

**THE FEDERAL TAX OMBUDSMAN  
ISLAMABAD**

**COMPLAINT No.0063/OM/2023**

Dated: 07.08.2023<sup>1</sup> 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 Ahmed Khan, In-charge- IR, Operations PRAL

**FINDINGS/RECOMMENDATIONS**

An own motion investigation was initiated on errors and omissions in respect of updated version of Iris 2.0 launched by FBR while exercising powers conferred u/s 9(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance). The investigation on the said own motion was initiated in this respect, by requisitioning the comments from the Secretary, Revenue Division and Member (Information & Technology) in terms of Section 10(4) of the FTO Ordinance read with Section 9(1) of the Federal Ombudsmen Institutional Reforms Act, 2013. Comments were received from the Secretary (BDT-IT), FBR vide letter dated 17.08.2023 which were examined and placed on file.

2. Hearing notice u/s 9(2) of the FOIR Act, was issued for compliance on 28.08.2023. In response to hearing call, Mr. Ehsan ullah Khan, Secretary (BDT-IT) from FBR and Mr. Furqan Ahmad Khan, In-charge-IR, Operations from PRAL attended hearing as Departmental Representatives (DRs) and issues were discussed with them in detail. After having examined all the available

<sup>1</sup> Date of registration in FTO Sectt.,

documents and discussions held with the DRs, the Own Motion is disposed of as under.

3. Recently, FBR launched IRIS 2.0 on July 27, 2023 by introducing a new version for filing of tax return. Statedly, it was claimed that the new system would significantly result in enhanced efficiency and cost-saving. However, this Secretariat received a number of complaints from various stakeholders who raised issues about multiple errors and omissions in the new version of Iris. It seems that the changes have been introduced in haste without pilot launch and no testing and quality assurance has been ensured as required in software development standard procedures. Moreover, there are no user guides available about the new changes made in this system. The short-comings which have been observed and FBR's stance thereat is given hereunder:

Observations highlighting discrepancies	FBR/PRALs response
Mismatch between MIS Tab and Maloomat folder confusing taxpayers, such as missing various withholding records from MIS folder earlier available including tax deduction records of Section 153 and its sub sections. Missing mobile numbers and its withholding details in Maloomat Folder.	"The system is developed as per CRF approved by FBR. However, kindly provide a sample case so that the issue could be specifically investigated and resolved (if any).
IRIS 2.0 opens individual's returns as company and one cannot import previous return data. Many of the records already saved were missing some of which now available hence issues of inconsistencies.	The import function of previous data is working fine in IRIS 2.0. There might be some understanding issues to the complainant. However, if any details of the taxpayer in screenshot of the issue could be provided so that we can further investigate the issue specifically.
Correspondence and notices are not being available to download. Consultant account cannot add data as it gives message that "This feature is not available for companies" this feature was earlier available.	Downloading of correspondence and notices issue was already resolved.
account cannot add data as it gives message that "This feature is not	Kindly provide relevant screenshots, where the message is appeared, to

available for companies" this feature was earlier available.	probe the matter and resolve it accordingly.
Printing option is not working	Printing issue was already resolved.
Sub accounts are not working which are used for distribution of workload in different departments.	Details of the user may please be provided who is facing the said issue, so that the issue may be examined and resolved accordingly.
Suddenly User Names are replaced with NTN ID's, names of the registered taxpayer not appearing with CNIC Number.	This issue is already resolved.
Different screen lacks logical hierarchy of a user's journey to track back and forth is not available, such as logout, back and forward options.	Logout option is available, whereas, the other issues are not understandable.
There are unattended errors for missing linkages without proper exception messages.	Error messages are now showing. Please provide any scenario where the error messages are not showing.
Password reset options not working.	Password reset issue was already resolved.
Column for adjustment of brought forward Capital Losses is missing	Issue is already resolved.
Variance in tax calculation on Profit on Debt is reported	System is developed as per CRF approved by FBR. However, kindly provide specific case where the issue is faced to further investigate and resolved accordingly.
The IRIS portal is calculating incorrect tax on profit/yield on Bahbood Certificates/ Pensioner's Benefit Account/ Shuhada Family Welfare Account in violation of clause (6) of Part-III, 2nd Schedule of the Income Tax Ordinance, 2001, which provides that tax shall not exceed 5 percent of the Profit/ Yield	This is already implemented on urgent priority through CRF-IRIS-RErM185, dated 24-July-2023.
The Proviso to the sub-section 2 of section 22 of the Income Tax Ordinance, 2001 had been omitted through Finance Act, 2022, which means full years Depreciation is now deductible in the year of acquisition of the asset. However, the Return of Income is still restricting depreciation to 50%.	This issue is being resolved (in development phase) through CRF-IRIS-RETM 188, currently the QC is in progress.

4. On the date of hearing, detailed discussion was held with the DRs where all the observations confronted were examined. It was found that out of the 14 errors confronted, as many as 11 technical glitches have been removed after the intervention of this office.

However, the following 03 observations are still pending for systemic correction;

- (i) Mismatch between MIS Tab and Maloomat folder confusing taxpayers, such as missing various withholding records from MIS folder earlier available including tax deduction records of Section 153 and its sub sections. Missing mobile numbers and its withholding details in Maloomat Folder.
- (viii) Different screen lacks logical hierarchy of a user's journey to track back and forth is not available, such as logout, back and forward options.
- (xiv) The Proviso to the sub-section 2 of section 22 of the Income Tax Ordinance, 2001 had been omitted through Finance Act, 2022, which means full years Depreciation is now deductible in the year of acquisition of the asset. However, the Return of Income is still restricting depreciation to 50%.

6. As regards the observation at (i) above, it was observed that the system maintains two accounts such as MIS tab and Maloomat folder. The former contains detailed information regarding transactions of the persons who are already registered with the Iris system whereas, the latter contains information about transactions relating to the persons who are un-registered. However, no such explanation has been added to the either of the tabs for clarification for Iris users. This lack of clarification, in fact, created confusion for the taxpayer as they found that their various transactions regarding withholding deduction were missing from the said tabs. It was found that if some description or explanation is added to the said tabs, it will add to clarification and the confusion faced by the taxpayer would abate.

7. It is found that no action has yet been taken by FBR to remove observation No. (viii). It was found that the system does not provide any tab to the user for going one step back or one step forward. Instead, the user has to logout the system and to restart Iris to get back to the relevant screen. The FBR team admitted that this is a serious gap in the system which is required to be streamlined.

8. In order to remove the said technical glitch, the digital system provides a navigational aid such as '**Breadcrumbs**' which allows users to keep track of their current location on a website or interface and they can move one step back and forward while using different screens. It was agreed by the FBR team that such a digital solution will soon be added to the latest version of Iris.

9. The observation No. (xiv) relates to wrong calculation of initial depreciation. Previously, the initial depreciation was restricted to 50% in the first year whereas as per the amendment made through Finance Act, 2022, the full year depreciation is now deductible in the year of acquisition of the asset. However, the current system of Iris is restricting depreciation to 50%. The FBR admitted that the system is not making correct calculation. However, they stated, that Change Request Form (CRF) has already been generated from the Policy Wing and necessary changes in the Iris system are under process to remove this error. It is observed that it is over one year since the benefit of 100% deduction of depreciation allowance was made available to the taxpayer but no corresponding change has been made by FBR in the Iris system till to date to ensure correct calculation of depreciation to the concerned taxpayers.

10. While examining the Iris portal home page, it is observed that after login, the portal opens a page which contains as many as 08 boxes in different colors showing different options such as filing of income tax return, filing of sales tax return and sales tax invoice management, filing of withholding statement besides creating payments option. All options relating to sales tax are irrelevant for a person who has accessed the system to file income tax return. Even the sales tax invoice management and withholding statement options would create confusion for income tax filer. Such a taxpayer

would feel left stranded besides the webpage would become over loaded.

11. It is further noticed that some of the icons used are without any 'tooltip' help which is integral part of such a system. It has also been noticed that the system demands re-login while accessing the option of re-payment whereas the user is already logged in in the system. This duplication of work can put security of the system at risk besides increasing work load.

### **FINDINGS:**

12. The above facts show that the updated version of Iris had many errors and omissions which created a lot of inconvenience for the users. Although many of the errors have been removed after the intervention of this office, however, the 03 errors as stated above are still pending for corrective action. Therefore, it is found that the new version was launched without proper testing through pilot launch which is departure from the established practice and created hardship to the users. Such omissions departures and errors constitute maladministration in terms Section 2(3)(i)(a) and (ii) of the FTO Ordinance, 2000.

### **RECOMMENDATIONS:**

13. FBR to:

- (i) direct Member (Information & Technology) to take corrective measures and add explanation/description to MIS Tab and Maloomat folder for clarity for users within 15 days;
- (ii) direct Member (IT) to add appropriate navigational aid for logical hierarchy of user's journey back and forth within 15 days;
- (iii) direct Member (IT) to take measures to streamline the system to allow correct calculation of admissible depreciation within 15 days;

- (iv) direct Member (IT) to remove sales tax filing options not relevant for filer of income tax return. Besides tooltip help for icons such as logout option be provided within 15 days;
- (v) direct Member (IT) to strictly follow, in future, SOPs of software launch by announcing new launch first followed by pilot launch for quality assurance before final implementation to avoid errors and omissions as a large number of general publics is affected by such lapses; and
- (vi) report compliance of (i)(ii)(iii)(iv) within 60 days



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

Dated: 31-8-2023

*Approved for reporting*