand: December 11–21, 2001 – funded by Danida.
  - (i) *Mr. Zamtsho Tshering* Joint Director DRC, HQ
  - (ii) *Mr. Tshewang Norbu* Sr. Inspector RRCO, S/tse
  - (iii) *Mr. Karma Chogyal* Inspector RRCO, P/ling
  - (iv) *Mr. Yongla* Jr. Inspector RRCO, T/phu
  - (v) *Mr. Karma Dorji* Asstt. Inspector RRCO, G/phu
  - (vi) *Mr. Sherub Gyeltshen* Sub Inspector RRCO, S/J

### DRC staff undergoing long term studies:

1. **Mr. Ugyen Kesang**, Assistant Director, RRCO Gelephu – Masters Degree in Public Administration/Program in Economic Policy Management at Columbia University, New York, USA under joint Japan World Bank Graduate Scholarship from July 2001 to August 2002.
2. **Mr. Phuntsho Tobgay**, Deputy Director, DRC-M.Sc. in Economics at the Institute of Development Policy & Management, University of Manchester, UK under Danida Fellowship Programme from September 2001 for two years.
3. **Mr. Kinzang**, Assistant Director, DRC - M.Sc. in Economics at the School of Oriental & African studies, London University, UK under Danida Fellowship Programme from September 2001 for 1 year.
4. **Mr. Namgyel Wangchuk**, Senior Tax Officer, RRCO Thimphu – M.Sc. in System Auditing at Guildhall University, U.K. under Danida Fellowship Program from September 2001 for 1 year.
5. **Mr. Sonam**, Inspector, RRCO Phuentsholing and **Mr. Yeshey Dorji**, Inspector, RRCO Samtse, are undergoing two years Diploma in Financial Management at Royal Institute of Management, Simtokha. ■



# AROUND THE DIVISIONS - HQ

## Tax Administration Division

Tax Officials' Meet was held by the Tax Administration team with the officials of other regional offices from July 9-25, 2001 funded by the Danida Project under the In-country training activity. It will take place every year as an annual event.

Head of Tax Administration, Sangay Zam, and Tax Advisor, Sonja Daividsen, visited eastern Dzongkhags for the TDS workshop held by RRCO Samdrup Jongkha.

## Revenue Audit & Accounts

The Division has been very busy from the beginning of the year, working on revenue projection for the 9<sup>th</sup> FYP besides its normal schedule. After finalizing the projection for the 9<sup>th</sup> FYP the Division started auditing of checkpoints. The Internal Audit (MOF) and Revenue Audit team recently completed conducting thorough audit of main Check Post Phuentsholing. The team will be visiting other checkpoints under the various Regional Offices.

## Customs & Excise Division

### Customs issues:

- 1) The draft Sales Tax, Customs & Excise Rules 2000 was reviewed and finalized with the Ministry of Finance in November 2001.
- 2) Army Uniforms seized by the Regional Revenue & Customs Office, Samdrup Jongkha checkpost was handed over to the Royal Bhutan Army by the Department on August 30, 2001.
- 3) In accordance with the decision of the 212<sup>nd</sup> session of the Lhengyel Zhungtshog, the Ministry of Finance revised the Sales Tax and Customs Tariff with effect from 1 July, 2001.

### Excise Issues:

The liquor shop license fee for one year was extended to old vendors at the same value. Sealed tender was invited by the concerned RRCOs for one-year liquor shop licences surrendered by old vendors.

## Information Division

### Public Information Services (PIS):

PIS has been very busy with the publication and distribution of Income Tax Act of the Kingdom of Bhutan, 2001 and Rules on the Income Tax Act. The Rules on Sales Tax, Customs and Excise Act has also been published recently.

PIS is busy with tax awareness program in mass media to complement with the tax awareness workshops conducted by Regional Offices.

**Kaysang W.Samdup**, Deputy Director, Head of PIS, resumed her duty after successful completion of Masters in Public Communication and Public Relations from UK.

**Yangchen Choedon**, Under Secretary, currently looks after the Danida Project of DRC as the Project Co-ordinator.

**Sherub**, Inspector is transferred to Paro Airport Customs and **Suresh Gurung**, Customs Inspector has replaced him in PIS.

### Computer Section:

*Prototype PIT system* is installed in all RRCOs for PIT administration and to capture information on properties, orchards, withholding taxes etc.

*BACS status:* About twenty customs officials and seven computer programmers were involved in the BACS User Acceptance Training (UAT) held at RRCO, Phuentsholing, from 1 October till 5 December, 2001. This will be fol-

lowed by System Administration Training for Programmers of DRC and Users Training from January 14 - March 2, 2002.

## Legal Unit

### Currency Seizure case:

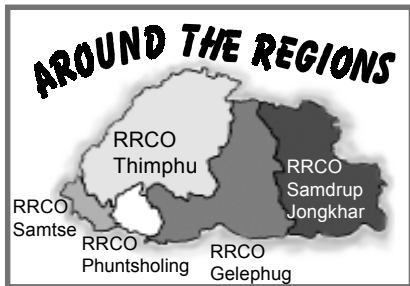
As per the Order No.1052 dated 9.5.2001 passed by the Royal Advisory Council and Royal Court of Justice, Thimphu on May 8, 2001, a sum of Nu. 690,000 was handed back to the businessman of Paro and the balance amount of Nu. 8,290,000 was seized by the government. The seized amount was deposited into the Royal Government Revenue Account on May 4, 2001 by RRCO Thimphu.

Meanwhile, another similar case involved a businessman of Thimphu appealed to High Court. On December 4, 2001, the High Court issued Court verdict No.1177 whereby the entire amount of Nu.3,950,000 was seized by the government and deposited into the Royal Government Revenue Account by RRCO Thimphu.

### SKO Deflection case:

SKO deflection case of DRC with DPPCL under the RRCO Gelephu has been going on for the last two years.

The case was first appealed to Sarpang Dzongkhag Court during August 2000 and then it was appealed to the High Court Bench I on 6.3.2001. It was further appealed to the High Court Full Bench on 27.11.2001 and the court order was issued on 12.12.2001 vide Court Order No.1160 that DPPCL has to deposit Nu. 8,988,836.26 to RGOB. ■



The Regional offices have been very busy conducting workshop on Tax Deduction at Source (TDS) and Personal Income Tax (PIT) during the last quarter of 2001. The summary of workshops held in the regions are given below:

Regions	No.of workshops	No.of Participants
Thimphu	9	550
P/ling	8	520
Gelephu	3	505
Samtse	7	205
S/Jongkha	6	883
<b>TOTAL</b>	<b>33</b>	<b>2663</b>

The Regional Office will continue awareness workshops on PIT during the year 2002.

### RRCO: Thimphu

**Seizure of Currency:** The District Court, Royal Court of Justice, Paro on September 7, 2001 passed the verdict on the case of apprehension of Indian currency of 500 denomination notes worth of Nu.3,950,000/- being smuggled out from Paro International Airport on June 22, 2001. The judgement went in favour of the Department and currency treated as seized and forfeited. The department appreciates Mr. Kinley Dendup, Senior Customs Inspector through whose effort the smuggling was apprehended.

**Ugyen Namgyel**, Under Secretary after successful completion of studies in MBA from Victoria University, Wellington joined the Department from July 9, 2001. He is placed as the Head of Tax Administration Section in RRCO Thimphu.

### RRCO: Phuentsholing

The following are the major seizures made by RRCO, Phuentsholing during the year 2001:



1,700,000 from a lady carrier and her friend coming from Thimphu to Phuentsholing. They were detained by Royal Bhutan Police and on 26-6-2001, the

### Gold seized at Rinchending Checkpost

On June 21, 2001, Customs Checkpost Rinchending seized 34 pieces (10 tolas each) of gold biscuits worth Nu.

case was forwarded to the District Court of Phuentsholing. On August 3, 2001, the Court passed the verdict for confiscation of gold and imprisonment of the lady for one year and six months. However, she was released on payment of Nu.56,000 in lieu of imprisonment.

### Seized tobacco products destroyed



Tobacco products, which has high duty tariff are being smuggled in the country. A good number of small quantity seizures were made by both the Checkposts under this region. In total, a sum of Nu. 53,000 worth tobacco products were seized during the year 2001.

### Assorted Goods Seized

On July 12, 2001, Kharbandi Customs Checkpost (Rinchending) seized assorted goods worth Nu. 78,000 which was being carried by a private vehicle. There were no proper documents and the consignor/consignee has refused to claim the goods. These goods will be auctioned.

*Tharchen Lhendup, Asstt. Collector*

### Workshop on PIT & TDS conducted at Phuentsholing



### RRCO: Samtse

This Regional office has been very busy with taxpayer education activities both for the in-house staff and taxpayers at different places under this region. We completed the in-house workshop on Income Tax Act/Rules in October, 2001 in RRCO Samtse. We also conducted workshops for Withholding Agencies at Samtse and Gomtu during November 2001. ■

*PIT Unit, Tax Administration*

*This article has been chosen from the Case Study Report of the DRC PGCFM trainees prepared during their Specialization Course with the Department.*

**The historic Income Tax Act of the Kingdom of Bhutan 2001 was enacted during the 79<sup>th</sup> session of the National Assembly introducing the Personal Income Tax (PIT).**

The key driver for the introducing of PIT in the kingdom is to achieve the objective of national self-reliance, i.e. to meet development expenditure out of its internal resources and to reduce external assistance in various sectors and also, to continue to meet its current expenditure from its internal revenue generation. It is also the endeavor of the government to review the tax policy from time to time in keeping with the changing needs and potential of the economy. In order to strike an acceptable balance between revenue and maintenance cost, the government had in the past resorted to mainly to cuts in the budget. Further cuts are no longer sustainable and would affect the quality of services. Hence, the effort now is to enhance the revenue. Considering that our resources are limited, the revenue collection can be enhanced only by introducing a form of tax on income earned by persons, thus the PIT has been introduced to be effective from January 2002 and therefore launching of PIT is very timely. The main em-

phasis was on rationalization of the taxes in light of the government objective.

All of us are aware that the royal government is currently struggling to meet its developmental expenditure out of its internal resources and that we have lot of external assistance. To note, in the Kuensel issue of 15<sup>th</sup> September 2001, it was highlighted that the government is facing a budget shortage of over Nu.1 billion and it is trying to cut all unnecessary expenses. This is an example of the gravity of shortage of fund faced by the government. On the other hand, our private consumption is very high which is unproductive and leads to misuse of our resources. There is also a need of revenue to sustain social welfare facilities like free education and free health services provided for the benefit of the society. So, with the introduction of PIT, a portion of income will be collected by the government to be diverted for providing productive economic services, which ultimately promotes the productive activities within the economy. This will also avoid distortionary effect in the economy.

More over right now our non-tax revenue and subsidies are very high. In other countries major portion of the total revenue is constituted by tax revenue with very little portion forming part of non-tax revenue. For example, in India during 1997-1998 estimated of the total tax revenue was 74% of the total budget revenue. So with launching

of PIT, tax base will be broadened to achieve increased tax revenue.

**Conclusion**

While formulating the new tax policy, care was taken to ensure that rural people and lower income brackets are not affected since they already contribute significantly in terms of rural taxes and labor. So, the main aim of the introduction of PIT is to cover the higher income brackets. It leads to redistribution of income and consequently bridging the gap between the rich and the poor. Also the present rates under PIT is progressive in nature to ensure fair, uniform and equitable levy of taxes.

In conclusion, the launching of PIT is timely to lead our Nation towards economic efficiency and stability. ■

*By: Choki Gyeltshen  
& Lhakpa Bhuti*

**REVENUE REPORT IN BRIEF**

**The revenue collection for the Fiscal Year 2000-2001 reached Nu.4671.518 million, exceeding previous Fiscal Year by Nu.290.381 million or 6.63%. In fact, the collection for the year has exceeded the revised target of Nu. 4389.237 million, by Nu. 282.281 million i.e. 6.43% over the target set.**

**The tax revenue for the year is Nu.2192.172 million and the non-tax revenue contribution is Nu.2479.346 million.**

**I**t was a historic event and a giant leap forward towards achieving the goal of complete economic development for the people of Bhutan when the National Assembly passed the Income Tax Act during the 79<sup>th</sup> session in July 2001.

PIT immediately became an object of national curiosity. People across the country wanted to learn more about the new system. I have even had friends and acquaintances approach me with questions about the new tax even during weekend vegetable shopping trips. Most of the people are still critical about the Department's execution capability and manpower to bring about successful implementation of the new tax. Since we are moving ahead with our

action plans as drawn during the Tax Officials' Meet last July, we feel confident of a successful implementation, and as a result, generate additional revenue much needed to provide a boost for a speedy economic development of the country.

Three years ago, DRC introduced task forces in Regional offices solely for PIT. The task force members also went to India and Malaysia for study tours with the intention to learn about their income tax systems. The next two years, 2002 and 2003, will prove to be most challenging for the Regional task force teams as the full implementation of the new taxes are expected. Accordingly, the following implementation plans were discussed during the workshop prioritizing the most important tasks

such as: designing forms, collecting information on the various sources of income, implementing taxpayers education program and registration.

This Regional office has drawn up a number of taxpayer education activities to be held in several places under its jurisdiction, such as Sibus, Gomtu, Dorokha and Samtse, for next year from April to October 2002. After conducting these workshops, we feel that the taxpayers will be well acquainted with the new tax PIT.

The task force at RRCO, Samtse, is confident that implementation of the new tax would be achieved successfully as planned under the enlightened guidance and direction of DRC headquarters. ■

## TRANSFER

**The regular transfer cases of field staff of Regional Revenue and Customs Offices with effective from January 2002 is finalised.**

**However, there is a major reshuffle involving the Regional Directors which included the appointment of two new Regional Directors. The details of new postings are as follows:**

1. **Mr. Jambay Dorji**, Regional Director from RRCO, Samtse to RRCO, S/Jongkhar.
2. **Mr. Choyzang Tashi**, Regional Director from RRCO, S/Jongkhar to RRCO, P/ling.
3. **Mr. Ugyen Namgyel**, Regional Director from RRCO, P/ling to RRCO, Samtse.
4. **Mr. Zamtsho Tshering**, Joint Director from Head Office to LTO, Kolkata.
5. **Mr. Sangay Wangdi**, Liaison & Transit Officer from LTO, Kolkata to RRCO Thimphu, as the new Regional Director.
6. **Mr. Kesang Dorji**, Regional Director, from RRCO Thimphu to Head Office, as Joint Director, Customs & Excise, DRC.
7. **Mr. Ugyen Tshering**, Regional Director, RRCO Gelephu to Bhutan Lottery Directorate at New Delhi as Lottery representative.
8. **Mr. Tenzin Norbu**, Head of Tax Administration of RRCO Phuentsholing to RRCO Gelephu as the new Regional Director.
9. **Mr. Sonam Tobgay**, Bhutan Lottery Directorate of Delhi to Directorate of Lottery, Phuentsholing.

## UPDATE ON REVENUE & CUSTOMS WELFARE FUND SCHEME

As per the Newsletter issue No.7, during February 1999, DRC Welfare Fund had Bank Balance of Nu. 17,000. The Total Welfare contribution was Nu.7,75,225 of which Loan granted amount was Nu. 5,19,000 and compensation granted Nu. 2,38,805.

Over the two years time period, DRC Welfare Fund has improved to a large extent with prudent management of the fund. The Secretary of the Revenue & Customs Welfare Fund Associations, Regional Director of Thimphu, stated that there is a Bank Balance of Nu.599,354.99 as on December 20, 2001. The Secretary proposed to deposit 75% into fixed deposit to raise the fund further. The new management has revised the Welfare Scheme rules making it transparent and the accounts are updated in timely manner. (*The Income and Expenditure Statement submitted for Yongsal could not be printed due to space problem*).

## WORKSHOPS ON TDS AND PIT



*The Hon'ble Finance Secretary, Director of DRC and RRCO  
Tax Officials with participants of the workshop*



*Inhouse workshop on PIT at RRCO, Thimphu*

With the enactment of the Income Tax Act of the Kingdom of Bhutan, 2001, by the 79<sup>th</sup> session of the National Assembly, the Regional Revenue & Customs Office, Thimphu has been actively involved in conducting tax workshop for TDS (Tax Deduction at Source) and PIT (Personal Income Tax) covering the six western Dzongkhags.

The workshop was basically aimed at educating and informing on some of the new issues that has been incorporated in the new Act. It was targeted at participants from both the private sector and also from the Government, Semi-Government, International and NGOs.

Since the method of tax collection under TDS is also used in the new tax, Personal Income Tax, the workshop on TDS was once more conducted including Personal Income Tax, with Business Income Tax and Corporate Income Tax.

### **TDS Workshop**

The TDS workshop was conducted at Paro on October 31 and November 1, 2001 at NIE Conference Hall. On October 31, the participants were all from the private business sector.

About 41 entrepreneurs from Paro and 15 from Haa attended the TDS workshop. And on November 1, about 44 Government employees from Paro and 14 from Haa attended the workshop.

The next workshop was conducted on November 5- 6, 2001, in NRTI Hall at Lobesa for participants from Wangdue Phodrang, Punakha and Gasa Dzongkhag. On November 5, the participants were all from the business sector. There were 21 participants from Wangdue Phodrang, 5 from Gasa and 25 from Punakha. On November 6, the participants were all civil servants.

The workshop in Thimphu was conducted from November 21-26, 2001. 270 people from the private sector and 80 from the Government, Semi-Government, International and NGOs participated in the workshop.

The workshop on TDS was a success culminating in positive responses from the participants.

### **PIT Workshop**

The Regional Revenue & Customs Office, Thimphu also conducted 4 days workshop on Personal Income Tax at BCCI Hall, Thimphu for par-

ticipants from government and private sector. The workshop was held on November 27-29, and December 3, 2001. A total of 165 participants attended the 4 days workshop.

The PIT workshop was a success and the feedback obtained from the participants was the fact that PIT was after all not a regressive tax as imagined before the workshop. Also on December 6, 2001, PIT workshop was carried out for the employees of Telecom Corporation of Bhutan.

The workshops were funded by DANIDA. ■

*Ugen Namgyel  
Head of Tax Administration  
RRCO: Thimphu*

### MESSAGE FROM YONGSEL EDITORIAL DESK

*We would like to inform  
all Yongsel Readers that  
Yongsel will be available  
only on DRC Webpage  
and printed copies will  
not be distributed.*