

2020

**INCOME TAX DIVISION
PERFORMANCE INDICATOR
REPORT**

**Department of Revenue & Customs
MINISTRY OF FINANCE**

FORWARD

I am pleased to present the Annual Performance Indicator Report of the Income Tax Division for the Income Year 2020. This report reviews the overall operation of the division, mainly focusing on the income tax collection from various tax types.

The Performance Indicator Report of the Income Tax Division is a part of the broader processes of strategic and operational planning and a critical indicator to measure the efficiency of the tax administration. It is aimed at assessing the extent to which the set objectives and targets are achieved. Hence, this report aims to measure the income tax division's performance which can influence the allocation of department's resources and assessment of the division's performance as a whole.

Income Year 2020 realized a total income tax amounting to Nu. 8,651.77 million (including additional tax collected after assessment) from 102,908 taxpayers. The tax collection has decreased by 16.22% while the number of filers has fallen by 3.90% compared to the IY 2019. The fall was mainly due to the impact of the Covid19 pandemic. Government's strict containment measures in place like closed entry gates at the border and complete lockdown of the nation has massively impacted the operation of the businesses. The Tax Reforms made in 2020 also contributed to the fall in collection and the number of taxpayers.

The report also presents the human resource composition, tax audit highlight and recent initiatives undertaken by the division in 2020. The figure presented in this report will not correspond with that of the National Revenue Report because of different reporting period. The former is prepared based on the Income Year (January to December) while the later is presented based on Financial Year (July to June). It is our earnest hope that this report will prove beneficial to the regional offices for tax planning and monitoring of future assessments and tax revenue collections.

The Division would like to extend our sincere thanks to Hon'ble Director General for the continuous support and strategic direction and to all the Regional Directors, Tax Heads and the entire tax officials in the regional offices for their dedication and tirelessly working toward the achievement of department's goal.

Gyeltshen

(Collector of Income Tax Division)

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PART 1

OVERVIEW OF INCOME TAX DIVISION

1.1 VISION

Contribute to the nation building process through the development of an effective revenue system.

1.2 MISSION

To ensure that the tax and customs administration has the capacity to collect taxes efficiently and effectively at minimum cost through impartial and consistent enforcement of regulations, and to provide a convenient and honest service to the taxpayers.

1.3 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. Also, emphasize and recognize team efforts for achieving organizational goals of providing efficient taxpayer services. To be sincere and dedicated in achieving the organizational set goals.

1.4 OBJECTIVES

Laws, rules and regulations shall always be implemented fairly. There shall not be favouritism of any kind. The public should be confident that any taxes levied is correct and in accordance with the rules and regulations and therefore, applicable to all the taxpayers in the same situation.

1.5 FUNCTIONAL MANDATE AND STRATEGIES OF INCOME TAX DIVISION

Income Tax being undoubtedly the most important source of revenue for the government, the primary function of the Income Tax Division is the collection of income taxes to generate revenues to pay for the expenditures of government at all levels, at least the current expenditure. Collectively, the Income Tax Division is responsible for all the matter related to the levy and collection of income taxes including the formulation and amendment, implementation and monitoring of Income Tax Act and Rules, reviewing and recommending sound tax policy and planning to the Ministry of Finance.

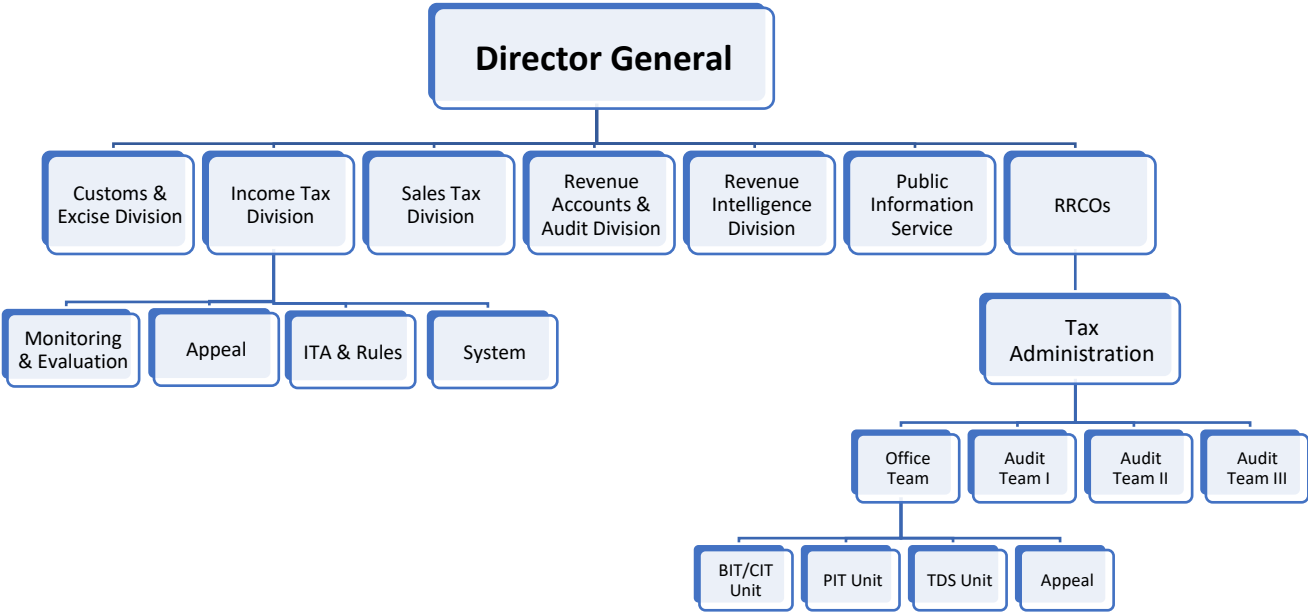
The division has been constantly working towards an effective and good taxation system by strengthening the tax administration to support the fiscal policy influencing the economy. The central to the operational culture is to abide by the principle of natural justice and fairness while providing services to the taxpayers thereby ensuring that the taxes are levied fairly and collected at minimum cost, and regulations are laid down clearly for everyone's understanding. The division also abides by the major operational strategy of maintaining a high degree of integrity and morale of our tax officials by always determining to work within the principles of taxation viz equity, certainty, convenience, and economy. The Income Tax Division shall strive for the better tax administration and shall remain fully dedicated to contribute towards achieving the goal of the department.

1.6 ORGANIZATIONAL FRAMEWORK

As the Department of Revenue & Customs is responsible for the collection of direct and indirect tax revenue, the main feature of the department is that they require a geographical network of offices that covers an entire country as tax revenue is derived from economic activities undertaken by individuals and businesses all over the country. Therefore, the organizational setup has a two-tier structure that is the headquarter and the regional offices covering the physical space of an entire economy. The department has head office in Thimphu and with eight regional offices across the country that report to the headquarter and administers all twenty Dzongkhag, makes the department one of the largest public sector organizations.

The organizational setup is based on their assigned functions which are drawn from the mandates of the Income Tax Act. The structure is aimed to improve coordination, lines of functions and its responsibility, and the clarity on communication channels. The department is headed by the Director General and has various divisions including Income Tax Division. The division is headed by a Collector at the head office, consisting of four sections viz., Monitoring and Evaluation, Appeal, Income Tax Act & Rules, and System. The eight RRCOs located at various districts are under the direct supervision of the Regional Director and the Tax Administration is one of the sections in the region headed by the Tax Head. The head of the tax administration is responsible for the planning and monitoring of the work of various units like Audit Team, BIT & CIT unit, PIT unit, TDS unit, and Appeals.

Figure 1: Organogram of the Department of Revenue & Customs



PART II

COLLECTION OF DIRECT TAXES

2.1 Taxpayer composition

Direct taxes include Personal Income Tax (PIT), Business Income Tax (BIT) and Corporate Income Tax (CIT).

As per the report from RAMIS as on 31st July 2021, total number of tax filers of PIT, BIT and CIT for the Income Year 2020 stood at 102,908 which is 3.90% less as compared to the year 2019. From the total taxpayers, PIT taxpayer constituted the elevated portion of 63.67% (65,525 PIT payers) followed by the BIT with 36,966 (35.92%) and then CIT with just 417 payers (0.41%).

Table 1: Taxpayer's composition details

RRCO	CIT	BIT		PIT	Total	% Of Total taxpayers
		Account filers	Estimated filers			
Bumthang	4	81	1,599	2,512	4,196	4.08%
Gelephu	19	167	4,689	6,530	11,405	11.08%
Mongar	13	191	3,315	6,537	10,056	9.77%
Paro	53	270	3,555	4,359	8,237	8.00%
Phuntsholing	35	209	3,092	8,769	12,105	11.76%
Samdrup Jongkhar	29	176	2,398	4,713	7,316	7.11%
Samtse	16	289	1,992	3,324	5,621	5.46%
Thimphu	248	2331	12,612	28,781	43,972	42.73%
Total	417	3714	33,252	65,525	102,908	100.00%

Figure 2: Tax payer's composition: Region wise

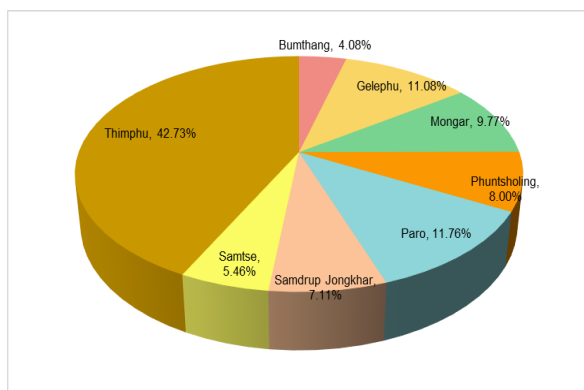
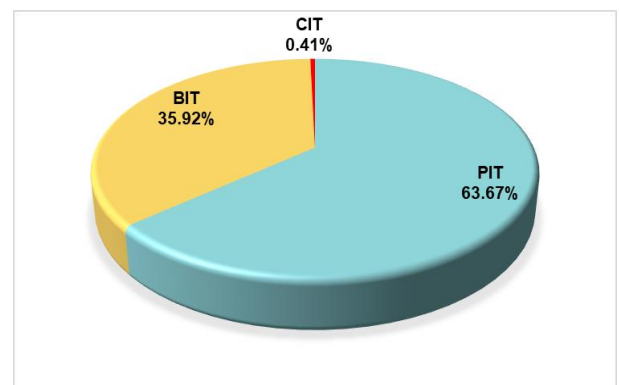


Figure 3: Tax payer's composition: Tax type wise



2.2 Corporate Income Tax (CIT)

Companies registered under the Companies Act of the Kingdom of Bhutan are levied Corporate Income Tax at the rate of 30% on the net profit for the State-Owned Enterprise (SOE) and for companies other than state enterprise, they are levied CIT at the rate of 25% of the net profit. As seen from the Table 2, for the Income Year 2020, a total of 417 (a fall of 7.95%) CIT payers filed their tax returns as of 31st July 2021, out of which, 270 CIT units filed tax returns declaring non-operational. The fall in CIT collection is attributed by the introduction of decreased rate for the companies other than SOEs and also due to the disruption in the operation of the business because of Covid19 pandemic.

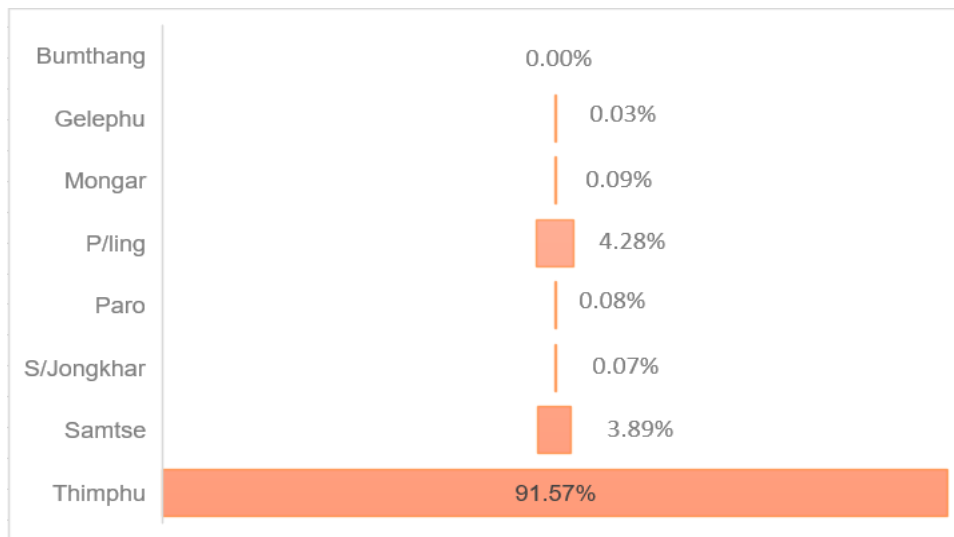
Table 2: CIT composition

RRCOs	Number of Units		Tax Amount (self-declared)		Zero filing	% Of total tax
	2019	2020	2019	2020		
Bumthang	5	4		-	4	0.00%
Gelephu	23	19	3,971,963.10	1,759,529.95	14	0.03%
Mongar	23	13	6,410,714.18	5,641,915.06	7	0.09%
P/ling	86	53	453,329,873.68	267,498,893.55	30	4.28%
Paro	32	35	15,770,391.68	4,830,276.63	28	0.08%
S/Jongkhar	17	29	93,277,153.79	4,089,954.35	12	0.07%
Samtse	33	16	427,026,802.62	243,546,016.26	18	3.89%
Thimphu	234	248	6,313,018,334.26	5,726,264,495.18	157	91.57%
Total	453	417	7,312,805,233.31	6,253,631,080.98	270	100.00%

2.2.1 CIT Collection

The total CIT collection (self-declared) for the Income Year 2020 stand at Nu. 6,253.63 million representing 75.63% of the total income tax collection. However, the Income Year 2020 saw a fall in the total CIT collection from all the region leading to a total average fall by 14.48% as the amount decreased from Nu. 7,312.81 million in 2019 to Nu. 6,253.63 million in 2020. Although RRCO Thimphu's collection has decreased by Nu. 586.75 million in 2020, it remained the highest contributor of the CIT, collecting 91.57% of the total CIT collection amounting to Nu. 5,726.26 million followed by RRCO Phuentsholing with Nu. 267.50 million.

Figure 4: Percentage of total CIT collected: Region wise



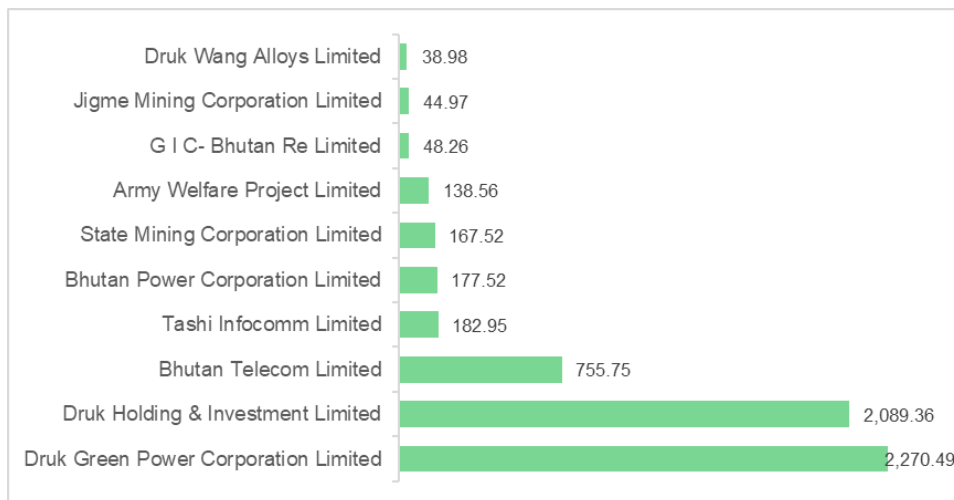
2.2.2 Top Ten CIT Payers

From the total CIT collection of Nu.6,253.63 million, the top ten CIT taxpayers contributed 94.57% for the Income Year 2020 amounting to Nu.5,914.35 million. M/s. Druk Green Power Corporation Limited (DGPC) stands as the topmost CIT payer for the year paying Nu.2,270.49 million which accounted for 36.31% of the total CIT collected during the year. The lead was followed by Druk Holding & Investment Limited (DHI) contributing 33.41% of the total CIT amounting to Nu.2,089.36 million. As per the past assessment trend, CIT liability is subject to change on completion of field assessment.

Table 3: Comparative top ten CIT (In Ngultrum)

Sl. No.	Top 10 CIT - IY 2019		Top 10 CIT - IY 2020	
	CIT Units	Self-declared tax	CIT Units	Self-declared tax
1	Druk Holding & Investment Limited	2,128,820,917.38	Druk Green Power Corporation Limited	2,270,492,731.34
2	Druk Green Power Corporation Limited	2,107,791,622.89	Druk Holding & Investment Limited	2,089,355,741.37
3	Bhutan Telecom Limited	533,878,146.38	Bhutan Telecom Limited	755,747,097.84
4	Bank of Bhutan Limited	523,056,465.69	Tashi Infocomm Limited	182,952,008.99
5	Bhutan Power Corporation Limited	322,636,157.48	Bhutan Power Corporation Limited	177,520,579.66
6	Jigme Mining Corporation Limited	239,201,148.00	State Mining Corporation Limited	167,521,319.34
7	Tashi Infocomm Limited	194,309,670.35	Army Welfare Project Limited	138,556,200.60
8	Army Welfare Project Limited	168,594,101.50	G I C- Bhutan Re Limited	48,258,610.25
9	State Mining Corporation Limited	147,601,480.84	Jigme Mining Corporation Limited	44,967,522.84
10	Lhaki Steels & Rolling Private Limited	104,988,013.94	Druk Wang Alloys Limited	38,978,177.48
	Total	6,470,877,724.45	Total	5,914,349,989.71

Figure 5: CIT paid by top ten units (Nu. in millions)



2.3 Business Income Tax (BIT)

Business Income Tax is levied on business entities which are not incorporated and are operating on a trade license or a permit issued by the competent authorities. The business size varies from micro to large operated either as proprietorship or as partnership. As per the Income Tax Act, large and medium businesses are required to maintain books of accounts and file the annual accounts at the time of filing. On the other hand, small and micro units do not file annual accounts and their tax liabilities are finalized based on estimated assessment. Small and micro business unit located in rural areas are exempted from paying business income tax under the Fiscal Incentives Act of Bhutan 2017. For the Income Year 2020, BIT constitute of 35.92% of total taxpayer's compositions.

Table 4: BIT entities profile

RRCOs	No. of Account Filer	Estimated BIT			Total BIT units	Zero filers
		Exempted	Not Exempted	Total Estimated Units		
Bumthang	81	543	1,056	1,599	1,680	426
Gelephu	167	1,939	2,750	4,689	4,856	1,269
Mongar	191	1,641	1,674	3,315	3,506	588
P/ling	270	1,133	2,422	3,555	3,825	823
Paro	209	946	2,146	3,092	3,301	1,288
Samtse	176	1,507	891	2,398	2,574	490
S/Jongkhar	289	1,334	658	1,992	2,281	561
Thimphu	2331	1,528	11,084	12,612	14,943	4,997
Total	3714	10,571	22,681	33,252	36,966	10,442

2.3.1 BIT collection

Business income tax is collected adopting two methods. Businesses maintaining books of account pay income tax at the rate of 30% on the net profit and are subject to desk and field assessment, while estimated assessment method is used to assess the small and micro units not maintaining records. Usually, the assessing team uses the industrial averages, import information, previous years' tax amount, location and business type to finalize the tax liability. Out of total BIT taxpayers, 10.05% filed their books of account, 61.36% is assessed under estimated assessment method while 28.60% were exempted from BIT. The year 2020 recorded 10,442 (28.25%) business unit, one of the highest thus far, declaring non-operational, leading to drastic fall in business income tax collection and this decline is attributable to the Covid19 pandemic.

The total business income tax collection for the Income Year 2020 amounted to Nu. 616.18 million, recording a decrease by 34.49% (amounting to Nu. 287.05 million) as compared to the Income Year 2019.

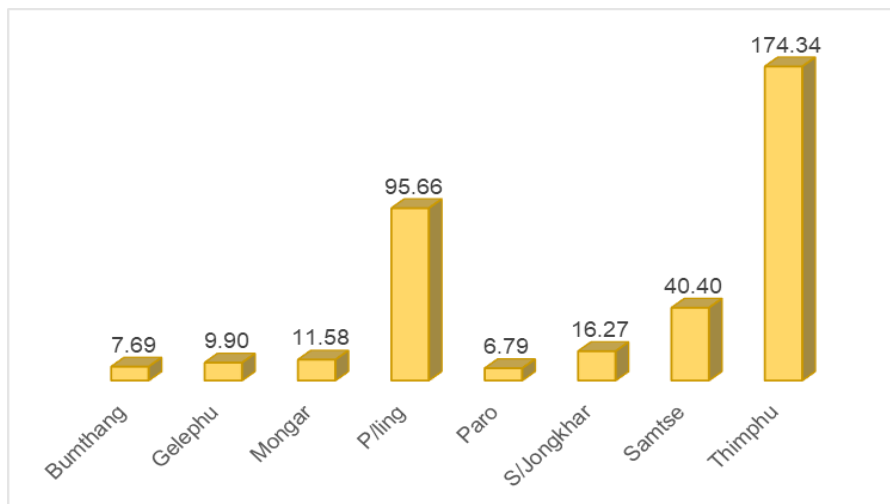
2.3.2 BIT collection from account filer

Although BIT account filers comprise 10.05% of the total BIT taxpayers, their BIT contribution to total BIT collection stood at 58.85% amounting to Nu. 362.63 million. However, the number of BIT account filer has reduced to 3,714 taxpayers in 2020 from 3,914 taxpayers in 2019 leading to decrease in Self-declared BIT by 43.81%. This was mainly due to the disruption caused by the pandemic in the operation of the businesses.

Table 5: Comparative BIT collection from account filer.

RRCOs	No. of account filers		Self-declared Tax amount		% Increase/Decrease of tax amount
	2019	2020	2019	2020	
Bumthang	69	81	5,107,387.35	7,694,347.60	50.65%
Gelephu	207	167	12,184,714.20	9,896,634.66	-18.78%
Mongar	229	191	8,590,586.17	11,576,724.11	34.76%
P/ling	469	270	212,708,707.79	95,659,136.77	-55.03%
Paro	235	209	20,457,375.13	6,793,332.43	-66.79%
S/Jongkhar	169	176	30,259,549.10	16,273,796.76	-46.22%
Samtse	252	289	76,279,644.03	40,396,066.48	-47.04%
Thimphu	2284	2,331	279,718,280.25	174,339,162.34	-37.67%
Total	3,914	3,714	645,306,244.02	362,629,201.15	-43.81%

Figure 6: BIT collection from accounts filer (Nu. In million)



As always, RRCO Thimphu recorded highest self-declared BIT collection from account filer as well as highest number of account filer collecting Nu. 174.34 million from 2331 BIT unit. Despite the fall in collection by 37.67%, Thimphu region contributed 48.08% to the total BIT collection of Nu. 362.63 million, followed by Phuentsholing and Samtse region with 26.38% and 11.14% respectively. All the region experienced a decrease in collection except Bumthang and Mongar region who registered an increase of 50.65% and 34.76% respectively mainly contributed by the sectors not affected by Covid19.

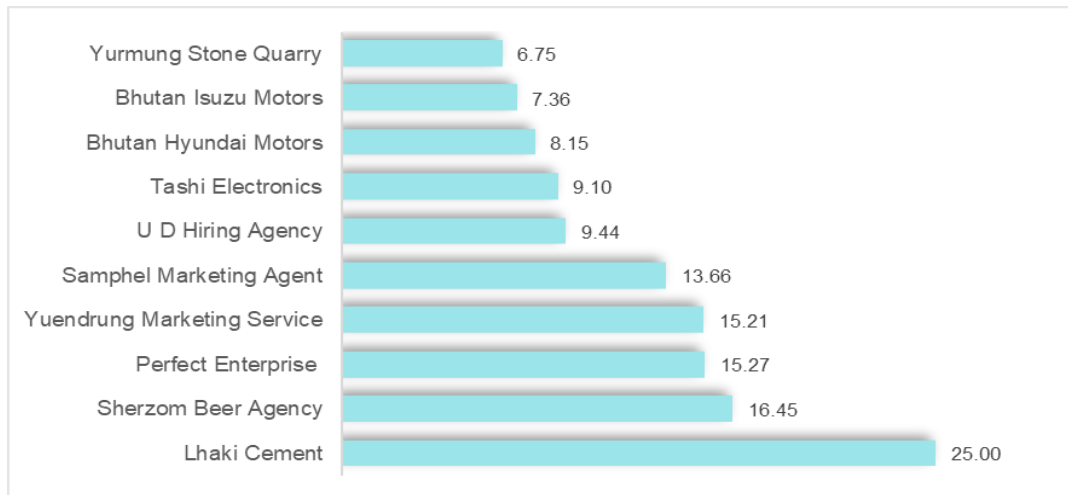
2.3.3 Top ten BIT payers

Table 6: Comparative top ten BIT collection

Sl. No.	Top 10 BIT - IY 2019		Top 10 BIT - IY 2020	
	BIT Units	Self-declared tax	BIT Units	Self-declared tax
1	Lhaki Cement	44,327,460.57	Lhaki Cement	24,999,510.74
2	Tashi Corporate Mgt & Consultancy	37,437,994.81	Sherzom Beer Agency	16,449,685.22
3	Tashi Taj	31,557,301.41	Perfect Enterprise	15,272,559.26
4	B O D (TCC)	22,297,965.45	Yuendrung Marketing Service	15,213,203.19
5	Yuendrung Marketing Service	18,709,519.91	Samphel Marketing Agent	13,656,033.80
6	Sherzom Beer Agency	18,279,809.42	U D Hiring Agency	9,439,585.85
7	Perfect Enterprise	16,133,621.62	Tashi Electronics	9,103,534.06
8	Sherja Equipment Hiring Unit	15,782,932.66	Bhutan Hyundai Motors	8,149,953.76
9	Samphel Marketing Agent	14,578,415.74	Bhutan Isuzu Motors	7,359,393.82
10	U D Hiring	13,809,208.17	Yurmung Stone Quarry	6,748,995.75
	TOTAL	232,914,229.76		126,392,455.45

Top ten BIT account filers constituted 34.85% of total BIT collection amounting to Nu. 126.39 million. For the past few consecutive years, M/s Lhaki Cement under RRCO recorded the highest BIT payer although contribution for the income year 2020 was only Nu.25 million. The list is followed by M/s Sherzom Beer Agency and M/s Perfect Enterprise with BIT amounting to Nu.16.44 million and Nu.15.27 million respectively. The total collection from the top ten BIT units has dropped by 46.73% compared to the year 2019.

Figure 7: BIT paid by top ten BIT account filer (Nu. In million).



2.3.4 BIT collection from estimated taxpayers

Section 4.3, Chapter 2 of General Provision of the Income Tax Act of the Kingdom of Bhutan 2001, authorize income tax official to make an estimated assessment based on the best judgement where a taxpayer has failed to maintain books of accounts. Estimated assessment is applied only to micro and small units for which assessment is conducted based on following factors but not limited to:

- Purchase and sales details (export and import) and industrial ratios,
- Tax return filed for last three years,
- Similar business units within the vicinity,
- Tax paid in previous year plus an appropriate increase,
- Tax Deducted at Source information,
- Any other information obtained from third parties.

Table 7: Comparative BIT collection from estimated taxpayers

RRCOs	Total number of estimated filers		Tax amount		% Tax Amount	% Increase/Decrease
	2019	2020	2019	2020	(2020)	2020-2019
Bumthang	1007	1056	8,553,850.33	9,782,501.41	3.86%	14.36%
Mongar	2495	2750	21,334,098.73	29,266,647.78	11.54%	37.18%
Gelephu	1798	1674	13,966,234.66	19,781,610.82	7.80%	41.64%
P/ling	2993	2422	57,422,934.22	40,315,375.51	15.90%	-29.79%
Paro	1799	2146	15,336,170.39	13,474,679.72	5.31%	-12.14%
S/Jongkhar	981	891	12,449,246.00	12,421,803.35	4.90%	-0.22%
Samtse	590	658	5,402,526.64	8,343,372.00	3.29%	54.43%
Thimphu	10352	11084	123,455,012.52	120,161,547.63	47.39%	-2.67%
Total	22,015	22,681	257,920,073.49	253,547,538.22	100.00%	

As the account filer contributed 58.85% to the total BIT collection, the remaining 41.15% is from estimated filers amounting to Nu.253.55 million despite the fact that it constitutes 61.36% (22,681 taxpayers) out of the total BIT filers. However, of all the collection, the decline in collection from estimated filer is the minimum at 1.70%. Thimphu region still holds the highest number of estimated filers at 11,084 taxpayers notching an increase by 7.07% over the previous year. However, the estimated collection has decreased by 2.67% from Nu.123.54 million to Nu.120.16 million. On the other hand, Samtse region had the least number of estimated filers with only 658 units accounting for only 3.29% of the total estimated filers.

2.3.5 Tax forgone from estimated filer and Tax Holiday

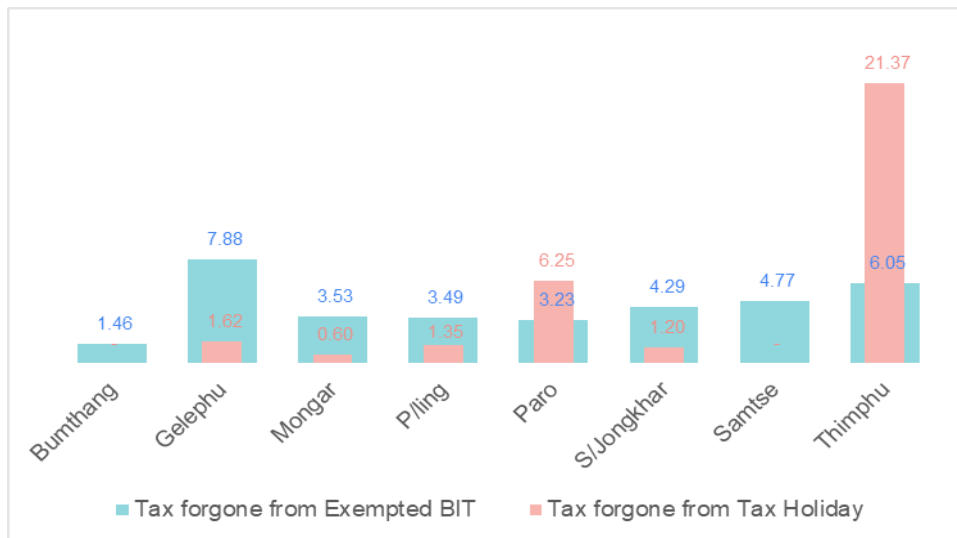
For the Income Year 2020, the total business and corporate income tax forgone from exempted business unit and from units on tax holiday stand at Nu. 67.08 million from a total of 10,732 business entities.

Section 11, chapter 2 of Fiscal Incentives Act of Bhutan 2017 exempts income tax to small and micro businesses located in the rural areas. The incentive was granted in the year 2017 and was further extended till 2024 in the Third Session of the Third Parliament. The incentive is primarily to promote the growth and development of the economic opportunities, livelihood and employment opportunities in rural areas. In the income year 2020, Nu. 34.70 million from 10,571 small and micro business units in rural areas beyond the Thromde and Dzongkhag Municipal boundary have been exempted. Gelephu region saw the maximum number of units falling under tax exempted bracket recording 1939 units forgoing Nu. 7.88 million business income tax while Bumthang region had the lowest number of exempted units at 543 units.

Table 8: Tax forgone from exempted and tax holiday units

Region	Exempted Units		Tax Holiday Units		Total tax forgone
	No of Units	Tax Forgone	No of Units	Tax Forgone	
Bumthang	543	1,460,559.44	5	0	1,460,559.44
Gelephu	1939	7,876,899.22	13	1,617,535.15	9,494,434.36
Mongar	1641	3,531,040.21	13	598,176.03	4,129,216.24
P/ling	1133	3,490,341.98	12	1,346,840.46	4,837,182.44
Paro	946	3,233,818.55	24	6,251,064.50	9,484,883.05
S/Jongkhar	1507	4,291,672.26	5	1,195,947.07	5,487,619.33
Samtse	1334	4,765,299.47	2	-	4,765,299.47
Thimphu	1528	6,054,493.72	87	21,366,414.68	27,420,908.40
Total	10571	34,704,124.85	161	32,375,977.88	67,080,102.73

Figure 8: Tax forgone



The Royal Government with an objective to stimulate private sector growth, to generate employment and attract foreign investments has formulated various fiscal incentives. The Fiscal Incentives Act of Bhutan 2017 was targeted to promote thrust sectors such as education, tourism, ICT, manufacturing, CSI's for balanced economic growth.

As of 31st July 2021, there are 161 business units from various sectors availing tax holiday as per Fiscal Incentives Act of Bhutan 2017 thereby recording a tax expenditure of Nu. 32.38 million under direct tax. RRCO Thimphu alone has 87 business entities availing tax holidays forgoing Nu. 21.37 million of tax followed by RRCO Paro with 24 units forgoing 6.25 million in income tax. This is mainly because Thimphu and Paro region has most of the high-end hotels and education sectors which are on tax holiday. On the other hand, Bumthang and Samtse region has 5 and 2 units respectively on tax holiday but the taxes forgone from those units are nil as businesses have declared loss.

2.4 Personal Income Tax (PIT)

Personal Income Tax is levied on an individual whose gross income from four sources namely salary, rental, dividend and income from other source exceeds Nu.300,000 per annum. PIT is levied at the progressive rate. The year 2020 saw major reforms in the area of PIT which contributed to the fall in PIT collection and also the number of the filers as shown in the table below.

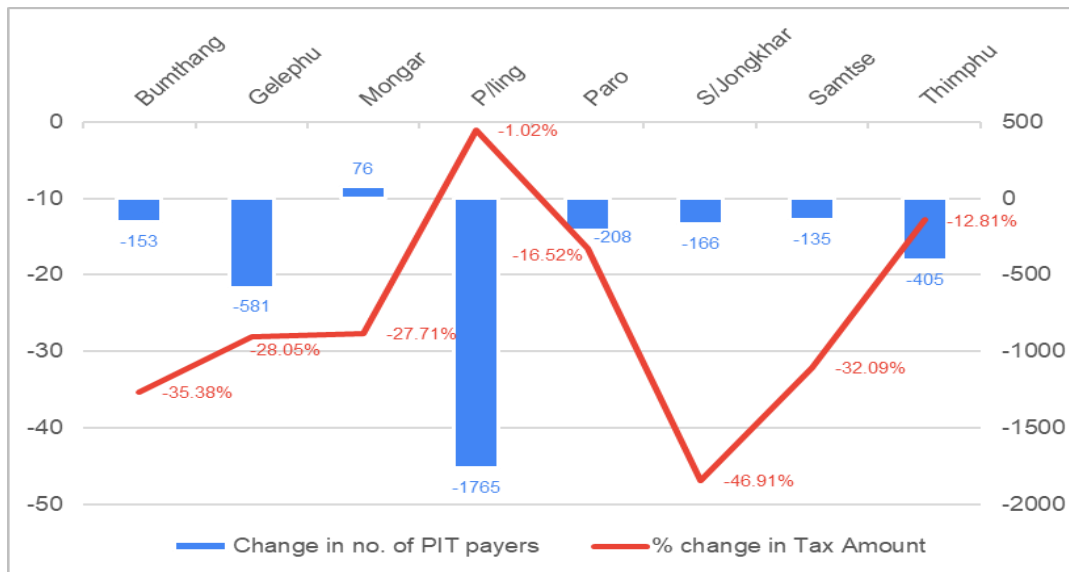
Table 9: Comparative PIT composition

RRCOs	Number of filers		Tax Amount (Nu.)		Change in no. of PIT payers	RRCO's % share of PIT collection	% Change in Tax Amount
	2019	2020	2019	2020			
Bumthang	2,665	2,512	52,560,255.41	33,964,505.81	-153	2.38%	-35.38%
Gelephu	7,111	6,530	95,889,406.26	68,994,394.96	-581	4.84%	-28.05%
Mongar	6,461	6,537	97,864,189.98	70,741,370.65	76	4.96%	-27.71%
P/ling	10,534	8,769	240,947,740.10	238,479,911.51	-1765	16.72%	-1.02%
Paro	4,567	4,359	141,557,589.14	118,178,896.28	-208	8.28%	-16.52%
S/Jongkhar	4,879	4,713	112,015,792.25	59,467,803.01	-166	4.17%	-46.91%
Samtse	3,459	3,324	61,474,560.83	41,745,245.58	-135	2.93%	-32.09%
Thimphu	29,186	28,781	911,888,869.11	795,053,269.35	-405	55.73%	-12.81%
Total	68,862	65,525	1,714,198,403.08	1,426,625,397.15	-3337	100.00%	

For the Income Year 2020, a total of 65,525 individuals filed their PIT return and paid self-declared tax amounting to Nu.1,426.63 million. The year saw a decline in number of taxpayers by 3,337 which was mainly because of the increase in basic exemption threshold from Nu.200,000 to Nu.300,000. The total PIT collection also dropped by 16.78% which could be contributed by the major tax reforms made in 2020¹.

¹ Refer 4.3 Tax Reforms

Figure 9: Change in PIT filer and PIT

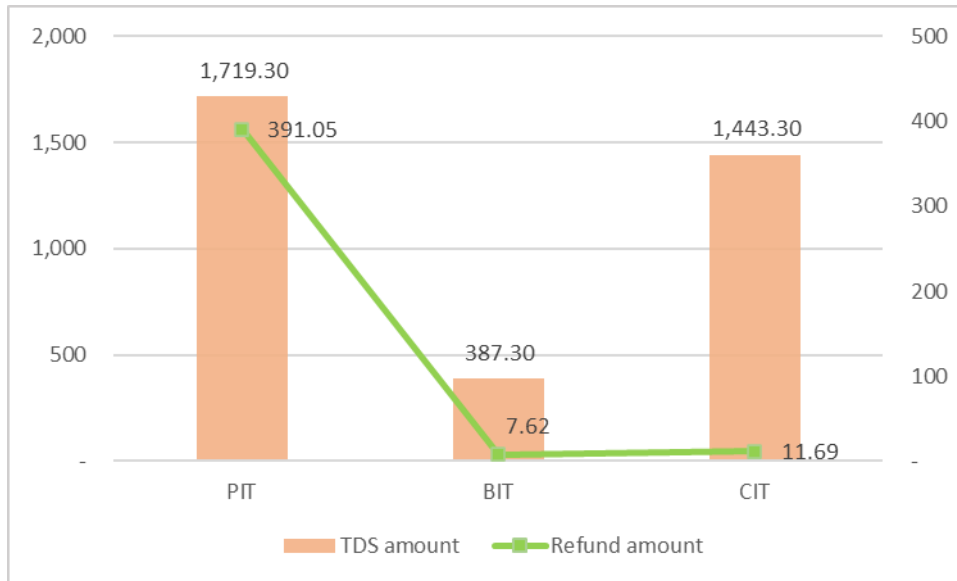


As depicted in the graph above, RRCO Thimphu recorded the highest PIT collection with Nu.795.05 million. Compared to the previous income year, RRCO Thimphu recorded a decrease in PIT amount by 12.81% and number of PIT payers by 405. RRCO Phuentsholing recorded the second highest with PIT collection at Nu. 238.48 million. The region registered the highest decrease in the number of taxpayers by 1765 and lowest decline in PIT collection with just 1.02%. All the regions saw a fall in collection of PIT along with the fall in number of taxpayers except RRCO Mongar who recorded an increase in taxpayers by 76 numbers.

2.5 Tax Deducted at Source (TDS)

For the Income Year 2020, the total Tax Deducted at Source amounted to Nu.3,549.90 million registering a nominal increase compared to Income Year 2019 for which the TDS collection was Nu.3,529.58 million. As per the Income Tax Act of Bhutan 2001 and the Rules thereto, tax shall be deducted at source from income specified under the provision of the Act, and shall have priority over any other claims. TDS is a mode of collection modelled on the principle of Pay As You Earn (PAYE) and it eases the burden of paying huge tax at one time. TDS of PIT alone amounted to Nu.1,719.30 million contributing 48.43% to the total collection. TDS collection from BIT and CIT amounted to Nu. 387.30 million and Nu. 1443.30 million respectively. From the total TDS collection of BIT and CIT, Nu. 1.50 million and Nu. 287.46 million respectively pertains to TDS on Non-Bhutanese Contractor which is deducted at the rate of 3% of the income and is treated as final tax.

Figure 10: TDS and refund (Nu. In millions)



2.6 Tax refund

Out of TDS collection of Nu.3,549.90 million, Nu.410.36 million was refunded during the IY 2020 as compared to Nu. 180.60 million in the IY 2019 registering an increase of 127.22%. The increase was mainly fuelled by an increase in the refund of Personal Income Tax (143.56%) due to deduction of TDS at old rates for almost 8 months. The refund for Corporate Income Tax amounting to Nu. 11.69 million (out of Nu. 1,443,30 million TDS) also contributed for the total increase in refund as there was a rise by 9.81%. On the other hand, a refund for Business Income Tax was decreased by 18.92% from Nu.9.4 million in 2019 to Nu.7.62 million in 2020.

Table 10: Tax refunded

Tax Type	Sum of refund amount	Number of taxpayers
Personal Income Tax	391,052,151.25	55,583
Business Income Tax	7,621,189.62	332
Corporate Income Tax	11,688,136.87	33
Total	410,361,477.74	55,948

PART III

ENFORCEMENT HIGHLIGHT

3.1 Assessment Highlight

Assessment of the account filer happen in two forms viz Desk assessment (DA) and Field Assessment (FA). As per the Income Tax Act and Rule, desk assessment means preliminary checking of self-assessed tax return without visiting the business premises. Generally, it requires less time compared to FA. However, if further scrutiny required, it is examined through FA. On the other hand, field assessment is more detailed and time consuming and it has to be done within the two years from the date of tax return is filed. However, the assessment of PIT filer is usually completed within lesser duration than the BIT and CIT assessment.

Table 11: Assessment highlight

Particular	Thimphu	Pling	S/jongkhar	Paro	Samtse	Gelephu	Mongar	Bumthang	Overall
PIT									
DA Target	28,781	8,769	4,713	4,359	3,324	6,530	6,537	2,512	65,525
DA Completed	28,748	8,756	4,712	4,348	3,321	6,528	6,537	2,510	65,460
% Completed	99.89%	99.85%	99.98%	99.75%	99.91%	99.97%	100.00%	99.92%	99.90%
DA Pending	33	13	1	11	3	2	-	2	65
DA Additional	12,014,079.16	663,365.81	559,006.23	341,089.32	183,049.78	1,683,807.49	593,690.56	40,356.26	16,078,445
CIT									
FA Target	50	36	21	15	16	0	20	4	162
FA Completed	38	29	3	4	5	0	5	4	88
% Completed	76.00%	80.56%	14.29%	26.67%	31.25%	-	25.00%	100.00%	54.32%
FA Pending	12	7	18	11	11	0	15	0	74
FA Additional	161,109,822.87	31,218,201.06	2,413,481.53	1,569,045.09	2,288,374.15	0	92,774.99	0	198,691,699.69
BIT									
DA Target	1212	415	75	64	282	128	145	60	2381
DA Completed	793	349	35	54	219	68	145	38	1701
% Completed	65.43%	84.10%	46.67%	84.38%	77.66%	53.13%	100.00%	63.33%	71.44%
DA Pending	419	66	40	10	63	60	0	22	680
DA Additional	42,640,696.51	17,377,122.40	1,233,606.42	1,609,939.96	12,158,808.69	1,389,477.68	676,974.42		77,086,626.08
FA Target	71	50	76	30	0	0	90	42	359
FA Completed	48	33	39	20	0	0	54	22	216
% Completed	67.61%	66.00%	51.32%	66.67%	-	-	60.00%	52.38%	60.17%
FA Pending	23	17	37	10	0	0	36	20	143
FA Additional	25,663,028.69	19,827,231.87	5,481,657.05	9,834,836.11	0		2,537,923.14	132,018.36	63,476,695.22
Total Additional Collected	68,303,725.20	37,204,354.27	6,715,263.47	11,444,776.07	12,158,808.69	1,389,477.68	3,214,897.56	132,018.36	140,563,321.30

3.1.1 Desk Assessment (DA)

Desk Assessment is done only for PIT filer and small BIT account filer. From the above table, it is clear that all the PIT filer are earmarked for DA and almost all the regions completed approximately 99% of PIT assessment except for RRCO Mongar who achieved 100% PIT DA. Total additional tax collected from PIT DA stood at Nu. 16.08 million. From the BIT account filers, 2381 units were targeted for DA, out of which, 1701 units were completed making up to 71.44% collecting additional taxes of Nu. 77.09 million. Under BIT, RRCO Mongar recorded

100% DA completing all 145 units targeted for DA followed by RRCO Paro completing 84.38% (54 units out of total target of 64) of the targeted units under DA. However, the highest additional tax collection from DA was recorded under RRCO Thimphu with Nu. 42.64 million, assessing 65.43% of the total target.

3.1.2 Field Assessment (FA)

Field Assessment is carried out for medium and large BIT account filers and CIT units. It involves verification of all the supporting documents and the use of all the information available on the unit by an assessing team. From the above table, it is evident, a total of 162 CIT units were targeted for the FA and all RRCOs put together, completed only 88 units. A total additional tax of Nu. 198.69 million were collected by the RRCOs. Bumthang regional office completed the FA of all 4 units targeted but with no additional tax. On the other hand, RRCO Thimphu raised Nu. 161.11 million from 38 CIT units. Meanwhile, in the haze of ongoing pandemic, Gelephu region have not conducted any FA of CIT unit. With regard to BIT FA, 216 units are assessed with additional tax of Nu. 63.48 million out of the total target of 359 units. Paro region had a highest completion rate with 67.67% assessing 20 units out of 30 but RRCO Thimphu raised highest collection with Nu. 25.66 million followed by RRCO Phuentsholing with Nu. 19.83 million. The low rate of FA completion is mainly due to the disturbance in working days from the ongoing pandemic.

3.2 Appeals

As per the Income Tax Act and Rules, taxpayers can appeal if they don't agree on any findings in the assessment report issued by the regional offices after the assessment. Taxpayers can appeal on tax amount as well as on fines and penalties. There are three tiers of appeal where a taxpayer can lodge their appeal before appealing to the court. The taxpayer can appeal to RRCO within the 30 working days from the date of demand notice if they disagree with any of the findings from the assessment and the appeal will be heard by Regional Tax Appeal Committee (RTAC) and the decision conveyed within 30 days from the receipt of the appeal. If the taxpayer doesn't receive any response from RRCO on their first appeal or if they are not satisfied with the RTAC decision, they can appeal to DRC for further review. The appeal committee at DRC will convey the decision within 60 working days from the receipt of the appeal. The third level of appeal is at Appeal Board which is constituted at Ministry level with members from outside the Ministry. If the taxpayer still disagrees or is not satisfied with the decision from Appeal Board, the taxpayers can appeal at the court of law.

3.2.1 Appeal to RRCO (Regional Tax Appeal Committee)

The table below depicts the appeal received across eight regional offices. During the Income Year 2020, a total of 431 appeal cases were registered at RRCO level with disputed amounts totalling to Nu. 751.28 million. From the total appeal received by RRCOs, 347 taxpayers appealed on fines and penalties which included late filing fines, 24% penal interest, non-filing fines and concealment fines and remaining 84 appeals were on disallowances made by the assessing team at the time of assessment. From the total appeals, 408 cases were solved by RTAC, 7 were rejected and 16 cases were forwarded to DRC Tax Appeal Committee for further review. The highest appeal case was recorded under BIT with 245 cases and lowest under the CIT with 79 cases.

Table 12: Appeal to RRCO

Particulars	Tax Type			Total
	CIT	BIT	PIT	
TAX APPEALS				
No of appeals received	79	245	107	431
on fines & penalties	50	194	103	347
on disallowances	29	51	4	84
Appeal resolved at RRCO level	71	230	107	408
Rejected	0	7	0	7
No. of appeals forwarded to head office	8	8	0	16
Total Amount appealed to RTAC:				
- on fines & penalties	173,417,559.62	33,098,013.09	29,013,944.16	235,529,516.87
- on disallowances	381,653,890.52	110,539,508.95	23,456,241.27	515,649,640.74
Total amount appealed	555,071,450.14	143,637,522.04	52,470,185.43	751,179,157.61
Total Amount waived by RTAC on:				
- on fines & penalties	35,698,196.14	40,505,164.90	20,119,012.88	96,322,373.92
- on disallowances	29,550,634.73	7,719,030.67	22,803,442.56	60,073,107.96
Total Amount waived	65,248,830.87	48,224,195.57	42,922,455.44	156,395,481.88
Total Amount Demanded	487,386,795.38	94,787,605.62	9,126,024.66	591,300,425.66

3.2.2 Appeal to DRC

Taxpayers who are not satisfied with the decision passed by RTAC can appeal to DRC. A total of 29 taxpayers appealed to DRC in 2020 on fines and penalties amounting to Nu. 43.49 million and on disallowances amounting to Nu. 56.60 million. The cases were 12 each from CIT and BIT while 5 cases are from PIT. Maximum number of appeals were on fines and penalties and only 7 cases were on disallowances. From the total amount appealed (Nu.100.08 million), DRC waived Nu. 27.28 million on fines and penalties and Nu. 0.29 million on disallowances. The Committee did not consider appeals amounting to Nu. 72.50 million. The highest amount of appeal was from CIT at Nu. 83.53 million. Out of the total appealed amount, Nu. 21.22 million on fines and penalties were waived. The committee did not grant any waiver on the disallowances appealed.

Table 13: Appeal to DRC

Particulars	Tax Type			Total
	CIT	BIT	PIT	
TAX APPEALS				
No of appeals received	12	12	5	29
on fines & penalties	9	9	4	22
on disallowances	3	3	1	7
Appeal resolved at DRC level	12	12	5	29
Rejected	1	1	0	2
Total Amount appealed to RTAC:				
- on fines & penalties	29,223,566.03	11,267,072.50	3,000,261.44	43,490,899.97
- on disallowances	54,308,036.75	1,452,971.56	828,536.57	56,589,544.87
Total amount appealed	83,531,602.78	12,720,044.06	3,828,798.01	100,080,444.84
Total Amount waived by RTAC on:				
- on fines & penalties	21,771,378.48	3,017,824.95	2,495,088.71	27,284,292.14
- on disallowances	-	-	296,000.00	296,000.00
Total Amount waived	21,771,378.48	3,017,824.95	2,791,088.71	27,580,292.14
Total Amount Demanded	61,760,224.29	9,702,219.10	1,037,709.31	72,500,152.70

PART IV

MANPOWER AND TRAINING

4.1 Human Resources

As per the 12th Five Year Plan Staffing of the Ministry of Finance undertaken in June 2021 during the 98th Commission Meeting held on 29 June 2021, the approved manpower strength of the Income Tax Division including eight regional offices was 171 Officials (95 Tax Officer and 76 Tax Inspector). The table below shows the approved, existing and the gap analysis in manpower of the Income Tax Division.

Table 14: Manpower composition

RRCO/ DRC	Officers			Inspectors			Total		
	Approved	Existing	Gap	Approved	Existing	Gap	Approved	Existing	Gap
HQ, DRC	7	6	1	1	0	1	8	6	2
Bumthang	6	2	4	4	3	1	10	5	5
Gelephu	8	6	2	8	7	1	16	13	3
Mongar	7	3	4	6	6	0	13	9	4
P/ling	16	12	4	20	18	2	36	30	6
Paro	8	4	4	10	8	2	18	12	6
S/Jongkhar	8	7	1	6	5	1	14	12	2
Samtse	8	5	3	6	7	-1	14	12	2
Thimphu	27	24	3	15	15	0	42	39	3
Total	95	69	26	76	69	7	171	138	33

4.2 Manpower Gap Analysis

As depicted in the above table, the division had a manpower gap of 26 officers and 7 inspectors making it to the total shortage by 33 officials. Every year, department make effort to reduce the gap by recruiting new officials however, the gap for the year 2020 has increased to 33 officials compared to 29 in 2019. Tax officials are distributed proportionately in accordance to the size of the region categorized based on number of taxpayers and workload. Thimphu regional office being largest amongst eight RRCOs in term of size and number of taxpayers covering four districts, it has the highest number of tax officials counting to 39 (24 officers and 15 inspectors). On the other hand, Bumthang region has only 5 officials owing to small size and less workload. For the year 2020, the Income Tax Division has a total staff strength of 138 officials including those on studies and EOL. There are 69 tax officers ranging from position level from P5 to P1 and 69 tax Inspectors. Phuentsholing and Paro region has the highest number of gaps with the shortage of 6 officials each. The department has been facing a constant manpower shortage owing to those on study leave, EOL and deputation.

4.3 Staff Strength and Academic Qualification

Tax officials enter the department with either a Diploma in Financial Management as Tax Inspector or with Postgraduate Diploma in Financial Management as Tax Officer. However, after being in department for some years, most official try for further studies through available scholarships. As of 2020, the department has 11 officials with Master Degree qualification and 7 officials with Indian Revenue System (IRS) qualification. There are 6 officials pursuing master's degree through various scholarships while 2 are pursuing IRS in India.

Table 15: Academic qualification of tax officials

RRCO/DRC	Master Degree	Bachelors (PGDFM)	IRS	DFM	Pursuing Master	Pursuing IRS
HQ, DRC	5	0	1	0	0	0
Bumthang	0	2	0	3	0	0
Gelephu	1	2	2	7	1	0
Mongar	0	3	0	6	0	0
P/ling	2	10	0	18	0	0
Paro	1	3	0	8	0	0
S/Jongkhar	0	5	0	5	2	0
Samtse	0	2	2	7	0	1
Thimphu	2	16	2	15	3	1
Total	11	43	7	69	6	2

4.4. Taxpayer to Tax Officials Ratio

RRCO Thimphu with the highest number of taxpayers has the highest taxpayer to tax official ratio at 1127:1. Under PIT and CIT, RRCO Thimphu continues with the highest taxpayer to tax official ratio at 738:1 and 6:1 respectively. In the case of BIT, RRCO Mongar has the highest taxpayer to tax official ratio at 390:1. Samtse regional office with 12 tax officials has the lowest taxpayer to tax official ratio for PIT at 277:1. Similarly, RRCO Phuentsholing has the lowest taxpayer to tax official ratio for BIT at 128:1. RRCO recorded the lowest taxpayer to tax official ratio for CIT at 1:1.

Table 16: Taxpayer to tax official ratio

RRCO	Tax Officials	Total Taxpayers				Taxpayer to Officials Ratio			
		PIT	BIT	CIT	Total	PIT	BIT	CIT	Total
Bumthang	5	2,512	1,680	4	4,196	502.40	336.00	0.80	839.20
Gelephu	13	6,530	4,856	19	11,405	502.31	373.54	1.46	877.31
Mongar	9	6,537	3,506	13	10,056	726.33	389.56	1.44	1,117.33
P/ling	30	8,769	3,825	53	12,647	292.30	127.50	1.77	421.57
Paro	12	4,359	3,301	35	7,695	363.25	275.08	2.92	641.25
S/Jongkhar	12	4,713	2,574	29	7,316	392.75	214.50	2.42	609.67
Samtse	12	3,324	2,281	16	5,621	277.00	190.08	1.33	468.42
Thimphu	39	28,781	14,943	248	43,972	737.97	383.15	6.36	1,127.49
Total	132	65,525	36,966	417	102,908	3,794.32	2,289.41	18.50	6,102.23

PART V

RECENT INITIATIVES

5.1 Fiscal Measures

Bhutan's economy has been severely affected by Covid19 since the outbreak of the pandemic. With the subsequent closure of border to contain the domestic outbreak, exports and imports have also decreased significantly. In order to improve the economic growth prospects, create employment opportunities and address the immediate economic challenges, the government adopted and implemented following measures (a) National Resilience Fund (b) Economic Contingency Plan (c) Monetary Measures and (d) Fiscal Measures.

As per the Press Release dated 11th April 2020, the first phase of fiscal measures along with other measures was announced from April to June 2020. Since the effect of the pandemic continued, the government announced the second phase from July 2020 till 30th June 2021 and third phase from July 2021 to 31st December 2021. Following measures are included in the Fiscal Measure I to III:

1. Deferral of the payment of Business Income Tax and Corporate Income Tax for IY 2019;
2. Deferral of the payment of Demand Charges;
3. Waiver of electricity, WIFI and broadband charges for the private hotels used as quarantine facility;
4. Waiver of monthly rent and other charges for the businesses and airlines;

The summary of the impact from the deferral of BIT and CIT since phase I to III till 30th September 2021 is presented below.

5.1.1 Deferral of CIT and BIT tax payment for IY 2019 until 31st December 2021 for tourism and allied sectors

Fiscal Measure phase one started with a total of 506 BIT and CIT units availing the deferral of tax payment for the IY 2019 till the end of December 2021 deferring a total tax payment of Nu.260.90 million. From the total deferred cases, a total of 345 units have settled the taxes while 150 units has not paid their self-declared tax and 11 units are under instalment arrangements as of 30th September 2021. Out of the total taxes payable, a total of Nu. 103.81 million has been collected leaving a balance payable amount of Nu. 157.10 million as reflected in the table below.

Table 17: Summary of sector wise CIT and BIT deferral for the income year 2019

Sl. No.	Activity	Total Payable		No. of units	Paid		Balance Payable	
		No. of units	Tax amount		Tax amount	No. of units	Tax amount	
1	Tourism & Travel	94	26,392,720.54	67	9,924,121.83	27	16,468,598.71	
2	Hotel & Restaurant	97	88,543,920.22	79	57,649,982.14	18	30,893,938.08	
3	Construction and Mftg.	35	16,547,189.40	28	15,926,947.34	7	620,242.06	
4	Airline	1	105,339,289.23	0	-	1	105,339,289.23	
5	Others	279	24,074,557.91	171	20,313,755.49	108	3,760,802.42	
	Total	506	260,897,677.30	345	103,814,806.80	161	157,082,870.50	

5.1.2 BIT deferral

As shown in the table below, there are 490 BIT entities that availed deferral under the Fiscal Measures I, II and III with BIT liability amounting to Nu.64.89 million. As on 30th September 2021, of the total BIT payable, BIT amounting to Nu. 52.71 million has been paid leaving a balance amount of Nu.12.17 million representing 153 units of which 8 BIT units are paying their self-declared tax under instalment arrangements with respective RRCOs.

Table 18: Summary of sector wise BIT Deferral for IY 2019

Sl. No.	Activity	Total Payable		No. of units	Paid		Balance Payable	
		No. of units	Tax amount		Tax amount	No. of units	Tax amount	
1	Tourism & Travel	87	16,318,990.41	65	8,697,448.65	22	7,621,541.76	
2	Hotel & Restaurant	93	37,297,605.00	77	37,126,176.24	16	171,428.76	
3	Construction and Mftg.	34	1,053,897.87	27	433,655.81	7	620,242.06	
4	Others	276	10,216,552.28	168	6,455,749.86	108	3,760,802.42	
	Total	490	64,887,045.56	337	52,713,030.56	153	12,174,015.00	

5.1.3 CIT deferral

There are a total of 16 CIT entities availing deferral with CIT payable amounting to Nu.196.01 million. As on 30th September 2021, CIT amounting to Nu.51.10 million has been paid, while CIT totalling to Nu.144.91 million is still payable. Of the total CIT deferral, 3 entities are still paying under instalment arrangements. Meanwhile, 4 units under RRCO Thimphu (Norbu Bhutan Travel Pvt Ltd., HK Happiness Travel Pvt Ltd., Druk Travel Services Pvt Ltd., and Himalayan Safaries Lodges Pvt Ltd.) and 1 unit under RRCO Paro (Druk Air Corporation Ltd.) have not paid their self-declared taxes for IY 2019.

Table 19: Summary of sector wise CIT Deferral for the IY 2019

Sl. No.	Activity	Total Payable		Total Paid		Balance Payable	
		No. of units	Tax amount	No. of units	Tax amount	No. of units	Tax amount
1	Tourism & Travel	7	10,073,730.13	2	1,226,673.18	5	8,847,056.95
2	Hotel & Restaurant	4	51,246,315.22	2	20,523,805.90	2	30,722,509.32
3	Construction and Mftg.	1	15,493,291.53	1	15,493,291.53	0	-
4	Airline	1	105,339,289.23	0	-	1	105,339,289.23
5	Others	3	13,858,005.63	3	13,858,005.63	0	-
	Total	16	196,010,631.74	8	51,101,776.24	8	144,908,855.50

5.2 BETA for estimated BIT filing

The current method of carrying out Estimated BIT collection is as old as the taxation system in the country. Given the level of technological advancement that the world has attained today, Bhutan's method of carrying out Estimated BIT collection is certainly inefficient and outdated. Therefore, it has become very imperative for the Department to come out with a contemporary alternative method of BIT collection. In addition, the current global pandemic has compelled the people over the world to conduct things differently by observing the Covid19 protocols very strictly.

Therefore, in the bid towards modernizing the BIT collection method as well as to improve the efficiency of BIT collection, the Department has come out with the introduction of an app called BIT Estimated Tax App (BETA). The App was launched on 9th February 2021. As the name suggest, the app is meant for small and micro businesses whose assessment is done based on Estimated Method. Through the use of the app, tax officials will not have to visit the shops for tax-assessments as the taxpayers will file their tax return through the app and officials must assess the tax (both forgone and collection) using the information from BETA and update the same in RAMIS. Since the launch, the department has been emphasizing and soliciting full support from all RRCOs to at least achieve 50% of estimated filing to be done through BETA on the first year of its implementation to support the initiative of facilitating contactless BIT filing.

Table 20: BETA filing and assessment report

RRCO	Action taken by RRCOs				Total Filed
	Approved		Rejected		
	Non-Exempted	Micro Exempted	Non-Exempted	Micro Exempted	
Bumthang	211	277	32	2	522
Gelephu	608	1,023	327	7	1,965
Mongar	326	1,057	303	69	1,755
P/ling	354	691	141	5	1,191
Paro	378	473	36	2	889
S/Jongkhar	230	1,165	183	43	1,621
Samtse	316	938	156	9	1,419
Thimphu	923	432	503	11	1,869
Total	3,346	6,056	1,681	148	11,231

The table above shows the report on tax return filing and assessment done through BETA for the IY 2020. From the desired 50%, the department achieved 33.78% of estimated filer using BETA that is, out of 33,252 estimated BIT taxpayer, 11,231 filed their return through BETA. As of 30th September 2021, from the total filing received through BETA, 3,346 return from non-exempted and 6056 return from exempted stand completed while 1,789 tax returns were rejected. Some of the common reasons for rejection are - repeated filing in BETA after filings are updated in RAMIS, declaring as non-operational even when the unit is operational, taxpayers maintaining books of accounts, previous return not filed, declared tax less than actual payable etc.

5.2.1 Challenges faced by the RRCO while implementing BETA

- Since most of the taxpayers are located at the remotest place, filing the tax return through BETA App faces a main challenge as most of the taxpayers are illiterate and also due to lack of internet connectivity and smart phone.
- Taxpayers are reluctant to use the BETA App as they have to declare details like sales, purchases, etc. and because of this self-declaration, they fear higher tax liability.
- As taxpayers can do self-declaration through BETA, they intentionally make non-operational (NOP) filing even in the event where business has been active. This leads to tax official requiring more time in verifying and also in assessment.
- Regional offices have to give more importance to taxpaying unit compared to exempted unit thereby causing more underlying pending cases of exempted unit.
- Tax officials also pointed out lack of information for assessment as a reason on pending case.

- More time consuming as the tax officials has to use both BETA and RAMIS for filing and assessment.

5.2.2 Way forward to ensure smooth filing through BETA

BETA is the future for the estimated taxpayers and it is important that the taxpayers are made to learn and file their tax returns through BETA. It is equally important to learn from the first year of the BETA implementation and then work on the glitches preventing from the optimal usage of the app. The department, through its Public Information System (PIS) section, is working on more advocacies on BETA and taxpayers getting accustomed to using the app through awareness programs by the RRCOs to all possible taxpayers.

The department is also working on BETA enhancement by implanting new features and more importantly integrating with the main tax system RAMIS. The enhancement and integration will solve most of the blockage and facilitate more and easy usage thereby achieving a higher rate of app users.

5.3 Tax Reforms

To ease the burden of taxation and to reduce the widening gap of income inequality in the country, Income Tax Act of the Kingdom of the Bhutan 2020 and the Fiscal Incentives Act of the Bhutan was enacted during Third Session of the Third Parliament.

5.3.1. Income Tax Act

The Income Tax Act of the Kingdom of the Bhutan 2001 was amended as follows and has come into force from the IY 2020.

- Enhanced basic PIT exemption limit from Nu.200,000 to Nu.300,000;
- Exempted pension income from tax;
- Exempted income from cash crop from tax;
- Enhancement of specific deduction under dividend income from Nu.10,000 to Nu.30,000;
- Allowable deduction for education expenses per child is enhanced from Nu. 150,000 to Nu.350,000;
- The allowable deductions for education expenses are revised to Nu. 20,000.00 per child in the absence of supporting documents;
- PIT rate for the highest income bracket increased from 25% to 30%, along with a 10% Surcharge on annual PIT equal to or more than Nu.1 million;

- Introduction of education expense deduction for sponsored children;
- The word ‘state enterprise’ is added under companies under full tax liability and the income tax rate for companies other than state enterprises under full tax liability is revised to 25% from 30% of the net profit;
- Income tax rate for permanent establishment under companies under limited liability is reduced to 25% of the net profit;
- Allowable entertainment expenses deduction for tour operators increased from 5% to 8% of assessed net profit;
- Publicity and advertisement expenses allowance increased from 2% to 5% of the assessed gross income;
- Introduced one time income tax of 20% on all lottery winnings of prizes equal to or more than Nu. 5000.

5.3.2. Fiscal Incentives Act

Fiscal Incentives Act of Bhutan 2017 was amended wherein the income tax exemption to small and micro businesses in rural areas was extended till 31st December 2024. The act came into effect retroactively from the IY 2019. The initial exemption was granted by the Second Government from the IY 2014 to 2018.

ACRONYMS

BETA:	BIT Estimated Tax App
BIT:	Business Income Tax
CIT:	Corporate Income Tax
CSI:	Cooperative and Small Industries
DA:	Desk Assessment
DFM:	Diploma in Financial Management
DRC:	Department of Revenue & Customs
EOL:	Extra Ordinary Leave
FA:	Field Assessment
ICT:	Information and Communications Technology
IRS:	Indian Revenue System
IY:	Income Year
PGDFM:	Post Graduate Diploma in Financial Management
PIS:	Public Information Service
PIT:	Personal Income Tax
RAMIS:	Revenue Administration Management Information System
RRCO:	Regional Revenue & Customs Office
RTAC:	Regional Tax Appeal Committee
SOE:	State Owned Enterprise
TDS:	Tax Deducted at Source