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ROYAL AUDIT AUTHORITY



PERFORMANCE AUDIT OF TOURISM SECTOR DECEMBER 2016



Reporting on Economy, Efficiency, and Effectiveness in the use of Public Resources



DISCLAIMER NOTE

The audit was confined to activities and operations in the Tourism Sector. The review was based on the audit objectives and criteria determined in the audit plan and program prepared by the RAA and the findings are based on the information and documents made available by the audited agencies.

This is also to certify that the auditors during the audit had neither yielded to pressure, nor dispensed any favour or resorted to any unethical means that would be considered as violation of the Royal Audit Authority's Oath of Good Conduct, Ethics and Secrecy.



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ROYAL AUDIT AUTHORITY
Bhutan Integrity House

Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources



RAA/PSAD/2016-2017/ 3985

21st December 2016

The Director General
Tourism Council of Bhutan
Thimphu

Subject: Report on 'Performance Audit of Tourism Sector'

Madam,

Enclosed herewith, please find a copy of the report on '**Performance Audit of Tourism Sector**'. The Royal Audit Authority (RAA) conducted the audit under the mandate bestowed by the Constitution of Kingdom of Bhutan and the Audit Act of Bhutan 2006 and also in terms of the request received from the National Council vide their letter No. NC/CP-17/2015/1477 dated 24th December 2015.

The RAA conducted the audit of tourism sector with an overall objective to ascertain and report on the economy, efficiency and effectiveness in the operation and management of tourism sector.

In particular, the audit focused at:

- ⊕ Reviewing the adequacy of legal and policy framework in achieving the policy objectives of '*high value, low impact*';
- ⊕ Assessing the effectiveness of internal controls in preventing or checking the occurrences of undesirable practices such as, undercutting of tourism tariff;
- ⊕ Reviewing the adequacy of institutional framework, in particular the monitoring and coordination mechanism; and
- ⊕ Evaluating the achievement of targets and objectives of the Sector.

The audit covered the period from 2011 to 2015.

The report highlights significant accomplishments and initiatives as well as shortcomings and deficiencies observed by the RAA. Based on the audit findings and comments received from the Tourism Council of Bhutan (TCB), the RAA has provided certain recommendations that may help improve accountability, enhance effective implementation of plans and programmes and assist informed decision-making.

The RAA would appreciate receiving an **Action Plan with definite timeframe for implementation of audit recommendations on or before 25th March 2017**. In line with the directives of the Parliament, the RAA will be fixing accountability on the officials responsible to implement recommendations provided in the report. **Therefore, we would request the TCB to identify supervisors that would be responsible for implementation of each recommendation and submit the duly filled signed Accountability Statement (attached) to the RAA along with the Action Plan. In the event of non-submission of the Accountability Statement, the RAA shall fix the responsibility for implementation of the recommendations on the Head of the Agency.** The RAA will follow-up implementation of the recommendations based on the Accountability Statement and failing to comply may

"Every individual must strive to be principled. And individuals in positions of responsibility must even strive harder."

-His Majesty the King Jigme Khesar Namgyel Wangchuck

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result in taking appropriate actions, which may include suspending audit clearances to the accountable officials.

We would once again like to acknowledge the officials of the Tourism Council of Bhutan for rendering necessary co-operation and support that had facilitated smooth completion of the audit assignment.

Yours Sincerely,

(Tshering Kezang)
Auditor General of Bhutan

Copy to:

1. Hon'ble Lyonchhen, Royal Government of Bhutan, Gyalyong Tshokhang, Thimphu;
2. Hon'ble Gyalpoi Zimpon, Office of Gyalpoi Zimpon, Thimphu;
3. Hon'ble Speaker, National Assembly of Bhutan, Thimphu;
4. Hon'ble Chairperson, National Council of Bhutan, Thimphu;
5. Hon'ble Opposition Leader, Gyalyong Tshokhang, Thimphu;
6. Hon'ble Minister, Ministry of Economic Affairs, Thimphu;
7. Hon'ble Chairperson, Public Accounts Committee, National Assembly, Thimphu
(enclosed five copies);
8. Hon'ble Chairperson, Economic Affairs Committee, National Council, Thimphu
(enclosed five copies);
9. Secretary, Cabinet Secretariat, Royal of Government of Bhutan, Thimphu;
10. Secretary, GNH Commission, Thimphu;
11. Office copy.

"Every individual must strive to be principled. And individuals in positions of responsibility must even strive harder."
-His Majesty the King Jigme Khesar Namgyel Wangchuck

ACCOUNTABILITY STATEMENT

PERFORMANCE AUDIT OF TOURISM SECTOR

NO.	RECOMMENDATIONS	NAME& DESIGNATION	EID NO.
4.1	TCB should prioritize the finalization of Tourism Policy and Act		
4.2	TCB should strengthen coordination and monitoring mechanism		
4.3	Information sharing mechanism should be instituted for TCB, DRC and RTIO		
4.4	TCB should regulate regional tourists in conformity to its principle of <i>'High Value, Low Impact'</i>		
4.5	TCB should institute proper internal control mechanism in tariff regulations		
4.6	TCB should integrate tourism activities in Dzongkhag Plans		
4.7	TCB should review its pricing structure timely to make it more responsive to the pace of global economic developments		

(s/d)

Director General
Tourism Council of Bhutan

TITLE SHEET

1.	Title of the Report	: Performance Audit of Tourism Sector
2.	AIN	: 14110
3.	Audited Entities	: Tourism Council of Bhutan
4.	Schedule of Audit	: 5 th May 2016 to 30 th August 2016
5.	Audit Team	: 1. Chhoden, Sr. Audit Officer 2. Leki Tshering, Audit Officer
6.	Supervising Officer	: Tashi Tobgay, Asstt. Auditor General Performance & System Audit Division
7.	Head of Department	: Chhimi Dorji, Deputy Auditor General, Department of Performance & Commercial Audit

ACRONYM

ABTO	:	Association of the Bhutanese tour operators
ASTD	:	Allocation for Sustainable Tourism Development
BNBL	:	Bank of Bhutan Limited
BTC	:	Bhutan Tourism Corporation
BTCL	:	Bhutan Tourism Corporation Limited
CD	:	Current Deposit
DOT	:	Department of Tourism
DRC	:	Department of Revenue and Customs
EDP	:	Economic Development Policy
FAM	:	Familiarization
FIT	:	Free Independent Traveler
FYP	:	Five Year Plan
GNHC	:	Gross National Happiness Commission
GDP	:	Gross Domestic Product
HAB	:	Hotels Association of Bhutan (HAB)
HRAB	:	Hotels and Restaurant Association of Bhutan (HRAB)
IDEC	:	Interline Data Exchange Center
INR	:	Indian Rupee
MICE	:	Meetings, Incentives, Conferences and Exhibitions
MoF	:	Ministry of Finance
NTB	:	National Tourism Board
Nu	:	Ngultrum
RAA	:	Royal Audit Authority
RGoB	:	Royal Government of Bhutan
RITH	:	Royal Institute for Tourism and Hospitality
RMA	:	Royal Monetary Authority
RTIO	:	Regional Trade and Industry Office
TAB	:	Tourism Authority of Bhutan
TCB	:	Tourism Council of Bhutan
TDC	:	Tourism Development Committee
TDS	:	Tax Deducted at Source
TO	:	Tour Operator
TRR	:	Tourism Rules and Regulations
USP	:	Unique Selling Proposition
WCP	:	Wangchuck Centennial Park

EXECUTIVE SUMMARY

Why RAA did this study?

As mandated by the Constitution of the Kingdom of Bhutan and Audit Act of Bhutan 2006, and also in terms of the request received from the National Council on 24th December 2015, the Royal Audit Authority (RAA) conducted '*Performance Audit of Tourism Sector*'. The RAA reviewed the overall governance structure, policies, plans and programmes under the Sector.

The audit was conducted with an overall objective to ascertain and report on the economy, efficiency and effectiveness in the operation and management of tourism. In particular, the audit was aimed at:

- ⊕ Reviewing the adequacy of legal and policy framework in achieving the policy objectives of '*high value, low impact*';
- ⊕ Assessing the effectiveness of internal controls in preventing or checking the occurrences of undesirable practices such as, undercutting of tourism tariff;
- ⊕ Reviewing the adequacy of institutional framework, in particular the monitoring and coordination mechanism; and
- ⊕ Evaluating the achievement of targets and objectives of the Sector.

What RAA found?

Tourism sector has made significant contribution to the economy. Gross earnings from tourism has increased from USD 47.68 million in 2011 to USD 71.05 million in 2015. The jobs in various sectors such as guides, hotels, restaurants, national airlines and handicrafts were increased from 18,778 in 2011 to 26,508 in 2015.

Besides its contribution and significant achievements, the RAA also observed certain weaknesses in the system. Some of the significant deficiencies and weaknesses observed were as summarized below:

- ✱ TCB does not have a Tourism Act or a comprehensive tourism policy. The tourism bill and draft policy were under discussion since 2005. In absence of these basic legal instruments, the concerted effort and direction seems to be lacking thus impeding focused directions and coordination for development, promotion and regulation of tourism industry;
- ✱ Inconsistency in the application of existing rules and regulations were observed which may impede effective implementation of plans and programs;
- ✱ The arrival of regional tourists has been rising since 2011 as compared to international tourists. Total number of tourist arrival of 155,121 in 2015 is represented by 62.90% regional tourists. However, the arrival during the year has not yielded corresponding increase in the income. The gross earnings in 2015 have decreased by 1.59% from 2014 despite increase in arrival by 16.21%;
- ✱ Flaws in payment procedures of applicable tariff were observed. Due diligences were not performed by TCB for the refund of payments for cancelled tour programmes;
- ✱ In absence of comprehensive tourism act or policy, the TCB carries out monitoring activities on an ad-hoc basis and without any established standard procedure or guidelines;
- ✱ The current system of assessment and accreditation of hotels by TCB does not follow a systematic process. Also, there is no governance and oversight for the accreditation system, including processes for internal quality assurance;

- ✖ There is no proper coordination between RTIO, DRC and TCB resulting into non-filing of taxes by the Tour Operators. On verification of the tax filing for 2015, it was found that 37 Tour Operators have not filed the taxes;
- ✖ Non-achievement of Plan objectives in the sector was observed. The RAA attributes for such poor performance mainly to poor planning and lack of adequate monitoring at the time of plan execution.

What RAA recommends?

The RAA has provided following recommendations with an aim to enhance greater accountability and effective management of tourism:

- ✓ TCB should formulate comprehensive tourism policy and act to ensure effective implementation of rules and regulations and enhance coordination and proper management of tourism activities;
- ✓ TCB should develop and institute proper mechanism to regulate regional tourism;
- ✓ Visa endorsement by TCB should be made based on confirmation of group-wise tariff deposits by the Tour Operators rather than on the availability of usable balance to ensure proper check and balance in receipt of tariff;
- ✓ TCB should institute a proper system for the cancellation of tour programs and the refunds;
- ✓ TCB should have a proper coordination mechanism through defined protocols, roles and responsibilities and procedures for cooperation;
- ✓ TCB should review its pricing structure to make it more responsive to the pace of global economic developments.

Conclusion

Tourism industry in Bhutan was introduced in 1974 with the primary objective of generating revenue especially foreign exchange and to promote country's unique culture and traditions to the outside world. The principle of *'high value, low impact'* has been the overall tourism policy founded on the wisdom of His Majesty the Fourth Druk Gyalpo. The tariff system has proved itself to be successful in fulfilling this intended objective and found to be useful tool to ensure sustainable development of tourism. The policy while remained unique, finds increasing relevance in today's context especially in the wake of increasing arrivals fueled by flow of regional tourists. However, the tourism authority is yet to beef-up the effort to monitor and regulate the regional tourists in the country.

The tourism sector is primarily governed by the Executive Order issued on 30th January 2008 by the Government. The efforts were made to draft Tourism Bill and policy without actually materializing the initiatives. In absence of enabling legislations and policy guidelines, the legitimacy of the efforts of the implementing agencies may be undermined, and enforcement of any regulation or standard operating procedures may be rendered ineffective. The TCB should formulate comprehensive tourism policy and legislations to give adequate legal teeth to ensure effective implementation of plans and programs, and enhanced enforcement mechanism and monitoring.

The RAA is also of the opinion that the timely review of existing tariff structure and making it more dynamic and responsive to the pace of global economic developments may help government to reap the optimum advantage from this economic jewel of the country. However, the tariff review should not undermine the underlying principles and objectives to promote Bhutan as a high-end tourists' destination.

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1.1 Background

As mandated by the Constitution of the Kingdom of Bhutan and Audit Act of Bhutan 2006, and also in terms of the request received from the National Council vide letter no. NC/CP-17/2015/1477 dated 24th December 2015, the Royal Audit Authority (RAA) conducted audit of Tourism Sector. The RAA reviewed the overall governance structure, implementation of plans and policies, and programmes under the Sector.

The tourism policy was founded on the principle of *'High Value, Low Volume'* in 1974. It was His Majesty the Fourth Druk Gyalpo's wisdom that Bhutan cater only to tourists who come here to experience its un-spoilt environment and cultural heritage. Bhutan has managed to preserve its rich culture and tradition, and conserve the pristine environment through properly regulated tourism.

The principle of *'high value, low volume'* has been the overall tourism policy since 1974, which later changed to *'high value, low impact'* in 2008. The Government modified its tourism policy from *'Low Volume'* to *'Low Impact'* to serve the purpose of creating an image of exclusivity and high return for Bhutan.



"...Bhutan caters only to tourists who come here to experience its un-spoilt environment and cultural heritage..."

-His Majesty the Drukgyal Zhipa

Tourism Council of Bhutan (TCB) is the highest decision-making body for all matters related to tourism and its management in the country. Chaired by the Hon'ble Prime Minister, it is guided by the Rules of Procedure 2011 of TCB. The TCB Secretariat functions as secretariat to the TCB. It is an autonomous inter-governmental agency deriving its mandates from the Executive Order issued vide PM/01/08/912 on 30th January 2008 (**Refer Appendix B**). TCB was established as an autonomous agency to manage and develop tourism industry in the country.

1.2 Objectives of Audit

The RAA conducted the performance audit of tourism sector with an overall objective to ascertain and report on the economy, efficiency and effectiveness in the operation and management of tourism in the country.

In particular, the audit was aimed at:

- ⊕ Reviewing the adequacy of legal and policy framework in achieving the policy objectives of *'high value, low impact'* in Tourism Sector;
- ⊕ Assessing the effectiveness of internal controls in preventing or checking the occurrences of undesirable practices such as, undercutting of applicable tariff;
- ⊕ Reviewing the adequacy of institutional framework, in particular the monitoring and coordination mechanism; and
- ⊕ Evaluating the achievement of targets and objectives of the Sector.

1.3 Scope of Audit

The audit covered operations and management of tourism sector for the period 2011-2015. The audit focused mainly on effectiveness of controls in place and regulatory functions of TCB in managing the tourism sector. The audit also reviewed legal and policy framework, monitoring and coordination, annual plans and programmes of the TCB. The audit also examined tax filing of tour operators operational in the year 2015.

The team visited and interviewed officials from the Bhutan National Bank Limited (BNBL) and Druk Air Corporation to verify the adequacy of controls in tariff payment procedures.

1.4 Methodology

The audit team adopted the following methodologies:

i. Document review

The team verified foreign exchange accounts maintained by TCB besides LC accounts related to marketing and promotions. The other important documents include: Draft Tourism Policy 2014, Rules and Regulations on Tour Operations 1999, Economic Development Policy 2010, Executive Orders, Circulars, Tourism Council's Minutes of Meetings, Bhutan Tourism Monitor (2010-2015), Report on Bhutan Tourism Review and Recommendation 2016 by ABTO, 10th Five-Year Plan Document, 11th Five-Year Plan Document, Review Report on Tourism Policy and Strategy by National Council, Organizational Development report by RCSC and TCB's progress report from 2011-2015.

ii. Interviews and meetings

The team conducted interviews and meetings with officials from TCB, DRC, BNBL and Druk Air Corporation Ltd. The team also interviewed some tour operators, guides and staff working in the tourism sector to get the complete insights on the tourism operations.

iii. Literature review

The team also carried out literature review to understand good practices in the tourism industry. Information was also gathered from websites and other reliable sources.

2.1 Overview of Tourism Industry

Tourism industry in Bhutan was introduced in 1974 with the primary objective of generating revenue especially foreign exchange and to promote the country's unique culture and traditions to the outside world. Since its inception, country has actively pursued the policy of *'High Value, Low Volume'* and now *'High Value, Low Impact'*. Bhutan also follows a unique tourism system whereby all international tourists (leisure) book their tours to Bhutan through a Bhutanese tour operators paying a minimum daily package rate for all inclusive packages. The tariff system has proved itself to be successful in fulfilling the objective of *'High Value, Low Impact'* and found to be useful tool to ensure sustainable development of tourism.

Since its inception the country has actively pursued the policy of *'High Value, Low Volume'* and now *'High Value, Low Impact'* tourism.

His Majesty the King during the 11th Royal University Convocation in 2015 also lauded the Tourism principle of *'High Value, Low Volume'* and reiterated how His Majesty the Drukgyal Zhipa's wisdom has navigated the shoals of development and protected our environment.

He said "...in 1970's, when tourism industry was introduced after the coronation of His Majesty the Fourth Druk Gyalpo, it was suggested to us then that Bhutan would benefit economically from bringing in as many tourists as possible into the country. At that time, Bhutan was largely unknown to the outside world. And yet, with Drukgyal Zhipa at the helm, we had the confidence to make our own decisions – to decide that our approach to tourism policy would be that of high value, low volume. It seemed counter-intuitive at a time when tourists to Bhutan were so few. There were many skeptics. But because of that policy, Brand Bhutan emerged. And you see the results of that policy for yourselves today. People who make it to Bhutan feel privileged to be our guest. In hindsight, we realize the profound wisdom of that decision, but we could have easily gone the other way, had it not been for that conviction we had to forge our own path, our future, and our destiny".

Indeed, the tourism policy of Bhutan has been unique and timeless.

i. Evolution of Tourism Industry in Bhutan

Tourism Industry in Bhutan was opened in the year 1974 with arrival of 287 tourists who entered from Phuentsholing and paid USD 130/- per night by each individual. The Department of Tourism (DoT) was created under Ministry of Finance to operate and manage tourism in the country. Later in 1983, it was established as Bhutan Tourism Corporation (BTC), as a Government owned corporation under the erstwhile Ministry of Communication and Tourism.

Table 2.1: Evolution of Tourism Industry in Bhutan

Year	Activities under taken
1974	Department of Tourism created under the Ministry of Finance
1983	DoT changed into a corporation owned by RGoB and renamed Bhutan Tourism Corporation (BTC) under the erstwhile Ministry of Communication and Tourism
1989	BTC incorporated as an autonomous body under the Chairmanship of Tengye Lyonpo.
1991	Tourism Authority of Bhutan (TAB) was established as a regulatory body when the Bhutan Tourism Corporation was privatized to 33 tour operators

1998-99	TAB restructured as the Department of Tourism under erstwhile Ministry of Trade & Industry
2000	Establishment of Association of the Bhutanese Tour Operators and Tourism Development Committee (TDC)
2007	Hotel Association of Bhutan formed
2008	Department of Tourism restructured and re-named as Tourism Council of Bhutan (TCB), an autonomous body under the Chairmanship of Hon'ble Prime Minister

Source: Tourism Council of Bhutan

In 1991, the tourism industry was privatized to 33 tour operators and Tourism Authority of Bhutan (TAB) was established as regularity body and later re-named as Department of Tourism in 1999. The primary responsibilities of the Department of Tourism include ensuring compliance by travel agents with the tourism policy of the Royal Government.

After the privatization of tourism operation in 1991, there were establishment of several associations like Association of Bhutanese Tour Operators (ABTO) in 2000, Handicrafts Association of Bhutan (HAB) in 2005, Hotel and Restaurant Association (HRAB) in 2007 and Guide Association of Bhutan (GAB) in 2009.

In 2008, the Department of Tourism was restructured as National Tourism Board through the Executive Order issued on 30th January 2008 and later renamed as Tourism Council of Bhutan.

ii. Governance Structure of Tourism Industry

The tourism industry in Bhutan is governed by Tourism Council. It is an independent and the highest decision-making body formed through the Government Order issued by the Prime Minister as per the decision of the *Lhengye Zhungtshog*. The Council provides overall directions to the Tourism Council Secretariat. The Council functions as per the Rules of Procedure and requires to meet on quarterly basis or as and when deemed necessary. The Council is chaired by the Prime Minister and it constitutes 11 members (**Refer Appendix C**). The term of council members are for five years or according to the parliamentary elections.

The Tourism Council Secretariat functions as Secretariat to the Tourism Council. It is an autonomous agency which derives its mandates from the Executive Order issued on 30th January 2008. The TCB implements planned and other activities related to tourism sector. The TCB is organized into four divisions, headed by the Director. Its employees are governed by the Bhutan Civil Service Rules and Regulations 2012. The existing organogram is exhibited in **Appendix D**.

Based on the mandates provided by the Executive Order, the Secretariat renders following functions:

- **Tour Operation**

License recommendation, manages visa and forex, Interline Data Exchange Center (IDEC), and ensures Standards & Quality.

- **Accommodation**

License recommendation, drawing recommendations, accommodation classification system, Interline Data Exchange Centre, renewals, Training & Development

- **Guides**

Issue and renewal of licenses and ensure standard & quality of guides

The associations namely, ABTO, HAB, HRAB and GAB were registered under Civil Society Organization Authority (CSOA) and operate within the framework of CSO Act 2007 and Rules and

Regulations 2010. As of December 2015, there were about 1,653 Tour operators, 1,268 licensed guides and 104 tourist standard accommodations (3 star and above) registered with TCB. The aviation sector such as Druk Air and Bhutan Airlines and transport sector also forms an integral part for the tourism sector.

iii. Tariff and Payment Procedure

Bhutan has followed the present tariff since 1974. However, the tariff structure has changed from time to time. The summary of daily tariff rate, which were amended from time to time were as depicted in the Table 2.2:

Table 2.2: Tariff Structure (in USD)					
Year	Tariff Change	Culture		Trekking	
		Peak	Lean	Peak	Lean
1974	Introduction of tariff	130	130	130	130
1986	Seasonality Adjustment	130	90	85-130	85-130
1989	Tariff raised to US \$ 200	200			
1994	Thimphu, Paro, Phuentsholing	220	130-175	120	80-100
	Wangdue, Punakha, Trongsa, Bumthang and Samdrupjongkhar	150	100-130		
	Phobjikha, Mongar, Trashigang, Trashy Yangtse and Lhuntse	130	90-120		
1995	Simplification of the above policy	200	200	120	120
1997	Leveling of Fees	200	200	200	200
1999	Reintroduction of Lean Season tariff	200	165	200	165
2012	Daily tariff raised (Existing rate)	250	200	250	200

Source : Tourism Council of Bhutan

For all inclusive tariffs, following minimum daily package rates include:

- Royalty;
- Charges for accommodation on a twin sharing basis;
- Food and non-alcoholic beverages;
- Service of Guides;
- Transport within Bhutan; and
- Trekking Haulage.

The charges for accommodation as mentioned above is for minimum of 3 star accommodations and any additional services or demand for higher grade of accommodations would contribute to a higher cost on the minimum daily package rate. The tourists are subject to pay additional surcharges of USD 40/- for single tourist and USD 30/- each for two tourists besides additional onetime payment of Visa fees of USD 40/- per tourist. The Table 2.3 depicts the breakdown of daily minimum tariff per tourist.

Table 2.3: Break down of daily minimum tariff per tourist		
Break down of daily minimum tariff	Peak Season (Mar-May & Sept-Nov)	Lean Season (Dec-Feb & Jun-Aug)
Per day rate for international tourist	USD 250	USD 200
Less: 10% Overseas Agent Commission	USD 25	USD 20
Less: Royalty payment to Govt.	USD 65	USD 65
Less: 2% TDS	USD 3.20	USD 2.30
Tour Operator (Gross receipt)	USD 156.80	USD 112.70

Source: Tourism Council of Bhutan

There are also discounts on daily minimum tariff to children below 5 years, students, tourist staying longer nights and larger sizes of the groups. In regards to tour payment procedures, all tour payments are required to be made in US dollars or other major convertible currency (€,¥,£) acceptable to the RMA and should be made in advance to TCB for the visa to be processed.

2.2 Tourists Arrival and Revenue Generation

The country has observed increasing number of tourists since it began in 1974. The summary of the arrival of tourist for the year 2011 to 2015 is shown in Figure 2.1:



Source: Bhutan Tourism Monitor

The tourists from the country like India, Bangladesh and Maldives are called regional tourists and they are exempted from paying minimum daily tariff applicable to other international tourists. They are also not subjected to regulation of compulsory use of local tour operators and guides. Due to different arrival and visa conditions as opposed to the international segment, the Department of Immigration under the Ministry of Home and Cultural Affairs directly issues their visas, and the TCB does not regulate regional tourists in the country.

The increase in arrival of tourists has also resulted in increasing number of tour operators, hotels, guides and handicraft shops. The direct aggregate revenue earned was USD 317.22 million during the period from 2011 to 2015. These earnings do not include Corporate, Business and Personal Income Taxes contributed by various players like tour operators, hotels, resorts, restaurants, guides, handicraft shops and transport sectors. The Table 2.4 shows direct revenue contribution from the tourism sector from 2011 to 2015.

Table 2.4: Revenue contribution from tourism sector during the period from 2011 to 2015 (in million USD)						
Year	2011	2012	2013	2014	2015	Total
Gross earnings	47.68	62.80	63.49	72.20	71.05	317.22
Royalty	14.89	16.6	16.6	20.7	18.68	87.47
Surcharge (20%)	0.41	0.42	0.43	0.49	0.47	2.22
2% TDS	0.63	0.89	0.89	0.99	0.99	4.39

Source: Bhutan Tourism Monitor

The audit findings were based on the review of accounts and records made available, analysis of information and interviews with relevant officials and agencies concerned. The audit findings which include, accomplishments as well as shortcomings and lapses are presented in this chapter.

A. Progressive Development and Contribution of Tourism Sector

Bhutan has been following the principle of “*High Value, Low Impact*” and the financial mechanism of paying a minimal daily package rate has been used to ensure that tourists have a sense of care for Bhutanese culture and environment. The prudent and cautious principle of “*high value, low impact*” had very minimal negative impact on society and environment, yet at the same time builds strong foundation for a progressive and sustainable tourism development. The tourism’s principle was commendable and had undoubtedly contributed to the unique tourism brand of the country.

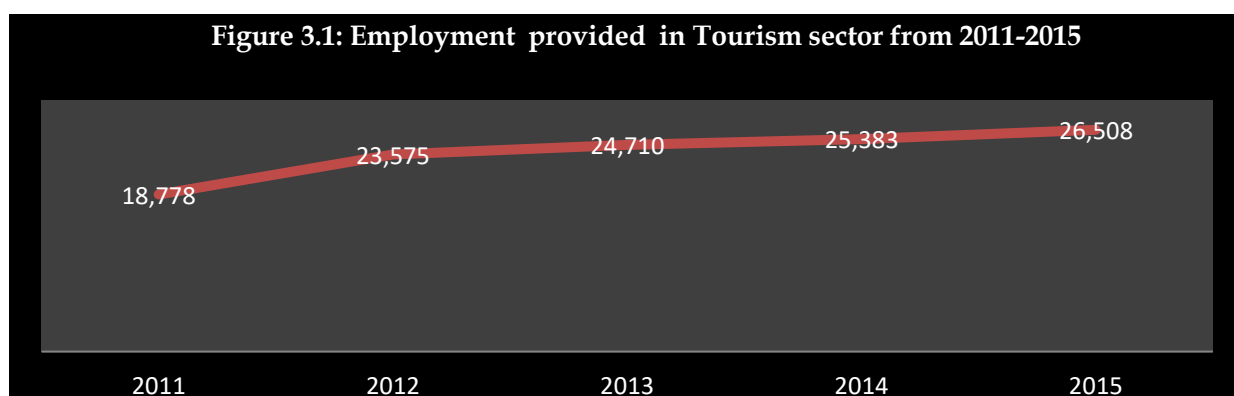
The RAA noted following accomplishments and initiatives in the tourism sector:

i. Contribution from tourism sector to the economy

The Government has identified tourism sector as one of the five economic jewels of the country besides Hydropower, Agriculture, Cottage & Small Industries, and Mining. After hydropower, tourism sector has been a major driver of economic growth and development in Bhutan. The Sector has not only contributed significantly to the national revenue and foreign exchange reserve but has also been a major source of employment to the Bhutanese people, particularly to the youth. Additionally, the Sector also creates spin-offs to various other business, including small and micro enterprises.

The contribution from tourism sector towards economy was significant, especially in terms of generating hard currency. Gross earnings from tourism increased from USD 47.68 million in 2011 to USD 71.05 million in 2015. Similarly, jobs in various sectors such as guides, hotels, restaurants, the national airlines and handicrafts has increased from 18,778 in 2011 to 26,508 in 2015. The Figure 3.1 shows the employment trend in the tourism sector from 2011 to 2015.

Figure 3.1: Employment provided in Tourism sector from 2011-2015



Source: Tourism Council of Bhutan

The other contribution from the sector include development of infrastructure especially booming of 5-Star, 4-Star and 3-Star hotels and handicraft shops around the country. The industry has professional manpower such as trained guides, hotel staffs and managers.

ii. Development of tourism infrastructure and roadside amenities

The Tourism Council of Bhutan has spent Nu. 45.47 million on the development of infrastructure and roadside amenities across the country. The Tourism Council of Bhutan Secretariat has developed and maintained 22 restrooms, 30 trek routes, 3 lodge, 5 cafeterias, 3 bridges and other amenities. There are also many activities under development and in the pipeline. Details of infrastructure developed were as exhibited in *Annexure I*.

iii. Development of new tourism products

Tourism Council of Bhutan over the years had developed many new products. These include development of trek routes, introduction of new festivals and construction of many new campsites. Thus, from the year 2010 to 2015 more than 30 new products were developed across the country and increasing focus were given to the eastern part of the country.

iv. Capacity development of tourism professionals

Royal Institute of Tourism and Hospitality under the TCB provides professional diploma courses in tourism and hospitality. Besides that they also provide skills based training to in service tourism professionals across the country through a mobile training unit. The TCB has also upgraded and offered specialized trainings to guides and tour operators. New guides training are provided by private institutes facilitated by TCB. More than 1,448 participants were trained in 30 different types of training related to hospitality sector during the period 2010-2015.

v. Promotion and marketing of tourism sector

Tourism Council of Bhutan achieved promoting to targeted source market activities and signed joint marketing agreements with international tour operators and Bhutanese tour operators to promote Bhutan. In order to broaden source market for Bhutan, the TCB explored new source markets such as, Australia, Brazil and Russia.

B. Lapses and Deficiencies

Notwithstanding the achievements, the RAA observed certain shortcomings and deficiencies where improvements are desirable. These lapses are categorized under four themes namely, Legal and Policy Framework; Internal Controls; Monitoring and Coordination; and Achievement of Plans and Programmes which are discussed in the succeeding paragraphs.

3.1 Legal and Policy Framework

Since 1974, the government has developed and issued number of regularity framework such as, pronouncement of tourism principle, government executive orders, rules and regulations and guidelines besides implementation of annual plans and programmes.

Economic Development Policy 2010 seeks to encourage tourism throughout the country all year round and diversify rural economy. The policy outlines that a Tourism Act shall be considered priority legislation.

The Economic Development Policy 2010 also seeks to encourage tourism throughout the country all year round and diversify rural economy. The policy outlines that a Tourism Act shall be considered priority legislation and would be placed by 2011 as a legal instrument to guide the overall tourism development in the country. However, the Act and Policy is yet to materialize that would otherwise give much needed legal backing and the focus direction to the implementing agencies.

The paragraphs that follows details the inadequacies and shortcoming pertaining to Legal and Policy framework in tourism sector:

3.1.1 Inadequacies in legal mandates for the Tourism Sector

Tourism Council of Bhutan derives its primary mandates from the Executive Order No. PM/01/08/912 dated 30th January 2008 of the Royal Government of Bhutan. The amendment to the mandate and structural reforms were effective through subsequent executive orders issued from time to time since 2008. The Cabinet has also approved to delink TCB Secretariat from the civil service and operate as corporate body in 2012. However, the reforms could not be materialized and has continued to remain as autonomous body headed by the Tourism Council of Bhutan.

The TCB still does not have a Tourism Act or a comprehensive tourism policy. The tourism bill and draft policy were under discussion since 2005 at various levels and still awaiting approval. The Table 3.1 shows the chronological order of events that pertains to Tourism Bill and draft Policy.

Table 3.1: Chronological order of events that pertains to Tourism Bill and Policy

Sl. No.	Year	Action taken from TCB	Reference
1	2005	Started drafting Tourism bills and policy by Tourism Authority of Bhutan	
2	2008	First draft of Tourism Policy submitted to Gross National Happiness Commission (GNHC)	

3	2008	The 4 th Tourism Council instructed TCB to finalize the Tourism Policy before submission of Tourism Bill to the National Assembly	16 th June 2008
4	2010	Economic Development Policy 2010 states that “A <i>Tourism Act shall be considered priority legislation and shall be in place by 2011 as a legal instrument to guide the overall tourism development in the country</i> ”	EDP 2010
5	2010	Tourism Council meeting discussed on content of the draft tourism policy and instructed the TCB to finalize by May 2010.	1 st Tourism Council Meeting (22 nd Jan. 2010)
6	2011	Draft Tourism Bill was presented to Cabinet for consideration. However, it did not come through stating that National Tourism Policy be reviewed and adopted first before considering the Bill.	Cabinet letter
7	2012	The Council directed TCB to revise the draft tourism policy to incorporate all important components as per the Economic Development Policy and submit to GNHC for endorsement.	5 th Tourism Council Meeting (18 th May 2012)
8	2015	TCB still reviewing the policy	

Source: Minutes of Council Meetings and TCB

The record with TCB shows that Tourism bill and policy were in discussion for more than decade now. However, it is still not approved. It transpired that the parties having a stake either in terms of operations or regulations in the tourism sector could not come into consensus owing to varying ideologies and interests. Some grounds for disagreement amongst the authorities/parties were as discussed in Table 3.2.

Table 3.2: Some grounds for disagreement amongst the authorities/parties	
Views/ideas	References
<ul style="list-style-type: none"> • “The TCB should review the existing tourism tariff. Views are expressed that USD 250 per day per tourist may be done away and tourist may spend in open market” 	<ul style="list-style-type: none"> • C-3/117/659 dated 8th December 2011 of Cabinet Secretariat
<ul style="list-style-type: none"> • “Government to retain the royalty component and drop the tariff” 	<ul style="list-style-type: none"> • ‘Review Report on Tourism Policy and Strategy 2016’, National Council of Bhutan
<ul style="list-style-type: none"> • “Retain the current tariff system” 	<ul style="list-style-type: none"> • ‘Bhutan Tourism Review and Recommendation 2016’, ABTO
<ul style="list-style-type: none"> • “TCB Secretariat shall be independent statutory body functioning on corporate lines with accountability to the TCB” 	<ul style="list-style-type: none"> • C-2/498 dated 13th November 2009 from Prime Minister’s Office
<ul style="list-style-type: none"> • TCB employees should be separated from the civil service and entitled for 30-40% allowance 	<ul style="list-style-type: none"> • 1st Tourism Council Minutes of Meetings, 22nd January 2010
<ul style="list-style-type: none"> • Should be under MoEA as one department 	<ul style="list-style-type: none"> • ‘Bhutan Tourism Review and Recommendation 2016’, ABTO
Source: TCB, ABTO and other reports	

As shown in the Table 3.2, there were different recommendations and directions that may have to be effective through the provisions in Tourism Policy and Bill. Further, it appeared that the changes through institutional reforms and management at TCB Secretariat and government had further delayed the process. In absence of these basic legal instruments, the concerted effort and direction

seems to be lacking thus impeding focus directions and coordination for development, promotion and regulation of tourism industry.

TCB responded that a review on tourism policy was initiated with support from the World Bank by engaging tourism experts from Solimar International. Several rounds of workshops and consultations have been held with stakeholders from the private, the government as well as NGO sectors. The final report is expected soon, which will then be presented to the government. The draft tourism bill is hoped to be submitted after the adoption of the tourism policy. (Refer Appendix-A)

3.1.2 Inconsistency in application of Tourism Rules and Regulations

On review of the existing Rules and Regulations for Tour Operations in Bhutan 1999, it was noted that there were variations in the application of some clauses in the Rules and Regulations. Table 3.3 depicts instances where various clauses from Rules and Regulations were either not implemented

Clause No.	Detail provisions	Remarks
1 c(ii)	A sum of Nu. 25,000/- only shall be payable as annual license fees	Currently, annual license fees payable Nu. 13,000/-
1 (d)	An applicant shall provide for a security deposit of Nu. 100,000/-	Not enforced currently
3	A tour agent shall establish an office with adequate communication facilities and a proper postal address which must be registered with TCB	Proper postal addresses of some tour agents are not registered with TCB
5 (a&b)	<ul style="list-style-type: none"> • Vehicles used for transporting tourists must have valid fitness certificate from Road Safety and Transport Authority and such vehicle shall be registered with TCB for inspection and certification. • Vehicles shall have valid comprehensive insurance coverage 	No vehicles were registered with TCB and inspection never carried out.
6	All tourists shall be lodged only in accommodation approved and classified by TCB in accordance with the Accommodation Classification Standards.	Cases of tourists lodged in hotels not classified by TCB were reported

Source: Tourism Council of Bhutan

or not applicable due to frequent changes in the structure and operations of the TCB.

Upon enquiry, it was learned that the revised Tourism Rules and Regulation 2015 has been drafted to take into account the changing environment and needs which has been endorsed by the Council and stated to be approved in principle by the Cabinet. In absence of formal approval from the Cabinet, the implementation and enforcement of the revised rules has been rendered ineffective.

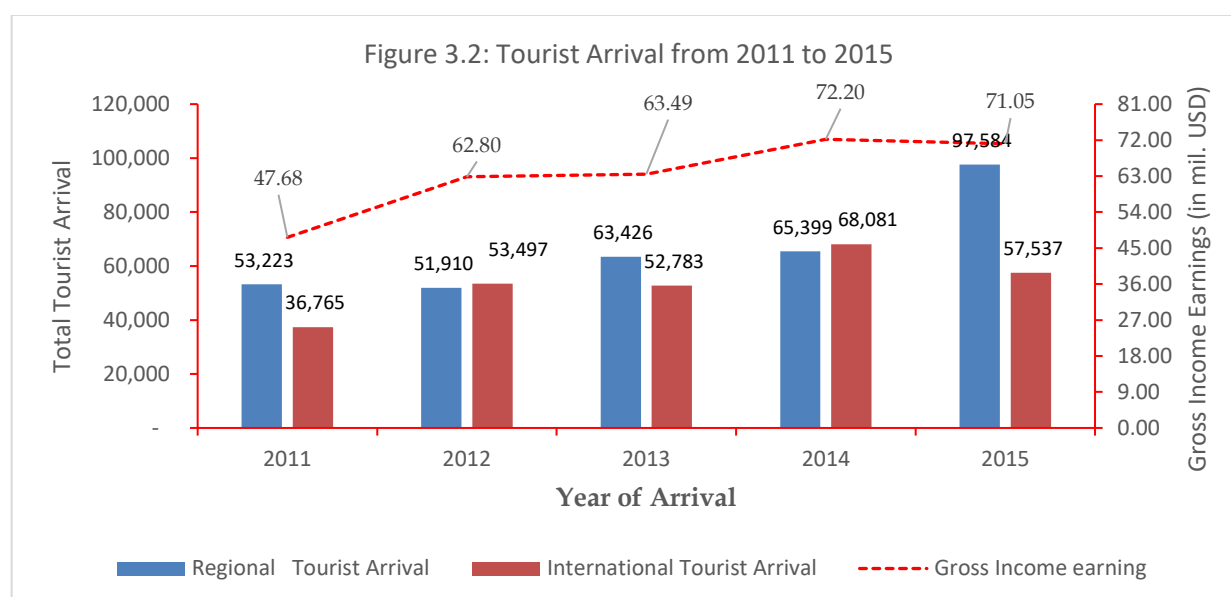
Inconsistency in the application of existing rules and regulations without proper basis may not yield legitimacy in its initiatives and thereby impeding effective implementation of plans and programs.

TCB responded that it is authorized to issue only a clearance letter and license of the tour operator is issued by the Ministry of Economic Affairs. The annual license fee is also charged by MoEA. In regards to improper postal address of the tour operators, the increasing number of tour operators and lack of human resources has hindered in conducting subsequent inspection which had led to some operators

operating tour without a proper office. TCB has inspected 88 new tour operators office in the year 2016. (Refer Appendix-A)

3.1.3 Unregulated regional tourists

Owing to good bilateral ties between the countries, the regional tourists have different arrival and visa conditions as opposed to other international segment. The Department of Immigration, MoHCA directly issues their visas, and the Tourism Council of Bhutan does not maintain detailed data and arrivals of regional tourists in the country are also not regulated. This is attributed to lack of regional tourism policy and application of different standards which are not consistent to the policy of *'High Value, Low Impact'*. The regional tourists are also not covered by any governing rules and regulations of the Tourism Sector.



While travels for some of the visitors are arranged through Bhutanese tour operators and handled by tour guides and local transport operators, there are growing number of visitors who travel independently without the above arrangements.

Though the TCB has started to report the arrival figures of both international and regional tourist in their annual target, there is still laxity in monitoring regional tourists without proper regulations and policy governing this segment of tourists. The Cabinet has also directed the TCB to not apply double standard in regulating “tourists” and provide highest standard services irrespective of their regions. *(Refer Appendix E).*



As shown in the Figure 3.2, the arrival of regional tourists has been rising consistently since 2011 as compared to international tourists. The arrival of regional tourists in the recent years has far exceeded international tourists’ arrival in the

country. Total number of tourist arrival of 155,121 in 2015 is represented by 62.90% regional tourists. However, the arrival during the year has not yielded corresponding increase in the income earned through tourists' tariff as the regional tourists were not required to pay the tariff. The gross earnings in 2015 have decreased by 1.59% from 2014 despite increase in arrival by 16.21%. In the year 2015, the arrival of regional tourists was 69% more than that of the international tourists. The arrival of regional tourist are expected to increase over the years as Bhutan is considered as a preferred destination amongst the regions due to its proximity, serene environment and stable political conditions. While the benefits of such tourism accrue in terms of employment generation, increased spending, associated benefits accrued to other economic sectors, the increase in alarming proportion may be difficult to absorb given the constraints in capacity and infrastructures, and also posing risk to the safety of tourists.

There are numbers of problems associated with rising unregulated tourists in the country as highlighted below:

- ❖ Increasing traffic congestion
- ❖ Risk on lives of the tourist due to accidents
- ❖ Being misguided to wrong places
- ❖ Deprivation of standard services
- ❖ Lack of transparency and accountability on the incomes from the tourists
- ❖ Immigration related issues
- ❖ Non-observance of dress codes and other norms in sacred places and monasteries
- ❖ Cooking in open places and littering
- ❖ Visiting unauthorized places due to lack of control



Cooking in open place

The incidences indicate that the regional tourists are not properly regulated like the international tourists and thus, may affect the overall performance of the tourism industry in the country. If not appropriately addressed, it may also appear conflicting with the tourism principle of 'High Value, Low Impact' and undermine the efforts of promoting Bhutan as a high-end destination.

TCB responded that in collaboration with DoI, MoHCA, they will be implementing an online permit system that regional tourists can use as an option to visit Bhutan. This system requires tourists to stay in 3-Star and above accommodations facilities and use Bhutanese licensed guides. Besides, solving many of the issues related to unregulated regional tourists, it would ensure that the tourism policy of High Value, Low Impact is promoted and maintained. Therefore, the image of Bhutan as an exclusive high-end destination is ensured. Moreover, use of guides would ensure the safety of the visitors as well as provide a more enriching experience in terms of understanding the Bhutanese tradition and culture. TCB further stated that an entry fee has been implemented for Tashichho Dzong as a pilot study in management of regional tourists at particular sites and if found favorable and effective hopes to replicate this system in other popular sites. (Refer Appendix A)

3.2 Internal Control Mechanism

All international tourists should book their tours to Bhutan through a Bhutanese tour operator paying a minimum daily package rate for an all inclusive package to Bhutan. The minimum daily package rate to be applied by tour agents is fixed by the Government. All tour payments should be made in US dollars or other major convertible currency (€, ¥, £) acceptable to the Royal Monetary Authority and should be made in advance to TCB for processing visa.

Tour payments are carried out as follows:

- ⊕ The overseas agent or individual tourist transfer the tour payments to Bhutan National Bank through BNBL's correspondent banks abroad reflecting local tour operator as beneficiary;
- ⊕ The amount is received in the suspense account of BNBL and tour operators verify each transfer made to them with Bank;
- ⊕ Tour operator advices Bank to transfer the tour payment to TCB, Airlines for air tickets and Luxury Hotels (if tourists desire to be accommodated in such hotels);
- ⊕ Based on tour operators' advice, the BNBL converts the said USD amount into Ngultrum applying Telegraphic Transfer (TT) buying rates and transfer to TCB's account or directly transfers in USD to Airline and Luxury hotels dollar account.
- ⊕ TCB receives the tour payments in Ngultrum, hence based on the tour operator fund position in TCB account, visa application is endorsed;
- ⊕ Then TCB releases the fund balance of tour operator after deducting royalty, TDS, 20% surcharges, if applicable and visa fee to tour operators.

At TCB, individual tour operator's accounts are recorded in the Tashel Information System. This is a web application created by TCB. It is an online Visa approval system where various travel agents can register and apply for visa. It can also generate reports and statistics regarding tourist visiting Bhutan.

Some of the inadequacies and shortcomings observed in tariff payment procedures are:

3.2.1 Inadequacies in the control system of determining accounts balances in the tour operators' account maintained with the TCB

Rules and Regulations for Tour Operations 1999 require the tour operators to submit with every tour payment deposits, the visa application and all relevant documents. Further, it states that the tour payments deposited by tour operators without visa applications should not be accepted and the deposits thus made should be immediately paid back to the tour operator in local currency.

However, in the current system, the tour payments are not made along with the visa applications. The deposits are made in bulk especially by big Tour Operators. The visa endorsement by the TCB is done after checking the availability of the account balance of the individual tour operators with the TCB. The current system of tariff deposit procedures and the practice of allowing the Tour Operators to accumulate balances in their accounts with TCB have lead to following problems:

- ⊕ Some big tour operators make bulk deposit in TCB's account and thus retain huge account balances. As of the date of audit, the top ten tour operators had usable account balances as high as USD 1.28 million as detailed in Table 3.4:

Sl. No.	Name of Tour Operators	Account balance (in USD)
1	Norbu Bhutan Travel Private Limited	126,573.93
2	Happiness Kingdom Travels	8.23
3	Luxury Division(BTCL)	1,282,851.64
4	Druk Asia Tours and Treks	2,980.55
5	All Bhutan Connection Private Limited	72,217.52
6	Bhutan Tourism Corporation Ltd.	922,999.05
7	Amen Bhutan Tours and Treks	19,903.48
8	Etho Metho Tours and Treks Ltd.	222,790.69
9	Druk Travel Services Pvt. Ltd.	9,030.61
10	Dragon Quest Adventures	14,438.00

- ⊕ The visa endorsements by the TCB are done after confirming the availability of the balance in the individual tour operators accounts maintained with TCB, but without actually confirming the deposits of applicable tariff for the specific group of tourists.
- ⊕ There were cases observed where the tour operator has not refunded or debited the amount from their account with TCB thus allowing their account balances to accumulate which they can use as usable balance for obtaining the Visa for its future tour groups. **(Refer Case study 3.1).**
- ⊕ The system is also exposed to risk of accumulation of balances in tour operators accounts maintained with TCB as it does not have input control for excess tariff deposited by the Tour Operators. Irrespective of the amount of tour deposits made by the Tour Operators, the system invoice calculates the final payment considering the minimal tariff of USD 250 in peak season and USD 200 in off seasons. Thus, the excess deposits if not withdrawn by the Tour Operators remains as usable balance for availing the visa for its future groups.

Thus, in the current system, there is no system of tracking and reconciling the tour payment deposits and invoice claims against the particular groups of tours as the tour payment deposits are not clearly indicated against the group or individuals. Also there is no requirement for the settlement of the invoice within certain time limits or clearing of the tour operator's account at certain point of time and thus, amount balance of the tour operators with the TCB keeps on adding up as explained in the preceding paragraphs. When the tour operators apply for visa, their visa applications are endorsed as long as there is adequate usable balance to cover the tour programme. The visas can be applied and approved without the actual tour cost of the particular group being deposited into TCB. Thus, it is not possible to ascertain if the applicable tour cost corresponding to the actual number of visitors are actually coming into the TCB account. Thus, such inadequacies or lack of control in the system may provide opportunity for undesirable practices of undercutting applicable tariff to advance undetected.

The TCB responded that endorsement of visa based on the tour payment deposit made group wise is possible; however, they have pointed that it may cause inconvenience to the tour operators particularly the big ones and their agents abroad, which may impact the arrivals. (Refer Appendix B)

CASE STUDY 3.1

Golden Gate Tours and Treks deposited **USD 23,567.20** into the TCB account on 27th March 2015 for a group of 19 pax with the group name 'ANNYCHOYING'. The group was supposed to visit the country from 28th April to 04th May 2015. However, the tour got cancelled due to Earthquake in Nepal. The Tour Operator applied to TCB for the refund of **USD 43,996** on 16th November 2015 and TCB had written to BNB to debit the Tour Operator's account by **USD 43,996**. The audit studied the transaction and observed the following:

- The Tour Operator has deposited only USD 23,567.20 in TCB. However, while recommending for the refund, the TCB has recommended debiting the Tour Operators account by **USD 43,996**. As of the date of audit, the amount recommended for refund was not debited from the Tour Operator's account with TCB thereby allowing to accumulate the account balance of the Tour Operator with the TCB.

Similar case has been noted for **A and A Tours and Treks** where by an amount of **USD 4,395** has been deposited into TCB account for a group of 5 tourists in the "Group No.106". The refund application of the Tour Operator states that one guest got the trip cancelled due to Nepal Earth Quake and wanted to refund USD 415 and the rest might visit in the future. The TCB recommended the Bank to transfer **USD 415** by debiting their account. The audit observed the following:

- On verification of the payments vouchers and visa details of the Tour Operator, it was found that the remaining four guests did not visit the country and no refunds have been made as of the date of audit, thereby allowing to accumulate the available balance of the Tour Operator with TCB.

The system of allowing the Tour Operators to accumulate their account balances with TCB and endorsing the visa based on availability of balance in the Tour Operators account may undermine the basic check and control of ensuring advance deposit of applicable tourists' tariff and controlling undercutting and other undesirable practices.

3.2.2 Due diligences not performed for the refund of payments for cancelled tour programmes

Tour Payment Rules and Procedures states that in the event of cancellation by tour groups who have been issued visa and payment has been received, the refund of the tour payment shall be made after deducting the cancellation charge that tour operators may like to levy. Further, it states that the refund of tour payments whether partly or wholly necessitated by change or cancellation of tour programme shall be made strictly on the basis of written application from the client/overseas tour operators directly sent to the TCB. The tour operator should inform the TCB in writing about the amount to be deducted and paid to their account before refund is made. It further requires that the balance amount should be remitted to the account of the client/travel agent overseas directly by the TCB by debiting the bank charges to the amount being refunded. Currently, for such refund cases, the tour operators writes to the TCB. Some tour operators provide the details of the cancelled group and the details of the beneficiary while others give just the beneficiary details only.

The TCB checks account balance availability in the Tour Operator's account with TCB and verifies if the balance can cover the tour cost of the future tour groups whose visas had been approved. If the Tour Operator has adequate balance, the TCB prepares the payment voucher and advises the bank to credit the Tour Operator's account. The TCB then with a forwarding letter advises the bank to debit the Tour Operator's account and transfer the amount. The TCB does not perform the due diligences like checking the visa cancellation details and tracking of receipt of the tariff into TCB account when the cancellation refunds are made. Thus, the audit team could not establish the authenticity of refunds made on account of cancellation of tour programmes. *(Refer case study 3.2)*

The TCB responded that with the upgraded version of Tashel System, all the refunds will be made directly from TCB's account to the clients/agents abroad upon fulfilling the documentation processes. (Refer Appendix A)

CASE STUDY 3.2

The audit team studied the tour cancellation and refund procedures in various situations and observed the following in case of the cancellation by tour groups who have been issued visa and whose payments were received.

Himalayan Adventures applied to TCB for the refund of USD 11,742 to be made to Mountain Trekking Company Ltd for the cancellation refund of their Guest Shirley Shu Ling. The letter states that the guest was supposed to visit the country from 18th September to 24th October 2015 as a Snowmen Trekkers with a group of 13 Pax. Thus, the TCB recommended the Bank for the refund by debiting the TCB account. The audit studied the transaction and observed the following:

- Himalayan Adventure's account with TCB has been credited with USD 94,252 by Mountain Trekking Company. However, since the deposits into TCB does not clearly indicate group or individuals against which the deposits being made, the audit team could not confirm it as the deposit for Snowman Trekkers.
- There wasn't any detail on the cancellation of the visa for guest Ms. Shirley Shu Ling as mentioned in the letter. The RAA calculated the applicable tour cost based on the information provided by the Tour Operator in his application. The tour cost if calculated as per the TCB invoice format would come to only USD 6,450 for 36 nights making a difference of USD 5,292 (11,742-6,450).
- The TCB recommended the transfer based on the application letter and availability of sufficient balance availability of the Tour Operator with TCB.
- The RAA tried to track the refund amount from the payment statement of the Tour Operator with TCB and found that the said amount wasn't debited from TCB.

The audit could not obtain the details of the visa cancellation of the guest Shirley Shu Ling and could not track the recommended refund amount being debited from TCB account. Thus, the authenticity of the cancellation and refund recommended could not be established.

3.2.3 Inadequate control in remittances and disbursement of Foreign Exchange

Currently, TCB has been advising the Bank to transfer the foreign exchange of the Tour Operator. These transactions happen for the following purposes:

- i. Refund of the cancelled tour programmes for which the tariff had not been credited into the Tour Operator's account with TCB. The Tour Operator writes to the TCB stating it as the tour payment for the cancelled tour programmes. The TCB had been recommending the Banks to transfer the amounts without even having access to that information and authenticating the receipt of the recommended amounts into the Tour Operators account. ***(Refer Case Study 3.3)***
- ii. Recommendation for transfer from Tour Operator's account. The TCB had been recommending the bank to transfer the payments from the tour operator's account for purposes like wrong transfer made into Tour Operator's account instead of personal account, payment for the outbound tour operators & transfer into other tour operator's account due to wrong transfers. Recommendations for transfers are made from company account just on application from the Tour Operators. The audit is of the opinion that it is not appropriate for the TCB to recommend such transfer without sufficient evidences of remittances as TCB does not have access to the bank information as they have access to only those payments actually transferred into TCB account.
- iii. The TCB had also been recommending the bank for getting dollar exchange by the Tour Operators as Daily Subsistence Allowance for foreign travel for tourism purposes without adequate supporting documents like the proof of travel for the particular event for which the dollar issue had been requested. The TCB gives the recommendation just based on the application from the Tour Operators.

The TCB responded that the outward transfer of payments related to marketing and promotion and Daily Subsistence Allowance (DSA) for tour operators will be strictly verified and recommended for transfers only for the event, which TCB coordinates and participates and ensure that tour operators submit enough supporting documents besides the letter of participation for the travel fair and air tickets. (Refer Appendix A)

CASE STUDY 3.3

The audit team studied the process for transfer of foreign exchange of the Tour Operator which had not been credited into TCB account as part of the Tour Payment and observed the following:

- ⊕ **Bridge to Bhutan** applied to TCB to get their approval for refund of USD 2,140 to Mr. Claude on account of cancellation of tour programme.
- ⊕ As per the application of Bridge to Bhutan, Mr. Claude was supposed to visit Bhutan in 2013 but could not make it and they have not refunded the tour payment because Mr. Claude wanted to visit in 2014 or 2015. However, in 2016, Mr. Claude decided not to visit the country and sought the refund of tour Payment.
- ⊕ The letter also states that the tour payment of USD 2,140 was not deposited into the TCB and the amount is still with the BNB and thus, they required the instruction of TCB to refund the payment.
- ⊕ The TCB vide their letter number TCB/SD-05/2016/5978 dated 13th April 2016 instructed BNB to transfer USD 2,140.

The Tour Operators does not produce any evidence of the remittance of the Tour Payment by the Mr. Claude into their account and thus, the TCB without having any access to the information on the remittances of the tariff into the Tour Operators account, instructs the bank to transfer the amount. However, it was confirmed with the Bank that the amount was not refunded as recommended by TCB rather the amount was transferred to Druk Air Corporation Ltd. on the advice of the Tour Operator. Thus, the RAA could not ascertain the authenticity of such transfers.

3.2.4 Inadequate control in Air Ticketing

The money remitted to the BNBL by clients/overseas travel agents on account of tour payments are credited to the respective accounts of TCB, Air lines and high-end hotels as per the advice of concerned tour operators. The Bank issues the credit advice to the Airline for air ticketing purpose. RAA studied the air ticket purchase by Tour Operators from Druk Air. Druk Air credits the Tour Operators account with them based on the credit advice issued by the Bank. Based on the availability of the dollar balance of the Tour Operators with Druk Air, the air ticket is issued.

Druk Air also accepts the purchase of tickets by paying cash in USD. It also allows tour operators to purchase air tickets based on the security deposit made in Ngultrum. In the year 2015, purchase of air tickets by paying cash amounted to USD 452,894.04 by 126 Tour Operators. Cash payment in USD ranged as high as USD 52,245 as detailed in *Annexure II*.

Allowing the Tour Operators to purchase air tickets by paying cash undermines the control instituted to check on malpractices in tourism sector through undercutting. It may provide an avenue for the Tour Operators to undercut the applicable minimum daily tariff to the tune of air ticket cost purchased in cash and borne by tour operators themselves. Therefore, the Airline allowing tour operators to purchase air tickets paying cash undermines the control instituted by the TCB.

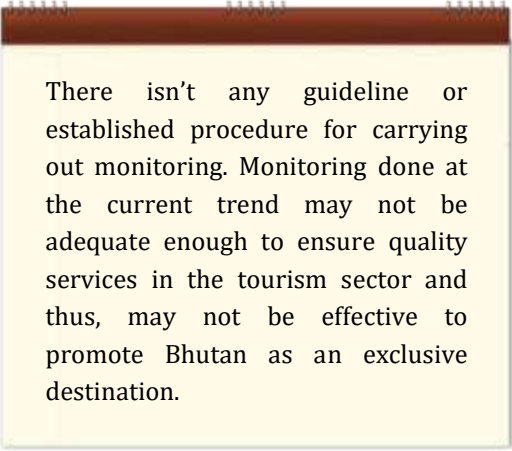
3.3 Monitoring and Coordination

The TCB as an apex Tourism Governing body should effectively regulate and ensure timely monitoring. The TCB is mandated to develop and implement relevant tourism Guidelines and regulatory measures to ensure excellent services and products.

The paragraphs that follows discusses the inadequacies and shortcoming pertaining to Monitoring and Coordination:

3.3.1 Inadequate monitoring mechanism

Due to lack of a comprehensive tourism policy and legal instrument like the Tourism Act, the TCB had been primarily regulated by Rules and Regulations for Tour Operations 1999, Tourism Rules and Schedules of Tariff for International Tourists 1995 and Trekking Rules and Regulations 1996. While there are provisions in the rules and regulations that outline the procedures of tourism administration in terms of licensing of tour operators, guides, visa processing and tariff payments, the regulations does not specify requirement for monitoring of the tourism activities entrusting the TCB with full operational power for the monitoring of the tourism activities and ensuring effective implementation of rules and regulations for coordinated and effective management of tourism activities.



There isn't any guideline or established procedure for carrying out monitoring. Monitoring done at the current trend may not be adequate enough to ensure quality services in the tourism sector and thus, may not be effective to promote Bhutan as an exclusive destination.

The TCB as of date has been carrying out monitoring activities on an ad-hoc basis on limited activities like monitoring of the guides and hotel services. Recently, the TCB established a dedicated Quality Assurance Division manned with three officials responsible for monitoring as well as assessment of the services. There isn't any guideline or established procedure for carrying out monitoring. Monitoring done at the current trend may not be adequate enough to ensure quality services in the tourism sector and in promoting Bhutan as a high-end destination in line with its principle of 'high value, low impact'.

The TCB responded that lack of human capacity has been a challenge to conduct regular monitoring of service providers such as tour operators, hotels and tour guides. However, monitoring is one of the main tasks of TCB for ensuring quality and standards of services and facilities for the tourism sector. TCB has been carrying out regular inspection of tour guides during peak season and important festivals and Tshechus. Surprise checks are also being done on the accommodations and restaurants and on the spot checks are carried out during trekking seasons to ensure proper waste management by the trekking staff. (Refer Appendix A)

3.3.2 Improper standardization and accreditation of hotels

With the principle of *High Value, Low Impact* and TCB's vision to promote Bhutan as an exclusive destination, it is imperative to provide quality services and products to the clients. Thus, it is very important to regulate and ensure quality product and service delivery which can be achieved by developing and implementing quality standard system.

To this end, the TCB had framed evaluation form for Standardization and Classification System for Accommodation and has started the classification and grading for star rating in the hotel industry. This has been an initiative taken up by the TCB to ensure the tourists are lodged in standard accommodations. However, the audit observed the following weaknesses:

- ⊕ The current system of assessment and accreditation does not follow a systematic process. There isn't adequate awareness amongst the stakeholder and public notification on classification.
- ⊕ There isn't a system of pre-assessment meeting with the management before the team goes for assessment and post assessment meeting with the management.
- ⊕ After the analysis and release of grading results to the establishments, there aren't any opportunities for appealing.
- ⊕ There isn't any governance and oversight for the accreditation system, including processes for internal quality assurance and visitor complaints about accredited properties.
- ⊕ The audit is also of the opinion that the current process of assessing by the Quality Assurance Division and certification of the classification by the head of the service division may raise the issue of credibility and thus may require the institution of the committee for the certification of the classification by the committee.

The current system of assessment and accreditation does not follow a systematic process.

- ⊕ In the current system of assessment and accreditation, the hotels are given the star rating if it fulfills the basic scores and points awarded to its established criteria and they give certain recommendations to be implemented by the establishments after receiving their star rating. However, as of now there aren't any follow-up assessments and monitoring activities carried out by TCB. Thus, the effectiveness of the implementation of the recommendations is not known which calls for effective monitoring on the implementation status of the recommendations to ensure high quality services.

The TCB responded that due to shortage of trained assessors there are challenges in carrying out assessment. However, a recent review of the Standardization and Classification System was carried out and training was conducted for a pool of assessors by the international expert. TCB's target is to complete the reassessment of all accommodation facilities in the fiscal year 2016-17. (Refer Appendix A)

3.3.3 Inadequate coordination mechanism

As per the Executive Order issued in 2008, the TCB is mandated to coordinate tourism related efforts among all stakeholders in the country. However the executive order as well as the rules and regulations which is the primary governing regulations of the TCB do not have any provisions for the coordination amongst the stakeholders. It does not provide for where, when and how the coordination and cooperation should happen between different stakeholders. It also does not provide for how the stakeholders should cooperate in the enforcement of the regulations.

The lack of proper coordination policies and mechanisms could lead to duplication of the implementation of initiatives and projects by various stakeholders, information gaps between various stakeholders, thereby, impeding the monitoring and regulatory initiatives and activities.

3.3.4 Lack of coordination between RTIO, DRC and TCB resulting into non-filing of taxes by the Tour Operators

Clause 4 of the Rules on the Income Tax Act of the Kingdom of Bhutan 2001 on Filing of Income Tax Return requires all business to submit their tax return on a self assessed basis to the concerned RRCO before the 31st March following the end of the Income Year. The Tour Operators should file the tax to get the tax clearance for the renewal of the Tour Operators license without which they cannot operate the tourism business. However, on verification of the tax filing for 2015, it was found that 37 Tour Operators have not filed the taxes for 368 tourists and 11 FAM in the Income Year 2015.

The summary of cases are shown in the Table 3.5 and detailed in *Annexure III*.

Table 3.5: Cases of Non-filing of taxes		
Sl. No.	Details on non-filing of taxes for income year 2015	No. of Cases
1	License expired in/by 2015 and actively operating	7
2	License expired in/by 2015 and not active	12
3	License valid in 2016 and actively operating	7
4	License valid in 2016 and not active	11
Total		37

These irregularities had occurred mainly in absence of effective coordination and information sharing mechanism between RTIO, DRC and TCB. There is currently no practice to ensure that information relating to issuance of new license, cancellation and transfer of license/permit is shared with or between RTIO, DRC and TCB in order to curb the possibility of non-filing of business tax. The TCB failed to check the validity of the Tour Operators license and there is also no mechanisms instituted to ensure tax compliance by the Tour Operators.

The RAA also studied the tax files of 23 randomly selected Tour Operators and studied their expenditure trends. The RAA's analysis of the expenditures observed that expenses on food and lodge constituted major component of their total expenditure. Moreover, food and lodge charges of accredited hotels as claimed in the Tax Returns of these tour operators varied from Nu. 1,532.00 to Nu. 8,251.00 per night as per details shown in *Annexure IV*. Lack of coordination and information sharing mechanism amongst TCB and hotels may also provide scope for under cutting and other practices.

The TCB responded that a clearance letter is issued to the Regional Trade & Industry Office (RTIO) to further process for license since the licensing authority lies with RTIO under MoEA. Tour Operators are required to register with TCB on TASHEL online system after obtaining the business license from RTIO and those tour operators who have valid licenses are registered on the system.

The TCB further stated that TCB requests RTIO to share the list of updated or renewed business license every year. However, sometimes the list TCB received is not comprehensive and up to date. Therefore, the issues pointed out by the audit team related to monitoring of tour operators license and to curb the possibility of non-filing of business tax could be solved if TCB is mandated to take over the tourism licensing as proposed in the Tourism Rules and Regulation 2015. (Refer Appendix B)

3.4 Planned targets and objectives of the Sector

The diversification and development of new products are core functions of the TCB to create a balanced and sustainable tourism. Some of the objectives for the sector were to improve the regional and local spread of benefits, improve the quality of services and broaden the base of demand.

The main objective of tourism sector in the Eleventh Five-Year Plan was to continue promoting Bhutan as a high-value, low-impact tourist destination. The key strategy is to promote Bhutan as an exclusive destination based on high level of services, diversified tourism products and improved tourism infrastructure facilities. The focuses are on regional spread, addressing seasonality issues and community participation.

Accordingly government has also recognized tourism sector as the main component of Bhutanese economy and allocated substantial budget for the development of tourism sector. The government has spent Nu.313.56 million for product development and promotion of tourism infrastructure & amenities, training in tourism and hospitality, travel outside and professional services for the period 2010-11 to 2015-16. Besides, fiscal incentives in the form of tax and duty exemptions have also been granted by the Government. The summary of investment in the tourism sector is depicted in the Table 3.6.

Table 3.6: Investments on product development and other services (in million Nu.)							
Activities	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Total
Product development and Promotion/development of Tourism Infrastructure & Amenities	30.29	32.44	32.81	26.80	21.19	32.76	176.29
Training in tourism and hospitality	1.42	3.18	1.06	2.27	1.77	2.5	12.20
Travel outside	11.20	7.79	2.09	5.03	1.87	5.61	33.59
Professional Services	10.70	14.21	16.63	16.06	18.58	15.3	91.48
Total							313.56

Source: Tourism Council of Bhutan

Some of the shortcoming pertaining to the achievements of the Targets and objectives of the sector are as follows:

3.4.1 Non-achievement of 10th FYP objectives

According to the 10th Five-Year Plan document, the government has set some specific objectives for the tourism sector. These include:

- ⊕ *Increase in tourism contribution to 9% of national revenue;*
- ⊕ *Achieve 30% of annual growth in tourist arrivals (baseline 13,326 for 2005); and*
- ⊕ *Achieve 40% employment growth in the tourism sector (2000 employed in 2004)*

On review of each specific objective laid down in the 10th FYP (2008-09 to 2012-13), it was observed that contribution to national revenue and annual growth in tourist arrival were not achieved. For instance, as against the target of 9% for contribution of tourism sector to national revenue, only 4.08% on aggregate was achieved during the plan period 2008-09 to 2012-13. Table 3.7 shows the contribution from tourism sector to national revenue from 2007-08 to 2014-15.

Table 3.7: Contribution from tourism sector to National Revenue from 2007-08 to 2014-15						
Year	Tax Revenue (in million Nu.)		Total	Percentage (%) of National Revenue		Total
	TDS	Royalty		TDS	Royalty	
2007-08	13.40	434.85	448.25	0.11	3.52	3.63%
2008-09	22.90	611.13	634.03	0.16	4.35	4.51%
2009-10	19.98	517.26	537.24	0.13	3.31	3.44%
2010-11	17.65	711.38	729.03	0.10	4.07	4.17%
2011-12	26.23	765.55	791.78	-	3.76	3.76%
2012-13	47.30	902.38	949.68	0.22	4.28	4.50%
2013-14	55.43	1,048.00	1,103.00	0.24	4.51	4.75%
2014-15	0.26	1,319.28	1,319.54	-	5.25	5.25 %

Source: National Revenue Report, DRC, MOF

Table 3.7 captures only direct revenue contribution in the form of TDS and royalty from the international segment of the tourists. Income earned in the form of spending and other contributions from tourists were neither recorded by the TCB nor accounted by the DRC in the revenue earnings from the tourism sector

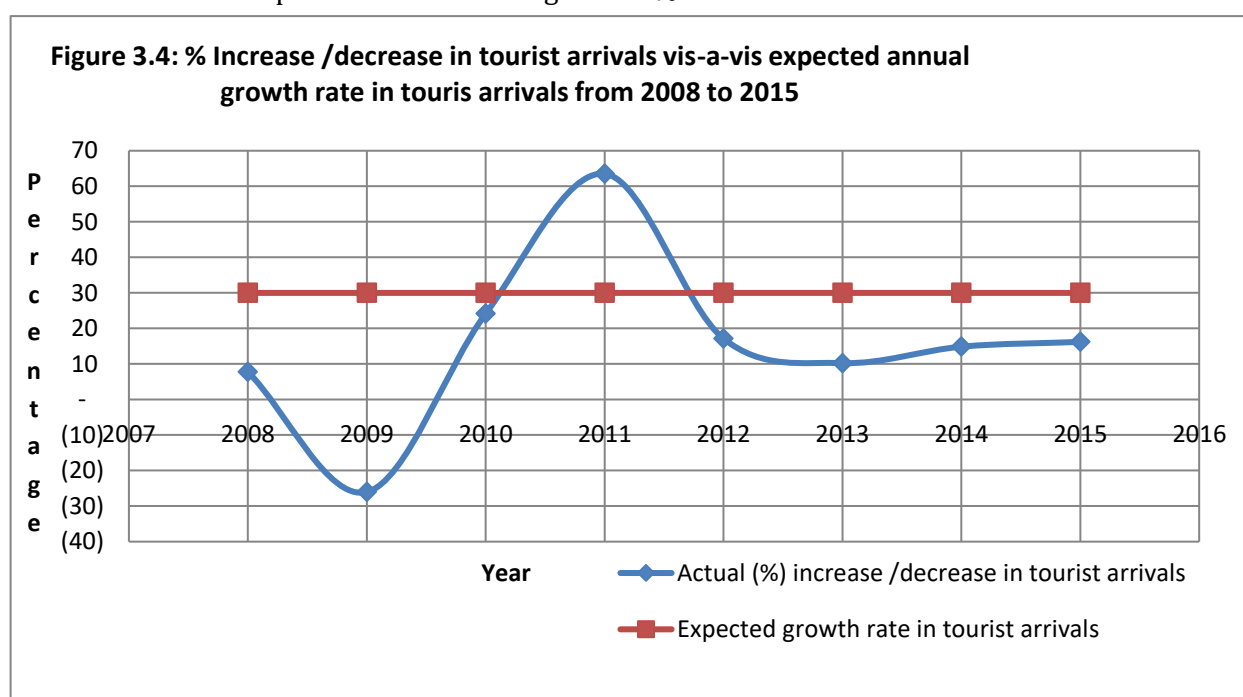
Similarly, as depicted in Table 3.8, the sector was also not able to achieve 30% annual growth in the arrival of tourist as projected in the 10th FYP.

Table 3.8: Total arrival including both international and regional tourists from 2007 to 2015

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total tourist arrivals	55,572	59,921	44,327	55,033	89,988	105,407	116,209	133,480	155,121
Yearly increase/decrease	-	4,349	(15,594)	10,706	34,955	15,419	10,802	17,271	21,641
(%) increase/decrease	-	7.83%	-26.02%	24.15%	63.52%	17.13%	10.25%	14.86%	16.21%

Source: Bhutan Tourism Monitor & RAA analysis

The analysis indicated that annual average growth rate during the period was only 16%. The figure 3.4 shows percentage increase/decrease in tourist arrivals vis-a-vis expected annual growth rate in tourist arrivals from 2008 to 2015. As seen from the figure, only in 2011 the annual growth rate in tourist arrival has surpassed the annual target of 30%.



Therefore, the sector could not achieve its annual growth rate of 30%, and its growth rate in 2009 was even -26.02%, reflecting very badly on its performance of annual tourists arrivals.

In terms of employment creation, it is supposed to achieve 40% employment growth in the tourism sector during the plan period 2008-09 to 2012-13. Based on the analysis of the RAA, the sector has not achieved its plan objective of 40% employment generation during the plan period. The analysis indicated that in the entire plan period, the target was surpassed only in the year 2011 and in rest of the period it was either below 40% or negative growth.

Table 3.9: Yearly increase and no of people employed in the Tourism sector from 2007 to 2015

Year	No. of people employed in Tourism sector	Yearly increase	Yearly percentage increase
2007	5,214	-	-
2008	5,181	-33	-0.63%
2009	5,700	519	10.02%
2010	17,000	11300	198.25%
2011	18,778	1778	10.46%
2012	23,575	4797	25.55%
2013	24,710	1135	4.81%
2014	25,383	673	2.72%
2015	26,508	1125	4.43%

Source: TCB & Bhutan Monitor Report

Therefore, based on the review of three main objectives laid down in the 10th Plan for the Tourism sector, none of these objectives were achieved. The RAA attributes for such poor performance mainly to poor planning and lack of adequate monitoring of plan execution.

The TCB responded that the targets and objectives for the sector were set after thorough discussions considering that all factors will contribute to the growth targets projected. However, tourism being a multi-sectoral industry with high dependency on external international events as well as natural calamities impeded achieving the set targets. Developments within the country like the widening of the east – west highway also impacted the movement of tourists to the eastern region.

TCB further stated that in terms of the revenue /tourism contribution to government, currently it only accounts for the royalty (taxes) contribution. However, since the beginning of 11th FYP, the TCB has developed a mechanism to assess gross tourism receipt from tourism (the methodology is being improved upon). Further, the objective is to develop a Tourism Satellite Account for which efforts are being made. TCB also stated that due to the budgetary ceiling constraints, they were not been able to integrate tourism activities in all dzongkhags and as such, tourism activities in the Dzongkhags had to be prioritized. (Refer Appendix A)

3.4.2 Non-integration of tourism activities in Dzongkhag Plans

Executive Order vide PM/01/08/912 of 30th January 2008, requires the establishment of Dzongkhag Tourism Committee (DTCs) under the chairmanship of Dzongkhags. The DTCs shall be responsible for mainstreaming tourism within the Dzongkhag development planning process.

Further, the Cabinet vide C-3/117/659 dated December 8, 2011 instructed TCB to transfer building and managing road side amenities to the local government for execution of works if the TCB finds it difficult to implement.

However, Dzongkhag Tourism Committee has not been established. TCB has also not transferred budget on execution of works to the local government. Currently, the TCB manages and executes all the construction of buildings and road-side amenities. As evident from the successive annual budget and work plans of TCB, the tourism products development and promotion were

concentrated in the western and central parts of the country despite requirement to spread the benefits across the country. The TCB was also not successful in monitoring tourism activities such as waste, road side amenities and other tourism products due to none or little engagement of Dzongkhags. Thus, decentralization of tourism related activities to the local government was felt necessary to encourage participation of local governments in development of tourism responsive to their specific local advantages.



Figure 3.5: Unmanaged garbage on the way to Paro Taktshang

Therefore, in line with the executive orders and directives from the Cabinet, the TCB needs to institute a mechanism to proactively share information, consult and engage Dzongkhags to foster integration of tourism development activities in the Dzongkhag annual work plan or performance agreement.

3.4.3 Inadequate tourism product diversification

According to Economic Development Policy 2010, the Government is required to diversify tourism products having comparative advantage and with special emphasis on nature based activities including wellness and rural tourism. It also states that domestic tourism shall also be encouraged for sustainable tourism development.

The policy also specifically emphasizes the Government to ensure product diversification activities that would contribute to:

- ⊕ a more equitable and balanced development focusing on tourism deficient areas,
- ⊕ establishment of new tourism clusters with appropriate services and activities, and
- ⊕ promote local cuisine, art and crafts and traditional medicine.

Further, the Executive Order vide PM/01/08/912 of 30th January 2008 indicated diversification and development of new products as core functions of the tourism authority to create a balanced and sustainable tourism most compatible with environment, society and its mission.

- In line with these mandates, the TCB has developed number of tourism products. These include: Development of Orchid Trek, Textiles tours, Nomads festival for eight dzongkhags, Annual Takin festival etc. Some of the new products developed since 2010 are indicated in the Table 3.10.

Table 3.10: Tourism Products developed from 2010 to 2015

Sl. No	Name of Products developed	Location
1	Orchid Festival	Tashiyangtse
2	Textiles Tours	Paro, Thimphu, Wangdue, Bumthang, Monggar, Lhuentse, T/gang & T/yangtse
3	Construction of Menchu	Monggar
4	Nomads festival	Haa, Paro, Thimphu, Gasa, Wangdue, Bumthang, T/yangtse, Trashigang
5	Annual Takin Festival	Gasa
6	Annual Matsutake Festival	Bumthang & Thimphu
7	Dhur Taschu	Bumthang
8	Wildlife tours in Manas	Zhemgang
9	Annual Rhodendron Festival	Thimphu
10	Annual Haa Sumar Festival	Haa
11	Chha Festival	Lhuentse
12	Sangala Trail	Haa
13	Birdwatching campsites	Zhemgang
14	Sangay Lingicham	Pemagatsel
Source: TCB		

The RAA noted that during 2010-2015, the TCB has developed 14 additional products in more than 13 Dzongkhags. However, the products lack diversification as most of the products are related to festivals and promotion of local products.

As required by the Economic Development policy, the TCB failed to explore and develop products related to art, crafts and traditional medicine. The RAA also noted that TCB did not invest adequately to promote domestic tourism in the country despite requirement by the economic development policy 2010.

Similarly, the Bhutan Tourism Monitor, 2015, indicated that 84.98 % of the tourists were for cultural sightseeing and majority of them concentrated in Thimphu, Paro, Punakha, Wangdue and Bumthang. Thus, it was evident that product diversification were not adequately carried out to ensure that Bhutan is promoted as year around destination.

Based on the findings and inadequacies discussed in Chapter 3, the RAA proposes following recommendations that may enhance greater accountability, improved decision-making and effective implementation of plans and programmes in the Tourism sector.

4.1 TCB should prioritize the finalization of Tourism Policy and Act

The draft Tourism Bill and policy were under discussion since 2005 at various levels, and no comprehensive legal and policy instruments could still be materialized to give much needed boost in the tourism sector. In absence of comprehensive legislations and policy guidelines, the legitimacy of the efforts of the implementing agencies may be undermined without adequate legal backing. The legal framework and policy guide should also provide for clear guidance on embracing the principle of *'High Value, Low Impact'* which is seeing an increasing relevance in today's context. Therefore, there is an urgent need for the TCB to formulate comprehensive tourism policy and legislations to give adequate legal teeth and ensure effective implementation of plans and programs through enhanced enforcement mechanism and monitoring of tourism activities. The adequate legal instruments would also provide the implementing agencies the legitimacy of their efforts towards reaping sustained economic advantage from this economic jewel of the country.

4.2 TCB should strengthen coordination and monitoring mechanism

Monitoring and coordination were generally lacking which impeded effective implementation and enforcement of regulations and policy directives. There should be smooth coordination and monitoring mechanisms in the tourism sector to ensure effective enforcement of regulations to promote Bhutan as an exclusive destination. The TCB should have a proper coordination mechanism through defined roles and responsibilities and protocols for cooperation. Better collaboration and improved understanding of work relations amongst all stakeholders and agencies in the tourism sector is vital for effective monitoring. The TCB should also enforce uniform application of regulations and monitor the quality of services rendered by the tour operators in the areas of transportation, accommodation, guide services and other facilities. The strict regulation and effective monitoring mechanism will help to check on the incidences of any undesirable practices in the tourism industry. Therefore, instituting effective control and monitoring mechanism is fundamental in enforcing the policy directives of Government to promote Bhutan as an exclusive destination for visitors. For effective monitoring, the TCB should also be adequately strengthened in its human resources capacity.

4.3 Information sharing mechanism should be instituted for TCB, DRC and RTIO

There was lack of proper information sharing mechanism amongst TCB, DRC and RTIO. In absence of which, effective monitoring, proper decision-making and enforcement of compliance to laws, rules and regulations were rendered difficult. There should be proper coordination and information sharing mechanism between the RTIO, DRC and TCB so that information can be shared on a real time basis which would enable effective monitoring and ensuring tax compliance. Information relating to issuance of new tourism licenses, cancellation and transfer of licenses

should be shared between RTIO, DRC and TCB in order to curb the possibility of non-filing of business tax. With timely information, the TCB should be able to do proper monitoring of the Tour Operators License and thus, necessitate the Tour Operators to file taxes on time.

4.4 TCB should regulate regional tourists in conformity to its principle of *'High Value, Low Impact'*

As per the directives from the Cabinet issued in the year 2011, TCB should not apply double standards in the “definition” of tourist. However, TCB does not have a system of regulating the regional tourists. Therefore, whether it is international or regional tourists, it should be properly regulated through appropriate framework and mechanism. The TCB should also monitor tour operators to ensure uniform and quality services provided to all types of tourists and promote Bhutan as an exclusive destination for tourists. Therefore, the regional tourists should also be subjected to uniform application of regulations consistent to the country’s tourism principle of *'High Value, Low Impact'*.

4.5 TCB should institute proper internal control mechanism in tariff regulations

On review of tariff payment procedures, control weaknesses were observed in the areas of tariff deposits, visa endorsements based on tariff deposits and refund to tourists which may provide avenues for undesirable practices viz., under-cutting the applicable minimal tariff. Therefore, the RAA recommends the following to control incidences of such practices:

- i. Visa for tourists should be endorsed by TCB based on tariff deposit made group-wise. The existing practice of endorsing visa solely based on the availability of usable amount balance in tour operators’ account maintained with TCB does not ensure that minimal applicable tariff for all tourists were actually received for the intended group.
- ii. TCB should institute a proper system for cancellation of tour programs and the refunds thereof. As required by the Tour Payment Rules and Procedures, the tour operators should inform TCB in writing about the amount to be deducted and paid to their account before refund is made. In order to ensure that the correct refund is made for the intended purpose and to the actual beneficiary, the TCB should be able to track the inflow of the actual tariff, the details of tour cancellation and the out-flow of tariff after the deduction of applicable cancellation charges. The refundable amount should be remitted to the account of the client/travel agent overseas directly by TCB upon debiting the bank charges to the amount being refunded. The existing practice of refund for cancellation is made without exercising due diligence in terms of cross-checking receipt of actual tariff.
- iii. As required by the banking norms, the tour operators make a request to the TCB for any transfer of funds out of the Tour Operators accounts. While it is an established control instituted to check on any unauthorized transactions from the tour operators’ account, it is invariably breached when the TCB recommends the transfer of funds from the Tour Operators account without actually authenticating or verifying the payments. Therefore, the TCB should first establish the legitimacy of payments before it recommends for any transaction from the Tour Operators’ account. The due diligence should also be exercised by verifying the proof of remittances into their account and out of their account with the details of sender or receiver. For the transfer of fund on account of cancellation of the tour

programs, the details of remittances and proof of cancellation of the tour programs should be verified and documented.

- iv. TCB should also require the Tour Operators to produce adequate proof of travels outside for which they recommend the Bank to issue foreign currency. All authorized travels by the tour operators should be properly endorsed and documented, and control instituted to check on the flow of foreign exchange from the tour operators' accounts.

4.6 TCB should integrate tourism activities in Dzongkhag Plans

Currently, the TCB manages and executes all the construction of buildings and road-side amenities. As evident from the successive annual budget and work plans of TCB, the tourism products development and promotion were concentrated in the western and central parts of the country despite requirement to spread the benefits across the country. The TCB was also not effective in controlling trashes and wastes, building road side amenities and other tourism products due to none or little engagement of Dzongkhags.

Thus, decentralization of tourism related activities to the local government was felt necessary to address the current challenges of budget ceiling and sector representation faced by the local government. Therefore, as per the executive orders and directives from the Cabinet, the TCB should institute a mechanism to proactively share information, consult and engage Dzongkhags to foster integration of tourism development activities in the Dzongkhag annual work performance agreement.

4.7 TCB should review its pricing structure timely to make it more responsive to the pace of global economic developments

The tariff structure of USD 200 per night per tourist for lean season was applicable as early as 1995 with revision of tariff for high season to USD 250 in 2012. Therefore, there may be a need for timely review of existing tariff structure to make it more responsive to the pace of global economic developments. The timely and dynamic tariff structure may help the government to yield the optimum economic advantage from tourism sector. However, the review should not at any cost be conflicting to the principle of *'High Value, Low Impact'*, the policy which withstood the test of time.

The possibility of having uniform tariff structure without classifying as high or lean season may also be explored to consistently promote Bhutan as year-round exclusive destination. To do this, the Government should encourage for more innovative tourism product diversification spread across the year and different regions in the country. The review may also explore for such pricing mechanism or discounts offered on daily tariff for those loyal tourists to encourage more re-visits. However, such arrangement should be consistent to the immigration policy of the Royal Government of Bhutan.

Tourism industry in Bhutan was introduced in 1974 with the primary objective of generating revenue especially foreign exchange and to promote the country's unique culture and traditions to the outside world. The principle of *'high value, low volume'* has been the overall tourism policy since inception and founded on the wisdom of His Majesty the Fourth Druk Gyalpo to cater Bhutan only to tourists who come here to experience its un-spoilt environment and cultural heritage. The tariff system has proved itself to be successful in fulfilling this intended objective and found to be useful tool to ensure sustainable development of tourism. The underlying principle in tourism has also greatly helped the country to successfully create the brand image of Bhutan as premium and exclusive destination for tourists. Therefore, the policy while remained unique, finds increasing relevance in today's context especially in the wake of increasing arrivals fueled by flow of regional tourists. However, the tourism authority is yet to beef-up the effort to monitor and regulate the regional tourists in the country. Later in 2008, the policy has been termed *'high value, low impact'*.

The Royal Audit Authority (RAA) noted that tourism sector had been contributing significantly towards the economy with gross earnings increasing from USD 47.68 million in 2011 to USD 71.05 million in 2015, and creating 26,508 jobs in various sectors. Tourism sector was regarded as one of the economic jewels of the country having huge potential to accelerate socio-economic development of the country. Through TCB, many infrastructures and road site amenities were also developed and created economic opportunities by fueling the growth in various other sectors.

The RAA also observed that the tourism sector is primarily governed by the Executive Order issued on 30th January 2008 by the Government. Since then, efforts were made to draft Tourism Bill and policy without actually materializing the initiatives. In absence of enabling legislations and policy guidelines, the legitimacy of the efforts of the implementing agencies may be undermined, and formulation or enforcement of any regulation or standard operating procedures may be rendered ineffective. Therefore, there is an ardent need for the TCB to formulate comprehensive tourism policy and legislations to give adequate legal teeth to ensure effective implementation of plans and programs and enhanced enforcement mechanism and monitoring.

The RAA also observed increasing trend in flow of regional tourists, which recorded growth of 49.21% in 2015, representing 62.90% of the total tourist arrival. However, the arrival during the year had not yielded corresponding increase in the income earned through tourists' tariff. Instead, the gross earnings in 2015 had decreased by 1.59% from 2014 despite increase in arrival of regional tourists by 49.21% and aggregate increase in arrival by 16.21%. Therefore, the existing trend and pattern of arrivals shows an impact not consistent to the principle of *'high value, low impact'*. There may be an ardent need to regulate the regional tourists, applying uniform standard as applicable to other international tourists visiting the country. While the benefits of tourism may accrue in terms of employment generation, increased spending and other trickle down benefits, some level of regulation is inevitable not only for their safety, comforts and improved service delivery but also to minimize possible negative impacts. Besides traffic congestion and other associated social menace, even the existing infrastructure such as hotels and other facilities may not be sufficient to absorb overwhelming growth in arrivals characterized by high season concentration.

Inadequacies in internal controls were also observed, particularly in the areas of tariff deposits, visa endorsements based on tariff deposits and refund to tourists which may provide avenues for undesirable practices viz., under-cutting tourism tariff. However, the RAA could not ascertain involvement of tour operators involved in such malpractices due to the nature of practices inherent in individuals. The audit procedures designed is limited to reviewing the adequacy of internal control system as the audit didn't find it pertinent to visit the tour operators' premises and access their accounts for investigation.

The coordination and monitoring mechanism are also generally lacking in tourism sector. The TCB should ensure uniform application of regulations and monitor the quality of services rendered by the tour operators in the areas of transportation, accommodation, guide services and other facilities. Instituting effective control and monitoring mechanism is fundamental in enforcing the policy objective of Government to promote Bhutan as an exclusive destination for visitors.

The RAA is also of the opinion that the timely review of existing tariff structure and making it more dynamic and responsive to the pace of global economic developments may help government to reap the optimum advantage from this economic jewel of the country. However, the tariff review should be undertaken consistent to its principles and objectives to promote Bhutan as a high-end tourists' destination.

Based on the information and findings, the RAA also made recommendations that should help improve identified deficiencies in the system and ultimately aid tourism authorities achieve its intended objectives in the long-run. Through this report, the RAA also intends to provide authorities with information to assist informed decision-making.

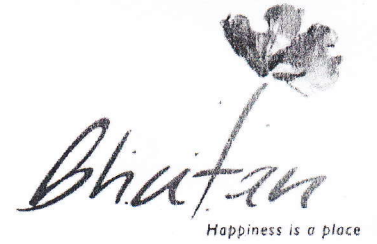
APPENDICES



Appendix A: Response from TCB

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TOURISM COUNCIL OF BHUTAN



TCB/SD-10/2016/7364

November 9, 16

The Auditor General
Royal Audit Authority
Thimphu

Sub: Response on Performance Audit for Tourism Sector

Dear Dasho,

This has reference to your letter No. RAA/PSAD/2016-2017/3132 dated 30th September 2016 regarding the draft report on Performance Audit of Tourism Sector.

We would like to thank RAA for conducting a special audit for tourism sector with an objective to ascertain and report on the economy, efficiency and effectiveness in the operation and management of tourism sector.

TCB is very thankful to RAA in particular for highlighting some of our major and significant accomplishments such as contribution from tourism to the overall national economy, development of tourism related infrastructure and roadside amenities, development of new tourism products, capacity development of tourism professionals and marketing and promotion of tourism sector in the draft report. TCB commits to further improving the performance of the sector in the future.

The report also highlighted some of the shortcomings and deficiencies and we would like to provide some explanation/elaboration for your kind consideration.

Thank you,

Yours sincerely,

(Chhimmy Pem)
DIRECTOR

✓

Royal Audit Authority
Thimphu : Bhutan
Dairy No. 56799
Date 9/11/2016

Audit Response on Performance Audit of Tourism Sector:

B. Lapses and Deficiencies

3.2 Legal and Policy Framework

3.2.1 Inadequate legal mandates for the Tourism sector

The Tourism bill was presented to the Cabinet on November 8th, 2011 during its 117th session. TCB was directed to review and adopt the National Tourism Policy before the bill. Following that, a draft tourism policy was submitted to GNHC. However, the policy document could not be finalized and adopted.

A review on tourism policy was initiated by the Tourism Council of Bhutan in August 2015 with support from the World Bank by engaging tourism experts from Solimar International. Several rounds of workshops and consultations have been held with stakeholders from the private, the government as well as NGO sectors. The final report is expected soon, which will then be presented to the government. The report will be used to feed into the draft policy document that TCB has already framed since 2005. The draft tourism bill is hoped to be submitted after the adoption of the tourism policy.

3.2.2 Inconsistency in application of Tourism Rules and Regulations

The Tourism Council of Bhutan is authorized to issue only a clearance letter and license of the tour operator is issued by the Ministry of Economic Affairs. The annual license fee is also charged by MoEA.

As stated by the audit team, it is mandatory for a tour operator to set up a proper office with postal address. Although the inspection of tour operators' office is carried out prior to facilitating the visa of their first tourist group, the increase in number of tour operators and lack of human resources has hindered in conducting subsequent inspection which had led to some operators operating tour without a proper office. TCB has inspected 88 new tour operators office in the year 2016.

Regarding vehicles transporting tourists we didn't feel the need to register those vehicles as all the vehicles including the tourist transporting vehicles are mandated to possess valid fitness certification as per the legislations adopted by the Road Safety and Transport Authority. Similarly, inspection is being regularly conducted by the Royal Bhutan Police.

As observed by the team, the cases of tour operators lodging tourists in the non-tourist standard hotels are reported and these tour operators are fined for violating the provision of the regulation.

The Revised Tourism Rules and Regulations 2015 was endorsed by the Cabinet in principle and will be implemented upon further directives.

3.2.3 Unregulated regional tourists

The regional tourists consist of visitors from India, Bangladesh and Maldives who do not require visa to visit Bhutan and do not have to be routed through a local tour operator. They are issued permit at the point of entry by the Department of Immigration, MoHCA. Therefore, unlike international tourists TCB has no control over the regional tourists at the moment.

However, TCB in collaboration with DoI, MoHCA will be implementing an online permit system that regional tourists can use as an option to visit Bhutan. This system requires tourists to stay in 3 Star and above accommodations facilities and use Bhutanese licensed guides. Besides, solving many of the issues related to unregulated regional tourists, it would ensure that the tourism policy of High Value, Low Impact is promoted and maintained. Therefore, the image of Bhutan as an exclusive high-end destination is ensured. Moreover, use of guides would ensure the safety of the visitors as well as provide a more enriching experience in terms of understanding the Bhutanese tradition and culture.

An entry fee has been implemented for Tashichhodzong as a pilot study in management of regional tourists at particular sites. If found favorable and effective we hope to replicate this system in other popular sites.

3.3 Internal Control Mechanism in Tariff Payment Procedures

3.3.1 Flaws in Payment Procedures of applicable tariff

As pointed out by the RAA team some of the big tour operators make a bulk deposit and maintain a huge balance with TCB. This is being done since their overseas agents make bulk deposits as it is inconvenient for them to transfer the payment group wise with frequent groups. The payment for every group gets cleared with the end of tour programme.

TCB could implement the recommendation of the RAA to endorse the visa on payment deposit made group wise and not based on the availability of usable amount balance in tour operators account maintained with TCB. However, it may cause inconvenience to the tour operators particularly the big ones and their agents abroad, which may impact an arrival.

3.3.2 Due diligences not performed for the refund of payments for cancelled tour programmes

The refund for cancellation of tour is made with an advice to the Banks for onward transfer by debiting the amount from tour operators account. This is being done as in most cases tour operators apply cancellation charges as per the cancellation terms and conditions agreed. It is also due to inconvenience caused by fluctuation of exchange rates and Bank charges that TCB would otherwise have to bear.

In the future, as advised by the RAA the refund can be made directly to the client/agent abroad as TCB has developed a new Tashel System with approval from RMA where all transactions will be done in USD unlike the current system where the

tour payments were received in USD and deposited in TCB's Ngultrum account by applying exchange rates. With this new system the refunds will be made directly from TCB's account to the clients/agents abroad upon fulfilling the documentation processes. Since all transactions will be done in USD there will not be any discrepancies with regard to the amount received and payment made from TCB's account.

3.3.3 Inadequate control in remittances and disbursement of Foreign Exchange

On the outward transfer of payments related to marketing and promotion and Daily Subsistence Allowance (DSA) for tour operators, TCB will strictly verify and recommend for transfers only for the event, which TCB coordinates and participates. The Tour Operators have to submit enough supporting documents besides the letter of participation for the travel fair and air tickets. In most cases TCB officials are physically present at those events so such cases are verified.

3.3.4 Inadequate control in Air Ticketing

To be responded by the airlines.

3.4 Monitoring and Coordination

3.4.1 Inadequate monitoring mechanism

Lack of human capacity has been a challenge for TCB to conduct regular monitoring of service providers such as tour operators, hotels and tour guides. However, monitoring is one of the main tasks of TCB for ensuring quality and standards of services and facilities for the tourism sector. TCB has been carrying out regular inspection of tour guides during peak season and important festivals and Tshechus. Surprise checks are also being done on the accommodations and restaurants and on the spot checks are carried out during trekking seasons to ensure proper waste management by the trekking staff.

With the establishment of the Quality Assurance Division as a result of the OD exercise TCB is working on ensuring that proper monitoring mechanism is in place and proper guideline or established procedure for carrying out monitoring is developed. The monitoring team will be enhanced to conduct monitoring on a regular basis to ensure the standards of service quality in the tourism sector. The Quality Assurance Division has 4 staff including the Chief who was recruited recently.

3.4.2 Improper standardization and accreditation of hotels

TCB has developed a Standardization and Classification System of Accommodations guideline to classify accommodations into different star ratings. The system was developed with technical support from an international expert in 2007 and implemented since 2010. Wide ranges of consultation workshops both at national and

regional level were held to make the system more transparent and effective. The set of guideline is shared with potential hotel developers to help them in their hotel design and drawing. The guidelines is also available on TCB's website www.tourism.gov.bt for easy access by the industry partners.

As pointed out by the RAA team TCB faces challenges while carrying out assessment due to shortage of trained assessors. However, a recent review of the Standardization and Classification System was carried out and training was conducted for a pool of assessors by the international expert. TCB's target is to complete the reassessment of all accommodation facilities in the fiscal year 2016-17.

All accommodation facilities will be issued star rating based on the result of the reassessment.

3.4.3 Inadequate coordination mechanism

The tourism sector is one of the most consulted sectors across different levels and for different and numerous purposes and agendas. Any tourism plans and projects are thoroughly consulted and implemented.

The implementation of the Standardization and Classification System of Accommodation in Bhutan is being implemented in collaboration with BCCI, ABTO, HRAB and other individual trained assessors.

The Bhutan Tour Guide Management system was developed in consultation with the tour guides and Guide Association of Bhutan. GAB is very much part of issuing and renewing of tour guide license and trekking staff license. The regular monitoring of tour operators, tour guides and trekking staff are carried out in coordination with GAB.

Any tourism and hospitality related trainings are conducted in consultation with the industry partners and experts. TCB is in the process of carrying out Training Needs Assessment and various level of consultations have been held to get industry feedback.

Any new initiatives being taken are done in consultation with relevant agencies such as the Department of Immigration, Department of Culture, Dratshang Lhentshog, RSTA, Department of Agriculture, Department of Forests and Park Services, respective Dzongkhags, local governments and private sectors.

TCB is governed by a Council with the Prime Minister as the Chair and high-level members from all relevant agencies including the private sector. All policies and issues are discussed and decided in the Council. Where issues merit higher attention they are then forwarded to the Cabinet.

3.4.4 Lack of coordination between RTIO, DRC and TCB resulting into non-filing of taxes by the tour operators

TCB issues a clearance letter to the Regional Trade & Industry Office (RTIO) to further process for license since the licensing authority lies with RTIO under MoEA. Tour Operators are required to register with TCB on TASHEL online system after

obtaining the business license from RTIO and those tour operators who have valid licenses are registered on the system.

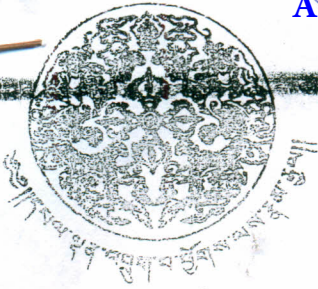
TCB requests RTIO to share the list of updated or renewed business license every year. However, sometimes the list TCB received is not comprehensive and up to date. Therefore, the issues pointed out by the audit team related to monitoring of tour operators license and to curb the possibility of non-filing of business tax could be solved if TCB is mandated to take over the tourism licensing as proposed in the Tourism Rules and Regulation 2015.

3.5 Targets and objectives of the sector

The targets and objectives for the sector were set after thorough discussions considering that all factors will contribute to the growth targets projected. However, tourism being a multi-sectoral industry with high dependency on external international events as well as natural calamities impeded achieving the set targets. Developments within the country like the widening of the east – west highway also impacted the movement of tourists to the eastern region.

In terms of the revenue /tourism contribution to government, currently it only accounts for the royalty (taxes) contribution. However, since the beginning of 11th FYP, we have developed a mechanism to assess gross tourism receipt from tourism (the methodology is being improved upon). Further, the objective is to develop a Tourism Satellite Account for which efforts are being made.

Due to the budgetary ceiling constraints, we have not been able to integrate tourism activities in all dzongkhags. As such, tourism activities in the Dzongkhags have to be prioritized.



PM/01/08/912

30 January 2008

Executive Order

In keeping with the vision of His Majesty the King towards developing a dynamic economy as the foundation for a vibrant democracy, the Royal Government is pleased to establish the "National Tourism Board" (NTB) as an autonomous intergovernmental agency, with immediate effect.

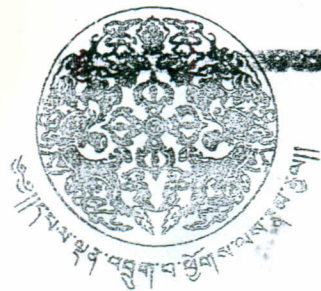
The NTB is established to create an appropriate autonomous agency to manage and develop the tourism industry in the country and to institute a multi-sectoral approach to cooperation and collaboration to optimize revenue generation from the tourism sector and its benefits for fuelling the broader socio-economic development process in the country. The NTB shall strive to maintain the "uniqueness" and "exclusivity" of touring Bhutan to both international and regional clientele over the coming years.

The NTB shall function within the broad policy guidelines issued by the government and it shall receive block grants from the government based on a formula that will take into account the contribution of the tourism sector to the national exchequer.

The structure and membership of the NTB shall be as follows:

1. The existing Department of Tourism (DOT) shall be reconstituted in accordance with the new structure for the NTB. However, positions and staff within the current DOT will not automatically transfer to the new NTB. Instead, all transfers and appointments to the NTB shall be determined by the Board and its Managing Director;
2. At its inception, the following shall constitute the Board of Directors for the NTB:

a) Prime Minister/Nominated Minister	Chairperson
b) Govt. Secretary	Vice Chairperson
c) Secretary, GNH Commission	Member



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Royal Government of Bhutan

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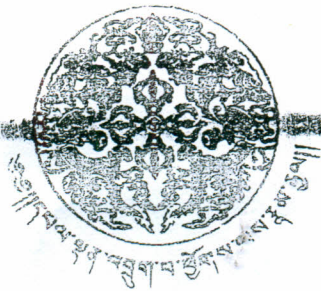
Prime Minister

- | | |
|------------------------------------|------------------|
| d) Head of ABTO | Member |
| e) One representative of Dzongdags | Member |
| f) M.D., Druk Air Corporation | Member |
| g) Director, Dratshang Lhengtshog | Member |
| h) Director, Dept of Forests | Member |
| i) Director, Bilateral Dept., MFA | Member |
| j) Managing Director, NTB | Member Secretary |

3. Wherever deemed appropriate and necessary, Dzongkhag Tourism Committees (DTCs) shall be established under the chairmanship of Dzongdags. The DTCs shall be responsible for mainstreaming tourism within the Dzongkhag development planning process; and
4. The primary focus of the appointment of board membership will be firstly to have a wide range of stakeholders represented but more significantly, capable, dynamic and progressive personalities, who can contribute 'intelligently' to the growth of the tourism sector in Bhutan. The appointment of Chairperson shall be at the discretion of the Prime Minister while the subsequent Vice Chairpersons will be decided by the GNH Commission. The Managing Director of NTB will be appointed from the civil service on secondment through a criteria set by the Board of Directors. All members of the Board including the Member Secretary but with the exception of the Chairperson will be for a 3-year fixed term.

In pursuit of promoting Bhutan as an exclusive tourist destination and accordingly provide the necessary enabling environment for the development of a vibrant and professional tourism industry, the NTB shall discharge the following functions:

- a) Comprehensive Tourism Planning and Policy Formulation: Propose and implement national tourism policy and strategy in consultation with relevant stakeholders;
- b) Effective Regulation and Timely Monitoring: Develop and implement relevant tourism guidelines and regulatory measures to ensure excellent services and products;



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Royal Government of Bhutan

ཐོག་མཐུན་

Prime Minister

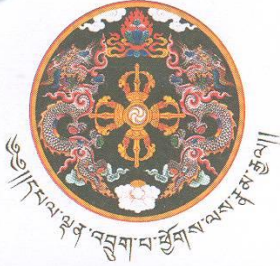
- c) Facilitation and Coordination: Establish a safe, secure and healthy environment for visitors; promote and facilitate private sector (domestic and foreign) investment in the tourism industry; coordinate tourism related efforts among all stakeholders in the country; facilitate daily operational procedures; and facilitate and assist in improving visitor relations and experience;
- d) Marketing and Promotion: Actively carry out/facilitate promotion and marketing of the country as an exclusive tourist destination through tourism fairs, exploring potential new markets and promotional literature; and
- e) Development of Tourism Products and Services: Diversify and develop new tourism products to create a balanced and sustainable tourism most compatible with the environment, society and its mission.

This Executive Order is issued for strict compliance with immediate effect.

(Kinzang Dorji)

Copy to:

1. All Hon'ble Ministers, for kind information
2. Secretary to His Majesty the King, Tashichho Dzong, for kind information
3. Secretary, Royal Civil Service Commission, for information
4. Secretary, Ministry of Economic Affairs, for compliance and necessary action
5. All Secretaries to Ministries and Commissions, for information
6. All Heads of Autonomous Agencies, for information
7. All Dzongdags, 20 Dzongkhags, for information



PRIME MINISTER

C-2/11/159

དཔལ་ལྷན་འབྲུག་གཞུང་།

Royal Government of Bhutan

12 November, 2013

[Translated Text]

GOVERNMENT ORDER

Sub: Appointment of Chairman and Members of Tourism Council of Bhutan

The Government is pleased to reconstitute Tourism Council of Bhutan with the following members:

- i) Prime Minister as Chairman;
- ii) Minister, MoEA as Vice Chairman;
- iii) Secretary, MoHCA as Member;
- iv) Secretary, MoAF as Member;
- v) Secretary, GNH Commission as Member;
- vi) President, BCCI as Member;
- vii) President of ABTO as Member;
- viii) President of HAB as Member;
- ix) President of GAB as Member;
- x) CEO of Druk Air as Member; and
- xi) Director/DG, TCB as Member Secretary.

This Government Order is issued in keeping with the decisions of the 11th Lhengye Zhungtshog held on October 15, 2013 and shall come into immediate effect.

Sd/-
(Tshering Tobgay)

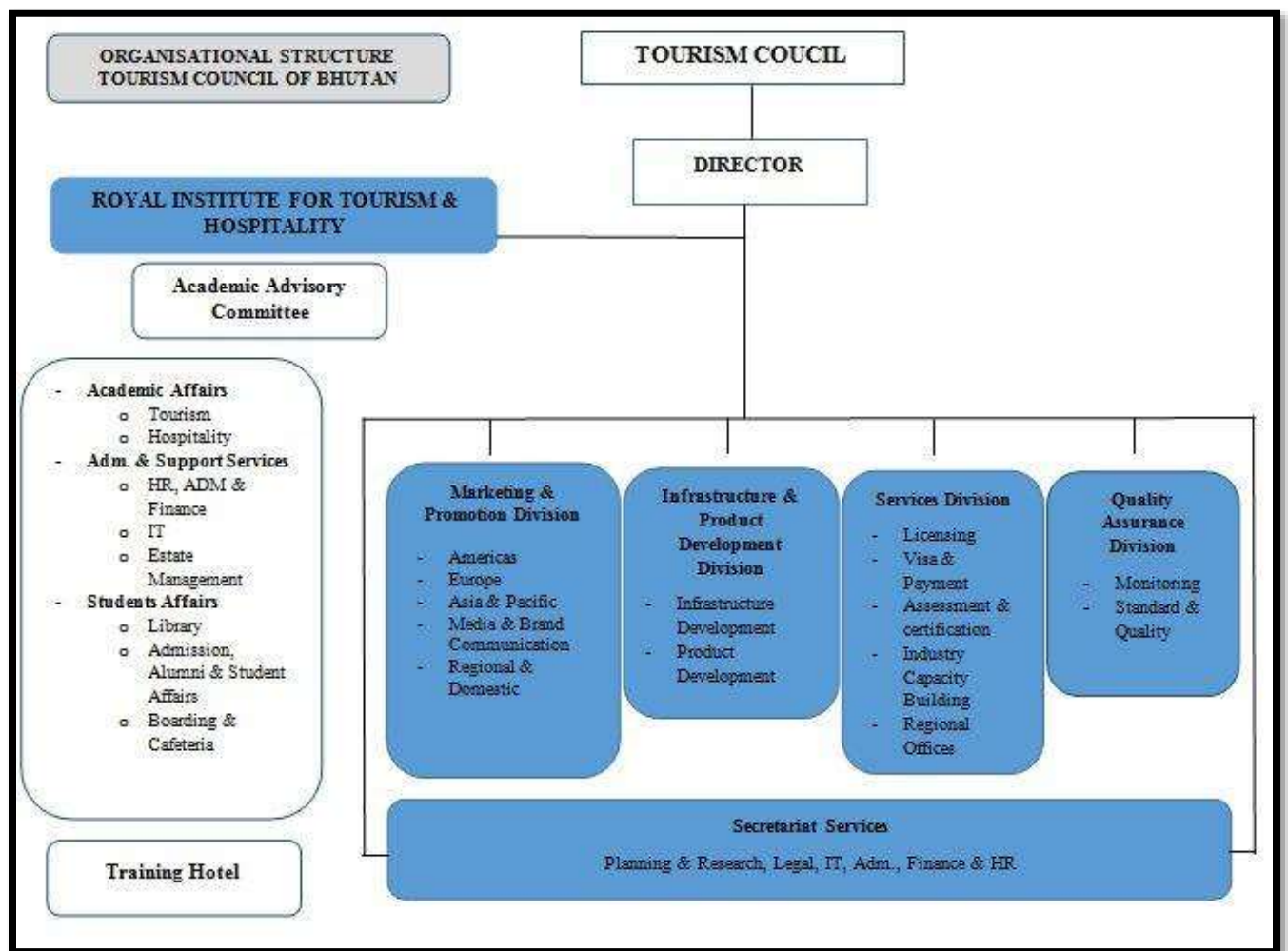
Copy for necessary action to:

1. Offtg. DG, TCB Secretariat, Thimphu

Copy for kind information to:

1. Hon'ble Minister, All Ministries, Thimphu
2. Hon'ble Secretary to His Majesty the King, Royal Secretariat, Tashichhodzong
3. Secretary, All Ministries, Thimphu
4. Secretary, All Commissions (DDC, NLC, GNHC, NEC, Dratshang Lhengtshog), Thimphu

Appendix D: Organisational Structure of Tourism Council of Bhutan





Appendix E

དཔལ་ལྷན་འབྲུག་གཞུང་།

ལྷན་ཁྲིམས་གཞུང་ཚོགས་ཡིག་ཚང་།

ROYAL GOVERNMENT OF BHUTAN

Cabinet Secretariat

Gyalyong Tshogkhong

Thimphu : Bhutan

C-3/117/ 659

December 8, 2011

Director General,
Tourism Council of Bhutan,
Thimphu.

Sub: TOURISM BILL, 2011

Sir,

Kindly recall the presentation of the Tourism Bill 2011 made by the Executive Director of TCB Secretariat, Thuji D. Nadik, to the Lhengye Zhungtshog on 8th November 2011. I would like to convey that the Lhengye Zhungtshog decided that the Bill be first considered by the Tourism Council, where multi-sectoral representations are present. Further, the TCB Secretariat is to note the following directives:

- i) The National Tourism Policy should be reviewed and adopted first before even considering a bill.
- ii) The TCB should focus on effective coordination and in enhancing efficiency.
- iii) The TCB should review the existing tourism tariff. Views are also expressed that the USD 250 per day per tourist may be done away with and tourists can spend in open market.
- iv) Definition of "tourist" should not have a double standard application.
- v) The budget provided to the TCB for building and managing road-side amenities should be transferred to the local governments for execution of works if the TCB finds it difficult to implement.
- vi) The earlier decision of the government to lease land for building 4-star and above hotels is to be allowed in remote areas only, not in Paro, Bumthang, Punakha and Wangduephodang.

This letter has reference to the 117th Lhengye Zhungtshog held on 8th November 2011.

Yours sincerely,

Kindly Waptsa
[Signature]

2836

Date

13/12/11

(Duba)

For Cabinet Secretary

Copy to:

1. Hon'ble Minister, All Ministries, Thimphu
2. Legal Section, Cabinet Secretariat, Gyalyong Tshogkhong, Thimphu
3. PS to Hon'ble PM, Gyalyong Tshogkhong, Thimphu

ANNEXURES

List of Amenities along the highways/trek routes/bridges and campsites in the Country							Annexure-I
Sl. No	Location/ Dzongkhag	Type of property	Name of Amenities	Ownership/Ownership Transfer	Cost in million (Nu.)	Year	Remarks
1	Paro Rinpung Dzong	Restroom	Rinpung Dzong restroom	Paro Dzongkhag	1.00	2004	Managed by Dzongkhag
2	Jambay Lhakhang, Bumthang	Restroom	Jambay Lhakhang restroom	Jambay Lhakhang Lam and monk	1.00	2004	Managed by Jambay Lhakhang Lam and monk
3	Dochula, Thimphu	Restroom	Dochula restroom	TCB	1.000	2006	Managed by Thimphu Homecare
4	Zalaphangma, Mongar	Cafeteria/ Restroom	Zalaphangma cafeteria	TCB	2.400	2008	Managed by Chaskar geog
5	Thangthangkha, Paro	Restroom/ dining/ kitchen	Thangthangkha campsite	TCB	1.200	2009	Managed by JDNP
6	Jangothang, Thimphu	Restroom/ dining/ kitchen	Jangothang campsite	TCB	1.300	2009	Managed by JDNP/Soe geog
7	Viewpoint in Trongsa	Cafeteria/ Restroom	Viewpoint cafeteria	TCB	2.400	2009	Managed by private operator
8	Nobdhing, Wangdue Phodrang	Restroom	Nobdhing restroom	TCB	1.000	2010	Managed by Kuenphen Restaurant
9	Phajoding monastery, Thimphu	Restroom	Phajoding campsite	Phajoding monastery	0.700	2011	Managed by Phajoding monastery
10	Drukpath trek route (Thimphu to Paro)	Trek route	Drukpath trek route	-	0.600	2011	Managed by TCB
11	Maintenance of Merak and Sakteng trek route (Trashigang)	Campsites/canopies/ dining/ kitchen	Merak and Sakteng trek route	Trashigang Dzongkhag	7.000	2011	Managed by Sakteng Drungkhag/ Sakteng Wildlife Sanctuary
12	Sengor, Mongar	Cafeteria/restr oom	Sengor cafeteria	TCB	3.300	2011	Managed by Clean Bhutan
13	Dangkhar lodge, Zhemgang	Lodge/ dining/ restroom/ kitchen/ boundary wall	Dangkhar Eco-Lodge	Dangkhar Community	2.400	2011	Managed by Dangkhar community
14	Tango Shedra, Thimphu	Restroom	Tango restroom	Tango Shedra	2.200	2012	Managed by Tango Shedra
15	Chimi lhakhang, Thimphu	Restroom/ signboard	Chimi lhakhang restroom	Chimi Lhakhang	0.293	2012	Managed by Chimi lhakhang Monastery
16	Zam Sharp and Zam Wom, Thimphu (Lingzhi – Dodeyna)	Maintenance of bridges	Zam Sharp and Zam Wom	Lingzhi Drungkhag	0.600	2012	Managed by Lingzhi Drungkhag
17	Thridangbi, Mongar	Restroom	Thridangbi Home stay	Thridangbi Home stay	0.220	2012	Cost sharing basis (managed by Thridangbi Home stay)
18	Norbugang bird watching campsite, Mongar	Restroom	Norbugang campsite	TCB	0.600	2012	Not renovated. Since, it falls within road widening project
19	Paro Takshang,	Restroom/	Taktshang	Taktshang	0.300	2013	Managed by

	Paro	Railing/ lockers/ Smoke detectors/ Sintex	restroom	monastery			Monastery
20	Rinchending monastery, Chukha	Cafeteria/Rest room	Rinchending cafeteria	Rinchending monastery	0.260		Managed by Monastery
21	Simtokha Dzong, Thimphu	Restroom	Simtokha restroom	Simtokha monastery	1.500	2013	Managed by Simtokha monastery
22	Chari monastery, Thimphu	Restroom	Chari restroom	Chari monastery	0.600	2013	Managed by Chari monastery
23	Punakha Dzong, Punakha	Restroom	Punakha Dzong restroom	Punakha Dzongkhag	0.250	2013	Managed by Dzongkhag
24	Khamsum Yulley Namgyel Choeten Punakha	Restroom	Khamsum Yulley Namgyel Choeten restroom	Khasum Yulley Lam and monk	1.200	2013	Managed by Khamsum Yulley Namgyel Choeten Lam and monk
25	Chodra Goenpa, Bumthang	Restroom/dini ng/fencing	Chodra Goenpa restroom	Chodra Lam and monk	1.300	2013	Managed by Chodra Lam and monk
26	Yangthang, Haa	Restroom and boundary wall	Yangthang campsite	Haa Dzongkhag and Yangthang community	0.700	2014	Managed by Yangthang community/ Dzongkhag
27	Chunzom, Thimphu	Restroom	Chuzom restroom	TCB	0.700	2015	Managed by Thimphu Homecare
28	Shingkarab, Paro	Restroom	Shingkarab restroom	TCB	0.300	2015	Managed by Tshento geog
29	Menchula, Thimphu	Cafeteria/restr oom	Menchuna cafeteria	Ugyen Dorji		2015	Invested by private on TCB registered land
30	Khandupang to Kheng Shingkar trek route (Bumthang to Zhemgang)	Trek route	Khandupang to Kheng Shingkar trek route	-	0.299	2015	Managed by TCB
31	Geyzamchu to Ogyencholing trek route (Bumthang)	Trek route	Geyzamchu to Ogyencholing trek route	-	0.360	2015	Managed by TCB
32	Gomphu lodge in Zhemgang	Lodge	Gomphu Eco- Lodge	Manas National Park	0.500	2015	Managed by Manas National Park
33	Ramthangkha, Paro	Restroom/Mar ket shed	Ramthangkha restroom and marketshed	TCB	4.400	2016	Managed by Paro Dzongkhag and Tshento geog
34	Sangchen Dorji Lhuendrupcholing Nunnery, Walakha, Punakha	Restroom	Sangchen restroom	Sangchen Nunnery	1.200	2016	Ongoing, will be managed by Nunnery
35	Khewang Shedra, Phobjikha, Wangdue Phodrang	Restroom	Khewang restroom	Khewang Shedra	1.100	2016	Ongoing, will be managed by Shedra
36	Shana Campsite(Paro)	Dining/ kitchen/ restroom/ bath	Shana campsite	TCB	0.700	2016	Managed by TCB/JDNP

		room					
37	Far out East Bhutan (Omba trek) in Trashiyangtse	Trek route(trail/railing)	Far-out East trek route	-	0.600	2016	Ongoing, will be managed by TCB/Dzongkhag
38	Dongla trek in Trashiyangtse	Trek route	Dongla trek route	-	0.600	2016	Ongoing, will be managed by TCB/Dzongkhag
39	Danglingtsho trek route in Trashigang	Trek route(bridge/bridges and trail)	Danglingtsho trek route	Wamrong Drungkhag	0.461	2016	Ongoing, will be managed by TCB/Dzongkhag
40	Aja Nye trek route in Mongar	Trek route (signage/ trail)	Aja Nye trek route	-	0.399	2016	Ongoing, Managed by TCB and Dzongkhag
41	Royal Heritage trek route in Bumthang to Trongsa	Trek route (signage/ trail)	Royal Heritage trek route	-	0.299	2016	Ongoing , will be managed by TCB/Dzongkhag
42	Rodungla trek route(Lhuntse – Bumthang)	Trek route(water supply and roofing of Pemi campsite)	Dodungla trek route	Lhuntse Dzongkhag	0.560	2016	Ongoing
43	Construction of Traditional fence at Khoma village (Lhuntse)	Traditional wall	Traditional fence	Lhuntse Dzongkhag	0.600	2016	Ongoing, managed by Dzongkhag/TCB
44	Renovation of bridge at Mebartsho in Bumthang	Bridge	Mebartsho bridge	Bumthang Dzongkhag	0.378	2016	Ongoing, managed by Dzongkhag
45	Maintenance of Snowman trek route	Trek route(trail, bridges, etc)	Snowman trek route	Gasa Dzongkhag	2.00	2016	Ongoing, managed by Dzongkhag/TCB
46	Installation of Charging point at Lingzhi campsite	Charging point	Charging point at Lingzhi	Lingzhi Drungkhag	0.220	2016	Ongoing, Drungkhag
47	Roofing of Traditional living museum in Haa	Roofing	Living museum	Private	0.150	2016	Ongoing, managed by TCB/JDNP
48	Development of Sheati 3 lakes trek route inTsirang	Canopies and trek route	Sheati 3 lakes trek route	Tsirang Dzongkhag	0.299	2016	Ongoing, will be managed by Dzongkhag/TCB
49	Development of nature trek from Daga Trashiyangtse Dzong to Thimphu	Trek route	Nature trek from Daga Trashiyangtse to Thimphu	Dagana Dzongkhag	0.522	2016	Ongoing, will be managed by TCB/Dzongkhag
50	Cafeteria in Chumey(Bumthang)	Cafeteria	Pine wood Restaurant	Private	2.00	2016	Ongoing, private investor
51	Restroom at Yonphula	Restroom	Yonphula restroom	Yonphula Lhakhang	0.300	2016	Ongoing, will be managed by Yongphula lhakhang
52	Restroom at Khaling	Restroom	Khaling restroom	National Handloom Development Centre	1.500	2016	Ongoing, will be managed by NHDC

Cash deposit for purchase of air tickets by the Tour Operators for the year 2015		Annexure: II
Sl.No	Sundry Debtors	Amount (USD)
1	M/S Shelkhar Travels (Does the business for Happiness Kingdom Travels whose old name was Himalayan Kingdom travels)	52,245.00
2	M/S Raven Tours	47,450.00
3	M/S Country Travels	34,650.00
4	M/S Across Bhutan Tours And Treks	32,604.32
5	M/S All Bhutan Connection	23,128.00
6	M/S World Travel Services	16,441.00
7	M/S Bhutan Festival Tours And Treks	14,100.00
8	M/S Devine Drukpa Trails	14,007.00
9	M/S Bhutan Karma Tours	13,528.00
10	M/S Zhenden Tours And Treks	10,700.00
11	M/S Deki Travel Service	6,710.00
12	M/S Wind Horse Tours	6,270.00
13	M/S Eastbound Bhutan	6,070.00
14	M/S Amen Bhutan Tours And Treks	5,978.00
15	M/S Kamala Tours	5,354.00
16	M/S Bhutan Treasure Tours And Treks	5,016.00
17	M/S Able Sherab Travels	4,920.00
18	M/S Bhutan Divine Travellers	4,842.00
19	M/S Mercury Bhutan Travels	4,670.00
20	M/S IMS Tours And Travel Service	4,527.00
21	M/S Rising Adventure Bhutan	4,469.00
22	M/S Druk Heritage Travels	4,450.00
23	M/S Yak Holidays-	4,415.00
24	M/S Bhutan Holiday Planner	4,229.00
25	M/S Ktbt Tour	4,209.00
26	M/S Chimorya Bhutan Travel And Tours	4,000.00
27	M/S Bhutan Travel Care	3,900.00
28	M/S Sakten Tours	3,680.00
29	M/S Bhutan Tshechu Tours	3,400.00
30	M/S Bhutan Footprint Travels	3,270.00
31	M/S Bhutan Yarden Tours And Treks	3,254.00
32	M/S Access Bhutan Tours & Treks	3,210.00
33	M/S Dragon Trekkers And Tours	3,005.00
34	M/S Druk Chhoethuen Adventure	3,000.00
35	M/S Bhutan Visit	2,810.00
36	M/S Holiday In Bhutan	2,680.00
37	M/S Authentic Bhutan Tours	2,620.00
38	M/S Ab Travels	2,500.00
39	M/S Bhutan Galaxy Travels	2,381.00
40	M/S Bhutan Dew Drop Travel	2,300.00
41	M/S Bhutan Life Exposure Tours	2,300.00
42	M/S Ancient Bhutan Tours And Treks	2,250.00
43	M/S Drukasia(Bhutan)	2,231.00
44	M/S Bhutan Kuenga Laep Tours & Travels	2,090.00

45	M/S Bhutan Goldenarrow Tours And Treks.	2,048.00
46	M/S Bhutan Eco Holiday	2,046.80
47	M/S Bhutan Norzom Travels	2,015.00
48	M/S Bhutan Namdruk Adventures	2,006.00
49	M/S Amuse Tours And Treks	1,954.00
50	M/S Bhutan Agro Tourism	1,950.00
51	M/S Bhutan Delight Tours & Treks	1,920.00
52	M/S Abhaya Bhutan Tours And Treks	1,900.00
53	M/S Changsee Norbu Tours & Treks	1,900.00
54	M/S Lo-Dhey Tours	1,900.00
55	M/S Happy Holidays Tours	1,500.00
56	M/S Bhutan Vajra Adventure	1,405.00
57	M/S Blessed Bhutan Adventure	1,400.00
58	M/S Himalayan Voyages Travel	1,370.00
59	M/S Firefox Tours	1,300.00
60	M/S Gumar Adventures	1,285.00
61	M/S Reldik Tours And Travels	1,280.00
62	M/S Bhutan Trip Advisor	1,215.00
63	M/S Bhutan Peak Adventure	1,214.00
64	M/S Bhutan Tours And Travels	1,175.00
65	M/S Bhutan 168 Tours & Treks	1,080.00
66	M/S Bhutan Gayul Tours	1,000.00
67	M/S Hello Metho Travel Service	1,000.00
68	M/S Kara Journeys	1,000.00
69	M/S Kenny Tours And Treks	1,000.00
70	M/S Samdrup Norbu Adventures	1,000.00
71	M/S Awaken Bhutan Tours And Treks	961.00
72	M/S Barefoot Tours And Travel	907.00
73	M/S High Valley Tours And Travel	825.00
74	M/S Rewang Tours And Travels	825.00
75	M/S Jojos Adventure Bhutan	820.00
76	M/S Alluring Bhutan Travels	800.00
77	M/S Bhutan Fest Tours	800.00
78	M/S Kay Wangchuk Tours & Treks	781.00
79	M/S Druk Peaceful Tours And Travels	762.00
80	M/S Bhutan Everest Tours	750.00
81	M/S Chhundu Travels	730.00
82	M/S Alaya Bhutan Travel	710.00
83	M/S Chushel Tours And Travels	710.00
84	M/S Travel To Bhutan	700.00
85	M/S Bhutan Buddha Travellers	690.00
86	M/S Bhutan Tourism And Holidays	685.00
87	M/S Bhutan Men-Lha Adventures	660.00
88	M/S Maha Mind Bhutan Travel	650.00
89	M/S Bhutan Mountain Holidays	630.00
90	M/S Druk And Drukpa Tours	600.00

91	M/S Om Travenza Tours	600.00
92	M/S Gothoenlay Travels And Tours	574.00
93	M/S Matsutake Bhutan Travels	537.00
94	M/S Bhutan Thim Dorji Tours And Treks	520.00
95	M/S Bhutan Sangay Adventure(To1059)	500.00
96	M/S Bhutan Travel Gate	500.00
97	M/S Bhutan Travel Routers	500.00
98	M/S Jorra Spiritual Tours	500.00
99	M/S Thu Top Tours And Treks	425.00
100	M/S Kelki Holidays	420.00
101	M/S Classic Bhutan Tours	409.00
102	M/S Bhutan Travel Companion	390.00
103	M/S Bhutan Travels	364.00
104	M/S Gomo Adventure	327.92
105	M/S Bhutan Blue Sheep Tous And Treks	325.00
106	M/S Smile Bhutan To 407	300.00
107	M/S Adventure Planet Travels	280.00
108	M/S 4B Tour And Treks	250.00
109	M/S Alakart Bhutan Connection	232.00
110	M/S Cama Tours And Treks(To 793)	225.00
111	M/S A Bucket List Adventure	200.00
112	M/S De Sam Tours And Treks	130.00
113	M/S A Treasure Door To Bhutan	120.00
114	M/S Bhutan Tharchen Tours & Adv	100.00
115	M/S Mozilla Bhutan Tours And Trek	100.00
116	M/S Tashi Gakhil Tours And Travels	100.00
117	M/S Rest In Bhutan	80.00
118	M/S Good Karma Travels In Bhutan	50.00
119	M/S Khamsum Tour And Travels	30.00
120	M/S Merik Tours	20.00
121	M/S Naeychho Lamtoen Tours	20.00
122	M/S Bhutan Lux	14.00
123	M/S Bhutan Himalaya Holidays	11.00
124	M/S Cits Tours And Travels	11.00
125	M/S Bhutan Buddhism Travel	5.00
126	M/S Alo Drukpa Tours And Treks	1.00
Total		452,894.04

List of Tour Operators who have not filed tax for 2015								Annexure: III
SI No	Name of Tour Operator	No. of Tourists	FAM	License No.	TPN	BIT/CIT	TO Status	Remarks
1	Bhutan Ri-La Expedition	51		1022413	BAB01075	BIT	Active	License renewed on 28/08/2014 and expired on 31/12/2015. Not filed tax besides having 8 guests in 2014 and 51 in 2015.
2	Mysterious Bhutan Tours and Adventures	50		1025111	MAB00366	BIT	Active	New License 1028703 expired on 31/12/2015. License Registered in RAMIS as 1025111. Tax not filed for 2015
3	Lo Dhey Tours	35	1	1031341	LAB11999	BIT	Active	License renewed on 08/12/2015 and valid till 31/12/2016 but tax not filed for 2015
4	Dream Adventure Travel	31	5	1022738	DAB01071	BIT	Active	License renewed on 08/08/2013 expired on 31/12/2014. Not filed tax for 2014 and 2015 despite having 127 guest, 5FAM in 2014 and 29 guest and 2 FAM in 2015
5	Samyued Bhutan Tours and Travel	29	2	1032727	SAB01078	BIT	Active	License No. 1032727 issued on 18/03/2015 which is valid till 31/12/2016. Tax not filed for 2015.
6	Om Kara Tours & Travels	23		1023993	MAB00357	BIT	Not Active in 2016	Licence issued on 04/10/2014 which is valid till 31/12/2015. Tax not filed for 2015
7	Bhutan Voyage	23		1024070	BAB01182	BIT	Not Active in 2016	License expired on 31/12/2015. Not filed tax since 2014 despite having 34 guest and 2 FAM in 2014 & 23 in 2015
8	5 Sisters Holly Tours	16		1030240	SAB35405	BIT	Not Active in 2016	Registered in RRCO Paro. License expired on 31/12/2015. (As per RAMIS 2015 Accounts filed but Payment awaited)
9	East Bound Bhutan	12		1030596	EAB01603	BIT	Active	License Issued in 22/01/2014 and expired on 31/12/2015. Tax not filed despite having 16 guest and 2 FAM in 2014 and 12 guest in 2015
10	White Lotus Tours & Travels	10		1008208	WAB03904	BIT	Not Active in 2016	Last licence issued 1034823 issued on 21/04/2016 valid till 31/12/2017. No tax records despite having 22 guests in 2011, 13 in 2012 and 10 in 2015. Tax not filed in 2015.

11	Marigold Travel International	9		1026131	MAB05913	BIT	Not Active in 2016	New License 1030974 issued which expired on 31/12/2015. New License 1030974 not registered in RAMIS. Not filed for 2015
12	Bhutan Passe - Partout Tours and Travels	8		1028224	BAB14231	BIT	2016 not Active	Licence expired on 31/12/2015. Not filed tax at all besides having 2 guest in 2012, 2 in 2013, 10 in 2014 and 8 in 2015 and the Licence status is non operational now. Tax not filed for 2015
13	Bhutan Jurmii Travels	7		1024594	BAB01421	BIT	Not Active in 2016	Licence issued in 28/05/2009, expired on 31/12/2015 and licence is non operational. Tax filed till 2014 & not filed for 2015
14	Baeyul Excursion	6		1030693	BAB17601	BIT	Not Active in 2016	Tax not filed for 2013, 2014 & 2015. New Licence No is and its valid till 31/12/2015
15	Bhutan Buddhism Travel	6		1032285	BAB14739	BIT	Not Active in 2016	Licence issued on 19/01/2015 and valid till 31/12/2016. Tax not filed for 2015.
16	Planet Bhutan Adventures	6	1	1029261	PAB24602	BIT	Not Active in 2016	Licence issued on 07/03/2013 expired on 31/12/2014. Tax not filed despite having 22 guest in 2013, 2 in 2014 and 6 in 2015
17	Back to Bhutan	4		1024905	BAB01387	BIT	Active	Licence renewed on 22/06/2015 and expires on 31/12/2016. Tax filed till 2014 & not filed in 2015.
18	Wisdom Dragon Tours	4		1024604	WAB00258	BIT	Not Active in 2016	Licence issued on 11/08/2009, renewed on 15/07/2015 and valid till 31/12/2016. Tax filed till 2014 and not filed for 2015
19	Breathe Bhutan Adventures & Holidays	4	1	1031173	BAB08051	BIT	Active 2016	Licence renewed on 23/07/2015 and valid till 31/12/2016 and tax not filed for 2015.
20	Truly "Exotic" Bhutan Tours & Travels	3		1033548	TAB39268	BIT	Not Active in 2016	Licence issued on 10/08/2015 and valid till 31/12/2016. Tax not filed for 2015.
21	Reality Escape Bhutan	3		1026621	RAB13227	BIT	Not Active in 2016 only	License expired on 31/12/2013. Tax not filed despite having 13 guest in 2012, 4 in 2013, 3 in 2014 and 3 in 2015
22	Via Bhutan Tours and Treks	3		1032489	VAB00251	BIT	Not Active in 2016	Licence Issued on 10/02/2015 and valid till 31/12 /2016. Tax not filed in 2015

23	Bhutan T.U.S.K Motorcycle Tours	3		1030132	TAC00191	CIT	Active	Licence renewed in 2014 and expired on 31/12/2015. Tax not filed despite having 12 guest in 2014 and 3 in 2015.
24	Desum Tours & Treks	2		1032325	DAB27785	BIT	Not Active in 2016	Licence issued on 20/01/2015 and valid till 31/12/2016. Tax not filed in 2015.
25	Gyelyong Tours and Treks	2		1030983	GAB11302	BIT	Active	Licence issued on 16/04/2014 and expired on 31/12/2015. Tax not filed despite having 1 guest in 2014 and 2 in 2015
26	Bhutan Vista Tours and Travels	2		1029730	BAB14481	BIT	Active	TCC is issued in 2015 with validity till 31/12/2015 by RRCO.
27	Bhutan Corazon Experience s	2		1032189	BAB10635	BIT	Not Active in 2016	Licence issued on 01/01/2015 and valid till 31/12/2016. Tax not filed for 2015
28	Retty Tours & Treks	2		1020377	RAB06467	BIT	Not Active in 2016	Licence renewed on 30/07/2015 and valid till 31/12/2016. Tax not filed for 2015.
29	Emei Bhutan Tours and Treks	2		1029949	EAB01159	BIT	Not Active in 2016	Licence renewed on 03/08/2015 and valid till 31/12/2016. Tax not filed for 2015
30	Bhutan Bayney Selthog Tours & Travels	2		1033116	BAB17815	BIT	Active	Licence issued on 27/05/2015 and valid till 31/12/2016. Tax not filed in 2015
31	Alakart Bhutan Connection	2	1	1033077	AAB05797	BIT	Active	Licence issued on 20/05/2015 and valid till 31/12/2016. Tax not filed in 2015
32	Yeshey Dema Namgay Tours and Treks	1		1028795	YAB06141	BIT	Not Active in 2016	Licence renewed in 21/11/2014 and valid till 31/12/2015. No guest in 2011, 2012, 2013, & 2014. Tax not filed in 2015
33	Feminine Bhutan Travels	1		1028332	FAB00969	BIT	Not Active in 2016	Licence renewed on 11/12/2015 and valid till 31/12/2016. Had 1 guest in 2013, 7 guests in 2014 and 1 in 2015. Not filed tax in 2015
34	Tarayma Bhutan Travels	1		1033719	TAB38865	BIT	Not Active in 2016	Licence issued on 08/09/2015 and valid till 31/12/2016. Not filed tax in 2015
35	Golden Sky Adventure	1		1031594	N/A		Not Active in 2016	License issued in 07/08/2014 and expired on 31/12/2015. Not filed tax despite having 50 guest and 2FAM in 2014 and 1 in 2015. License not

								registered with DRC
36	Cheelden Travel	1		1030404	CAB01991	BIT	Active	Licence issued in 16/02/2015 which expires on 31/12/2016. Tax not filed in 2015
37	Revo Tours & Adventures	1		1023940	RAB00543	BIT	Not active	2014 filed NOP and taken Cancellation Tax Clearance Certificate on 9/03/2015.

Food and lodge expenditure declared for taxation purpose in the year 2015							Annexure: IV
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Sl. No	Name of Unit	TPN No.	License No	Total Expenditure	Food/lodge Expenditure	Pax X Days	Food & Lodge Exp. per Pax per Night
1	Dragon Quest Adventure	DAB00302	1022441	24,273,805.37	8,308,691.80	3,029.00	2,743.05
2	Druk Asia Tours & trek	DAB01151	1025984	67,123,016.53	30,541,585.80	8,073.00	3,783.18
3	Happiness Kingdom travel	HAB01615	1031020	87,030,430.89	46,608,648.53	9,981.00	4,669.74
4	Blue Poppy Tours	BAB04134	1018662	48,781,453.23	21,345,630.08	5,789.00	3,687.27
5	Wind Horse Tours	WAB00141	1007938	49,575,019.33	20,400,854.34	5,313.00	3,839.80
6	Raven Tours	RAB01533	1021635	27,307,147.00	16,767,963.15	3,132.00	5,353.76
7	Bhutan Stainless Travels	BAB02466	1031417	22,796,200.15	17,542,826.27	2,835.00	6,187.95
8	Bhutan Nortor Adventure	BAB01449	1024611	16,372,297.72	8,210,869.18	1,823.00	4,504.04
9	Xplore Bhutan	XAB00014	1021539	19,529,603.00	10,442,272.67	2,192.00	4,763.81
10	Owang travel	WAB00301	1026835	6,241,224.83	1,698,076.00	608.00	2,792.89
11	Bhutan Oasis Travel	BAB11634	1026271	570,122.00	150,299.00	66.00	2,277.26
12	Bhutan Tourister	BAB08755	1029729	453,451.10	317,345.82	93.00	3,412.32
13	Masagang Tours and Travel	MAB00189	1000141	89,014.17	21,449.00	14.00	1,532.07
14	Passage to Himalayas	PAB04972	1007133	10,987,925.35	2,808,810.00	1,293.00	2,172.32
15	Druk Tarvel Service Pvt Ltd	DAC00408	1025317	56,880,427.00	18,653,852.00	4,625.00	4,033.27
16	Keys to Bhutan	KAB11965	1015048	23,251,341.71	9,552,921.39	2,459.00	3,884.88
17	All Bhutan Connection	AAB00177	1019132	75,264,585.65	31,692,614.96	7,924.00	3,999.57
18	Bhutan White Horse Tours and Treks	BAB07489	1027868	1,612,208.40	924,174.00	112.00	8,251.55
19	Bhutan Musk Travels	BAB09307	1030567	1,195,922.00	526,500.00	181.00	2,908.84
20	Roma Treks and Tours(holistic kingdom Tours)	RAB06761	1029378	1,367,442.54	7,644,787.73	1,577.00	4,847.68
21	Bhutan Travel bureau	BAB00511	1000140	84,269,432.13	32,211,003.28	4,836.00	6,660.67
22	Jangbogo Tour Bhutan Pvt. Ltd.	JAC00139	1032446	830,599.95	309,052.00	147.00	2,102.39
23	Zopa Adventure	ZAB02571	1014879	2,396,880.53	2,153,764.83	606.00	3,554.07



AIN: 14110

"Every individual must strive to be principled. And individuals in positions of responsibility must even strive harder".

- His Majesty The King Jigme Khesar Namgyel Wangchuck

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