

**THE FEDERAL TAX OMBUDSMAN
ISLAMABAD**

COMPLAINT No. 0006/OM/2023

Dated: 27.03.2023* HQ, Islamabad

The Secretary,
Revenue Division,
Islamabad.

... Respondent

Dealing Officer : Mr. Muhammad Naseer Butt, Advisor
Appraised by : Mr. Muhammad Tanvir Akhtar, Advisor
Departmental Representatives : i. Mr. Ehsan ullah Khan, Secretary
(BDT-IT) FBR
ii. Mr. Furqan Ahmad Khan, PRAL

FINDINGS/RECOMMENDATIONS

An own motion investigation was initiated while exercising powers conferred u/s 9(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance) against technical gaps in respect of “**process flow**” and “**systemic errors**” in registration processes were brought to the notice of this office by various complainants. While investigating the said complaints, it transpired that in many cases **Iris** system failed to respond to queries of the taxpayers. For instance;

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- i. On one hand the **Iris** system did not allow a registered person, though registered by the department through BTB, to perform task of filing of Return of Income Tax. System, rather, responded with the observations that the taxpayers '**cannot perform any task other than replying to notice or providing an explanation to the noticed received under section 181**'. On the other, process flow in BTB system where bulk notices were issued through email, mobile messages or by postal mail whereas system require marking of e-notices in **Iris** system by the officers concerned before any compliance is asked from taxpayer. This highlighted systemic deficiency in BTB online registration regime where, taxpayers suffered due to gap in '**process flow**' and '**system glitch**'.

- ii. It also came to the notice that in many cases despite paying prescribed penalty, the system took long to place the name of taxpayer on **Active Tax Payers'** List which per se reflected system inefficiency and errors.


3. The investigation on the said own motion was initiated in this respect, by requisitioning the comments of the Secretary, Revenue Division, in terms of Section 10(4) of the FTO Ordinance read with Section 9(1) of the Federal Ombudsmen Institutional Reforms Act, 2013. Questions relevant to the errors and inefficiency of the system were also framed to elicit specific reply from the FBR. Comments were received from the Secretary (BDT-IT), FBR vide letter dated 28.04.2023 and 05.07.2023 which were examined and placed on file.

4. Hearing notice u/s 9(2) of the FOIR Act, was issued for compliance on 05.07.2023. In response to which Mr. Ehsan ullah Khan, Secretary (BDT-IT) from FBR and Mr. Furqan Ahmad Khan from PRAL attended hearing as Departmental Representatives (DRs) and issues were discussed with them in detail. During hearing DRs produced documents which were examined and placed on file. After having examined all the available documents and discussions held with the DRs, the Own Motion is disposed of as under.

5. The department filed written comments wherein they stated that, the issues faced by the complainants have been resolved and system bug removed in these cases through an approved change request Form No. CRF-IRIS-BTB-5, which resolved technical problems in all such pending cases. This change has resolved issues of all those taxpayers which were enrolled under BTB notices but were unable to proceed for registration because of system process bug. Now the taxpayers can perform relevant activity in Iris system. Furthermore, the complainant taxpayer was Active on ATL from 29.12.2022 to 28.02.2023 on the basis of ATL surcharge paid on late return filing.

However, the said taxpayer became non-filer (In-Active on ATL) on 01.03.2023 because the taxpayer did not pay the ATL surcharge due to late return filed for Tax Year 2022, as the ATL status was changed from Tax Year 2021 to Tax Year 2022 return. Then, the taxpayer paid the ATL surcharge on 21.3.2023 and become Active on ATL. The department further stated that in another case the NTN has been issued.

6. The above response of the FBR is primarily related to specific complaints of certain taxpayers whereas the Own Motion investigation has been initiated for the purposes of analyzing the whole online BTB registration system in Iris. Therefore, relevant questions were framed to seek specific response of the FBR officials which are giving as under;

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- (i) Number of notices issued for BTB.
 - (ii) Number of responses received out of the above.
 - (iii) Number of responses not received due to system bug.
 - (iv) How many cases are still pending to submit response where there is activity by the person but not able to respond?
 - (v) What changes in system /flow has been made to rectify the bug and make it user-friendly?
 - (vi) There is a need to provide user guide and manuals for the taxpayer's facilitation to respond as still taxpayers are complaining about the issues in application.

7. The responded department filed reply to the above queries and stated that all such issues have been resolved after implementation of the changes in the Iris BTB system. They further stated that user manuals of complete BTB registration processes and user manual of taxpayer's end have also been attached to the system. Copies of the said manual were provided for perusal and record.

8. With regard to the queries regarding notices issued and responses received, the following response was filed by the respondent.

Notice to file form of Registration and Responses Received (01.12.2022 to 21.06.2023)		
Sl. No	Head	Figure
1	Number of notices issued for BTB	216,601
2	Number of responses received (Registered)	210,437
3	Pending Cases	6,164

9. As reported by the respondent department, 97% of the notices issued stood complied by the taxpayers meaning thereby that the new and improved registration system of Iris positively responded to queries of taxpayers and took them through the whole process to the end. The balance pending cases were only 3% where the system did not respond to registration activity of the taxpayer. During hearing the issue came under discussion with the concerned team who was asked to file written response as to why the system failed to give positive response to the pending cases.

10. During hearing the respondent department filed response to the current status of those taxpayers whose request for registration were pending. As per their response, the BTB registration system has been revamped and all such issues have been resolved and no further complaint about this issue has been received. They further stated that the said BTB registration process was implemented on 26th December, 2022 and revamped solution was deployed on production on 26th May, 2023. Deployment of the revamped version of BTB registration in Iris has been put in place after intervention in the matter from this office as the complaints in this regard were forwarded to the respondent department in the month of January, 2023.

11. During the hearing with FBR team which included staff from IT Wing, the complete process of Change Request Form (CRF) containing description of changes from problem statement to solutions and need and impact of such changes were thoroughly discussed.

Perusal of the said CRF was examined and found that it identifies primarily two main issues which are discussed as under;

(1) **Problem Statement:**

- (i) Currently, no process is implemented in Iris for sending notice under rule 81A to potential taxpayers for registration in Iris.

(2) **Problem Statement:**

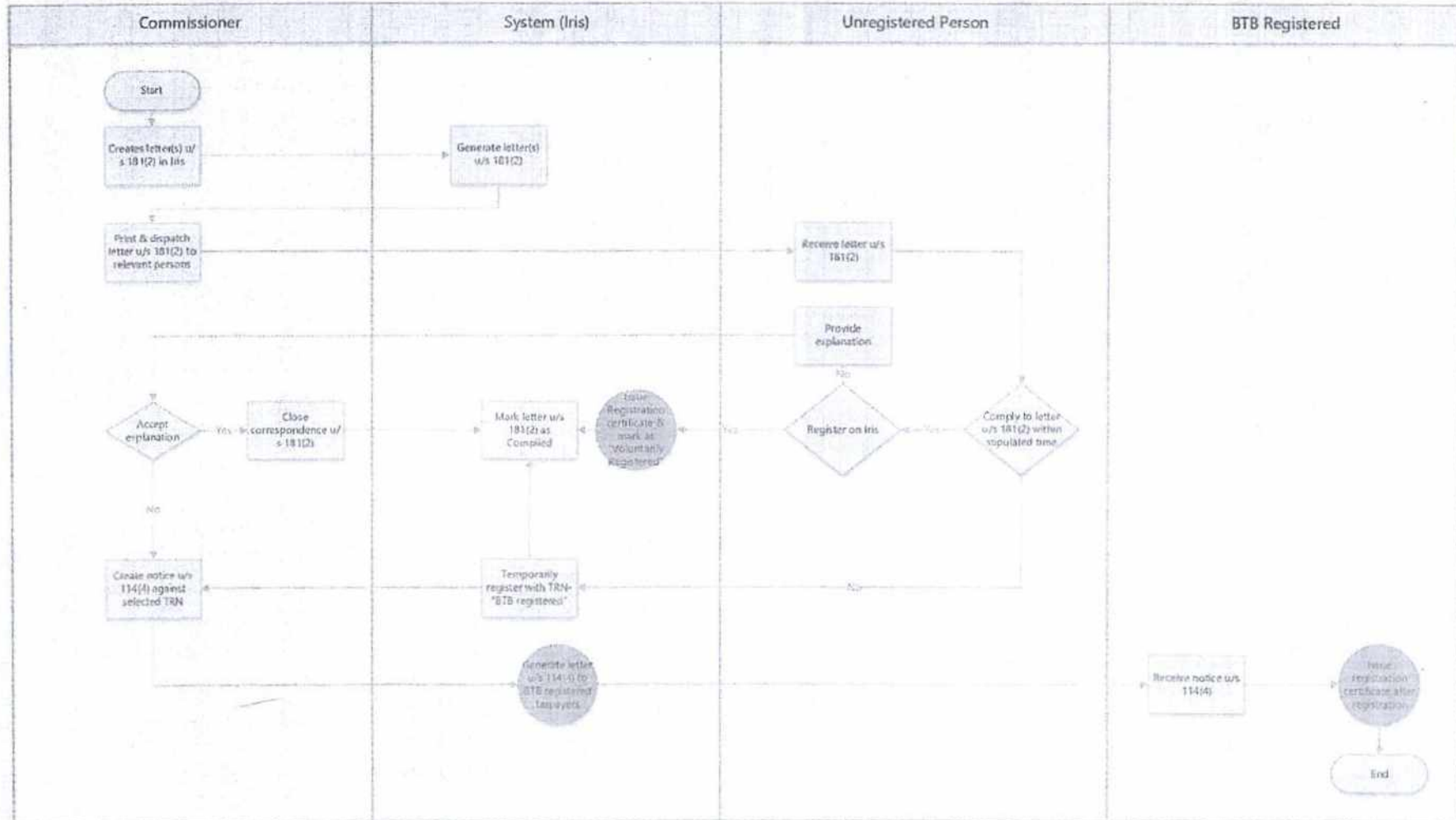
- (ii) After acceptance of the explanation provided by the taxpayer (i.e. taxpayer claims that he/she does not qualify for registration), and the taxpayer wants to voluntarily register on Iris, then there shall be provision in the system to register the taxpayer instead of enrolling in Iris.

12. After identifying the problems in Iris, the technical team devised detailed solutions to the above problems. A process was developed whereby notices for registration u/r 81A to potential taxpayer would only be issued through Iris. The potential taxpayer would either file tax return or state the reason for not being liable to registration. In the former case, system shall register the taxpayer and generate registration u/s 181 order and sent email to the taxpayer for confirmation of registration. In the latter case, the officer may either accept or reject the explanation. In case of rejection, system will compulsorily register the taxpayer and issue registration order u/s 181.

13. The system further has a provision that in case taxpayer's explanation for not being liable to registration in Iris is accepted, system shall mark the taxpayer as inactive and archive taxpayer data. Once the taxpayer applies voluntarily for registration, then system shall retrieve the inactive data and consider the taxpayer for new registration.

14. The flow chart of the whole process deployed through CRF was also thoroughly examined and the said flow chart is given as under;

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15. The above flow chart of process activity of registration provides end-to-end solution to the taxpayers and covers all relevant activities from entering into the system and getting registered or temporarily registered as final product as the case may be.

16. It was observed that the system did not provide any taxpayer user manual for guidance of the taxpayers. On the intervention of this office, the respondent department developed and attached BTB registration user's manual to the system. The perusal of the said manual shows that it contains comprehensive guidelines for the tax officer as well as for the taxpayer both for starting the process and ending the same after completing the task. Main points the guidelines are discussed as under;

Scope

The system scope for the BTB registration user manual includes:

- (i) Bulk BTB Registration Notices Issuance by Tax Officers
- (ii) Registration Process by taxpayers
- (iii) Automatic Order Issuance by System

(i) Getting Started (Tax Officer End)

A tax officer can issue BTB Registration Notices in bulk and access various system services by following these steps;

- Step 1: Login to the Iris Dashboard
- Step 2: Access the MIS Tab to "Issue Bulk Notice to Return Non-Filer (BTB-Cases)"
- Step 3: Issue Notices to Non-Filers in Bulk
- Step 4: Enter Notice Content and Due Date
- Step 5: Manage Bulk Records

(ii) Getting Started (Taxpayer End)

Taxpayers who already possess an NTN (National Tax Number) issued by the Federal Board of Revenue (FBR) can apply for an online account on Iris through the E-Enrolment option available on the Iris main login screen. This enables them to access the various features and services offered by Iris, including filing their annual returns and interacting with the tax officer associated with their RTO.

Registration for unregistered Person:

- Step1: Access Iris:
- Step2: Click on "E-Enrollment"
- Step3: Fill out E-Enrollment Form
- Step4: Access Inbox:
- Step5: In the Inbox, click on the "Registration" link to drop down notice to file registration form
- Step6: "181 (Form of registration filed on Notice) BTB"
- Step7: Provide the reply
- Step8: submit the reply
- Step9: Confirmation of reply

17. After completing all these steps, the system will become active and would process the case at officer's end. In the reply window, the tax officer completes the necessary correspondence and submits the same to the system. Once the submission is made, the taxpayer will receive an order completing the registration activity.


18. The foregoing paras amply prove that previous design of the online registration system in Iris for purposes of Broadening of Tax Base (BTB) was flawed in the first place as it did not provide smooth sailing through the system to those persons who wanted to register themselves as new taxpayers. It also created hurdles in the way of those who were not liable to be registered u/s 181 of the Income Tax Ordinance, 2001. They were denied access to the registration form and their queries were not responded at all.

19. However, as this Secretariat took up the above matter with the respondent department following surfacing of multiple complaints on systemic gaps and errors, the respondent reviewed the online registration system and deployed a new and revamped system on 26th May, 2023 which resolved the visible issues. Notwithstanding, the system needs further improvement to facilitate the taxpayers particularly when the system gets choked due to high volume of transaction at the time of filing of tax returns. In this regard, the following recommendations are made;

RECOMMENDATIONS:

20. FBR to:

- (i) deploy dedicated team of professionals to continuously monitor flow of traffic on the registration system to avoid any systemic errors and chokes.;
- (ii) SOP should be framed and issued specifying ways and means to give timely response to queries of the aggrieved taxpayers and reasonable timeline for each response be fixed for clarity;
- (iii) upgradation of online system of filing of return and registration should be undertaken periodically for providing state of art online facilities to the taxpayers;
- (iv) report compliance of clauses (i) and (ii) in 45 days.


(Dr. Asif Mahmood Jah)
(Hilal-i-Imtiaz)(Sitara-i-Imtiaz)
Federal Tax Ombudsman

Dated: 10:8:2023

Approved for reporting


Director
FTO Secretariat
Islamabad