

BIT system incomplete two years after deadline

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After spending Nu 119.111 million on developing the Bhutan Integrated Taxation System (BITS) it remains incomplete delaying the implementation of much-touted Goods and Services Tax (GST).

The main objective of GST is modernisation and simplification of the taxation system to promote growth and efficiency in the manufacturing, trading and service sectors. GST was supposed to be implemented from July 1, 2022.

According to the annual audit report, Thimphu Tech Park Limited (TTPL) was awarded the work to develop the system in June 2020 but was terminated in April 2022 due to its inability to deliver the system despite several time extensions.

However, it was terminated as none of the required modules of the system was delivered in full, despite multiple deadline extensions. The proposed approach and timeline for completing BITS development by July 2024, TDS and non-tax by December 2024, and income tax by December 2025 could not be met due to the GST implementation delay and associated costs.

While the Department of Revenue and Customs claims that preparatory activities for GST implementation, such as enacting the GST Act and conducting training and outreach programs, were completed, developing the critical BITS component faced delays.

The audit pointed out deficiencies in project planning, capacity assessment of consultants, and monitoring and evaluation as key reasons for the failure.

The report insisted the government demand accountability of those responsible for the failure and wastage of resources to such a magnitude.

The audit also sought directives from appropriate authorities to expedite the process of completing the BITS to enable the implementation of GST and realise its intended objectives and goals without further delays.

However, the department justified its actions by stating that all preparatory activities for GST implementation were completed, except for BITS development by TTPL.

The department stated that they had completed the evaluation of BITS tender (COTS with source code software) and the Letter of Intent (LoI) has been sent to winning bidders. However, DRC was directed to cancel the BITS tender and award the work to Druk Holding and Investments Company. Through DHI the development was directly awarded to TTPL. The sole intent of the government was to build local capacity in Bhutan.

The department also stated that in August 2019, with the failure in the deliverable dates by TTPL, the department reported and advised the TTPL Chairman and board to approve actions to change the international IT development partner. However, the TTPL board did not change their international development partner.

The department also responded to the audit that the expenditure incurred would not be a waste given that most of the activities are completed except for the development of the BITS system which can be reused.

The department attributed the failure to deliver the BITS system by TTPL as a result of the government policy and the consequence of overestimating the current ability of this capability in Bhutan when doing software work because of the complexity of modern taxation systems.