# CHAPTER 12 PUBLIC FINANCE

The system of modern public finance in Bhutan is of very recent origin. Traditionally taxes were being collected in kind; the levy on agricultural produce being on an average one fourth of the production of each farming family and labour contribution amounting to about two months labour for every adult. By 1960, as the government began to grow, institutionalization of public finance became a necessity. In 1963, the position of a Finance Secretary was created in the Royal Secretariat and in 1968 the Ministry of Finance; one of the first few Ministries was formed. In 1970, the system of payment of taxes in kind was largely dispensed with so as to be taken up by the system of cash taxes based on the type of land holding.

The Ministry of Finance presented the first budget on modern lines in 1971. It was called the Civil Budget as it covered the needs of the Ministry of Finance, Home affairs and Foreign Affairs. The requirements of development oriented Ministries like Communication and Tourism, Trade and Industry, Forest and Development were provided under a separate development budget administered first by the Development Secretariat and then by its successor, the Planning Commission. With the commencement of the Fifth Five Year Plan the classification of the government budget into Civil and Development was replaced by the concept of Maintenance and Development Expenditures. Maintenance or Current Expenditures reflected mostly the current or consumption expenditures of the government while development expenditures were identified largely with the expenditures of the government on fixed capital formation.

