

**BEFORE  
THE FEDERAL TAX OMBUDSMAN  
ISLAMABAD**

**0159/OM/2021**

Dated: 25.10.2021\* HQ, Islamabad

**MULTI MILLION DOLLAR TAX EVASION BY RESIDENT COMPANIES /  
CONCERNS INTERNATIONAL CONTRACTORS**

The Secretary,  
Revenue Division,  
Islamabad.

... Respondent

Dealing Officer : Mr. Muhammad Majid Qureshi, Advisor  
Appraisal by : Mr. Muhammad Tanvir Akhtar, Advisor  
Departmental Representative : Ms. Ayesha Khalid, CCIR, RTO, Islamabad

**FINDINGS/RECOMMENDATIONS**

This Own Motion investigation was initiated in terms of Section 9(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance), because FTO Secretariat has evidence based information that some of the most meaningful and innovative initiatives of FBR's own individual officers and field formations stand diluted and washed away due to follow up failure, frequent posting transfers of officers and massive changes of jurisdictions.

2. Moreover through In-House Analysis FTO Secretariat has also identified that though FBR and its dozens of field formations maintain an organized web portal, rich data center, exhaustive Data Bases, elaborate and comprehensive operational soft wares and houses a full-fledged & home grown IT support system i.e. Pakistan Automation (PVT) LTD (PRAL), yet neither FBR HQs nor its any single field formation maintains;

- a. *any IT based **tracking system**, archiving various valuable initiatives & ventures made by different FBR's*

*organizations, officers, teams or specially created cells from time to time.*

- b. any exhaustive, fool proof and IT enabled **handing over module** (from predecessors to successors) for such initiatives.*
- c. any institutionalized internal **follow up system**, or*
- d. any internal evaluation mechanism to gauge whether the goals envisaged under FBR's flagship ventures have been logically pursued & achieved.*

Therefore it was reasonably assumed that in most of the cases the good job done is wasted, diluted or compromised with the transfer of individuals, dissolution of units/ cells and take over by new managers.

3. While conducting the aforesaid In-House Analysis FTO Secretariat has information on record that a list of potential cases of tax evasion, including **M/s. Norwegian Church Aid**, along with detailed Investigation Report & Case Study was prepared & shared by Directorate General (DG), BTB FBR. This valuable information was duly shared in **December, 2018**, with the concerned field formations for taking action against said entities for not declaring true particulars of their receipts/income and not discharging their responsibilities as withholding agents. However in 2019, FBR management suddenly shelved this whole BTB regime overnight; disbanding BTB Zones Islamabad, Lahore and Karachi. Office of DG BTB was relegated to a ceremonial entity assigned as additional charge. Thus in addition to losing an effective organization, the repository of the whole above data/information was suddenly rendered extinct.

4. Such a kneejerk attitude of FBR's reflects clear maladministration in terms of section 2(3) (ii) of FTO Ordinance, 2000 i.e.

- (ii) ***neglect, inattention, delay, incompetence, inefficiency and ineptitude, in the administration or discharge of duties and responsibilities;***

5. In view of above internal Notice under section 10(4) of the FTO Ordinance, 2000, read with Section 9(1) of The Federal Ombudsman Institutional Reforms Act, 2013 was issued calling upon FBR and its field formations to furnish Para-wise comments in the aforementioned case. In response to the said notice the Chief Commissioner-IR, RTO, Islamabad furnished an update regarding action taken vide her letter No. C.C/Legal/FTO/WHZ/167.CC dated 07.04.2022. It has been informed that consequent upon receipt of Notice from FTO office, proceedings for withholding audit u/s 161/205 were initiated. Show cause notices under rule 44(4) of the Income Tax Rules 2002 and under Section 161(1A) of the Income Tax Ordinance, 2001 were issued. It was further informed that in response to said notices the Authorized Representative attended the office for provision of documents and hearing of the case. The taxpayer namely M/s. Norwegian Church Aid submitted documents, ledgers, receipts and CPRs for tax year 2018 but failed to produce documents for earlier years namely 2014-2017. The taxpayer was repeatedly directed for provision of documents pertaining to the year 2014-2017 which they failed to comply with. Consequently, after due process of law, the proceedings u/s 161/205 were finalized as under;

| S.No | NTN     | Name of The Taxpayer | Tax year | Tax imposed u/s 161/205 |
|------|---------|----------------------|----------|-------------------------|
| 1    | 3640378 | Norwegian Church Aid | 2014     | 10,104,127              |
|      |         |                      | 2015     | 13,539,811              |
|      |         |                      | 2016     | 15,666,422              |
|      |         |                      | 2017     | 31,514,556              |
|      |         |                      | 2018     | 14,447,800              |

6. Department's belated action, entailing tax demand of over Rs. 85 million confirms the ineptitude of officers holding charge earlier, who had ignored the valuable internal information shared by DG BTB in December, 2018. This also establishes the fact that information passed by DG BTB in December, 2018 remained dormant and unutilized. None of the field officers of FBR holding jurisdiction over the instant case during December, 2018 and November, 2021 was vigilant enough to initiate the action which has been initiated after 03 years and that too after the intervention of FTO Secretariat.

**FINDINGS:**

7. Negligence and inefficiency on the part of FBR officials in enforcing various provisions of law in major revenue potential cases is tantamount to maladministration in terms of Section 2(3)(ii) of the FTO Ordinance.

**RECOMMENDATIONS:**

8. FBR to:-

- (i) direct the Chief Commissioner-IR, CTO, Islamabad to ensure that action initiated in the instant case, after 03 years delay is pursued rigorously;
- (ii) identify the officers who are responsible for unwarranted delay and FBR' management may be informed accordingly; and
- (iii) report compliance within 90 days.

*Approved for Reporting and  
Press release*

Dated: 27th April, 2022  
U.f

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

Certified to be True

*R. Ahmed*

Deputy Registrar  
FTO Secretariat  
Islamabad