



RAA points out discrepancies in thromde revenue collection

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Thromdes lack complete, accurate and reliable central registry of the sources of revenue, according to the Royal Audit Authority (RAA).

This was pointed out in the performance audit of revenue collections and management of the thromdes conducted between July 1, 2012 and June 30, 2017.

The report was released last month.

The audit report also points out weak internal controls in Gelephu, Phuentsholing and Thimphu thromde that resulted in non-accounted revenue amounting to Nu 20.169 million (M).

It states that inadequacy in thromde land administration had resulted in encroachment of government land, unauthorised land lease, and unconfirmed land holdings leading to revenue leakage amounting to Nu 27.045M in Phuentsholing thromde and Nu 0.225M in Thimphu thromde.

There were also irregularities in the levy of vacant land tax, house tax, service charges, service and amenity fees, renovation and extension approval fees, water and sewerage charges, and lease rate had resulted in revenue loss and defeated the principle of equality and fairness.

The report states that thromdes lack strategies to achieve financial sustainability despite the government's policy of thromde financial sustenance. "No agreement was found drawn between ministry of finance and individual thromdes indicating the phase out plan."

It states that the Taxation Policy 1992 was never revised for last 26 years. The thromdes have not acted upon past audit findings and implemented corrective actions, according to the report.

Lack of strategic direction and drive to achieve financial sustainability, lack of institutional capacity, weak internal controls, and inadequate governance caused the problems, the report states. "These had resulted in non-accounted revenues and injudicious expenditure leading to huge revenue loss and leakages."

RAA provided 14 recommendations aimed at enhancing efficiency and effectiveness in revenue collection and management in the thromdes. Some of the recommendations require the thromdes to maintain a comprehensive registry on sources of revenue, formulate strategy towards financial sustainability and prepare grant phase out plan, among others. Revision of taxes, fees and charges is also one of the recommendations.

The RAA states that it is only appropriate that thromdes maintain a registry of taxpayers in order to levy and collect correct property taxes and related service charges as mandated by law. "A central taxpayers' registry will enhance visibility of the thromdes' tax or revenue base which will facilitate accurate revenue projections, and ease of tracking and follow-up of outstanding taxes and charges."

It states that it is presumed that thromdes will have a taxpayers' registry along with other relevant details for tax assessments to determine taxes owed.

"Thromdes have attempted to maintain a central registry (master database) of taxpayers who are liable to pay land tax, house tax and related service charges but the registry data is not accurate and complete," the report states. "Further, the quality and fitness of registry data is questionable as the information confidence is low even within officials in all the thromdes."

The report also states a need to update the thromde land registry with that of one maintained at National Land Commission Secretariat (NLCS).

"The RAA conducted a data analysis of land registries maintained at respective thromdes and NLCS which showed inconsistencies in data."

The NLCS explained that the mismatch of land holdings between NLCS and the thromdes could be because of the differences in date and time of data acquisition, pending thram release, non-receipt of the updated records by the thromdes from the NLCS, land not measured during NCRP due to disputes and court cases and continuous land transactions.

"The NLCS further stated that the land records maintained by the NLCS shall be treated final and binding in case of any discrepancies."

The report also states that during the course of auditing, the RAA learnt that there are cases of state land being occupied by individuals without paying any lease rent in Phuentsholing and Thimphu thromdes. "Thromdes have lost revenues on account of state land being occupied without any rents or fees."

It was noted that there were 73 such cases in Phuentsholing thromde and four in Thimphu thromde. "The land were used for storage, parking, garage and rented out for commercial purposes."

The report states the RAA had worked out the total revenue forgone on account of lease rents not collected as a result of thromdes' inaction. "Phuentsholing and Thimphu thromde had lost revenue amounting Nu 8,396,709.42 and Nu 225,246.52 respectively when calculated for financial year 2016-2017. The calculation is carried out only for one recent financial year due to non-availability of records on the date of occupation."

Tashi Dema