

**THE FEDERAL TAX OMBUDSMAN
ISLAMABAD**

Complaint No.3234/ISB/ST/2023

Dated: 07.06.2023* R.O. Karachi

Mr. Aftab Lakhany, Proprietor

...Complainant

M/s Aftab Brothers,
Chamber No.A, Plot # E-11,
SITE, Karachi

V e r s u s

The Secretary,
Revenue Division,
Islamabad.

...Respondent

Dealing Officer	:	Mr. Badruddin Ahmad Quraishi, Advisor
Appraising Officer	:	Mr. Muhammad Nazim Saleem, Advisor
Authorized Representative	:	Mr. Tariq M. Siddiqui, ITP
Departmental Representative	:	Mr. Yaseer Hussain Bhutto, DCIR AEOI Zone, LTO Karachi

FINDINGS/RECOMMENDATIONS

The above-mentioned complaint was filed against the Secretary (Jurisdiction), FBR Islamabad in terms of Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance) for failure to change jurisdiction of sales tax from AEOI Zone LTO Karachi to RTO-I Karachi.

2. Briefly, the complainant is an individual proprietorship registered with FBR since 14.12.1995. In view of business address in SITE Karachi, the jurisdiction of the Complainant (both income tax & sales tax) rests with RTO-II (Now RTO-1) Karachi in terms of Board's jurisdiction order dated 16.08.2016. Lately, the jurisdiction of the Complainant was transferred from RTO-I Karachi to AEOI Zone, LTO Karachi vide Board's jurisdiction order dated 21.12.2018 due to receipt of information related to foreign assets. Subsequently, Sales Tax &

* Date of registration in FTO Sectt

FED jurisdictions were transferred back to its original jurisdiction to RTO-1 Karachi vide Board's jurisdiction order dated 28.02.2019. However, till date, the online 'Taxpayer Profile Inquiry' reflects the jurisdiction of income tax as well as sales tax as LTO Karachi. Meanwhile, the sales tax registration of the complainant was suspended w.e.f. 30.06.2013 due to non-filing of sales tax returns for tax periods May 2018 to April 2023. The Complainant vide letter dated 17.05.2023 addressed to LTO Karachi desired to pay penalty for restoration of status. However, the complainant did not get any response; hence this complaint with the request to correct the jurisdiction of the complainant.

3. The complaint was referred to the Secretary, Revenue Division for comments in terms of Section 10(4) of the FTO Ordinance read with Section 9(1) of the Federal Ombudsmen Institutional Reforms Act, 2013. In response, the Chief Commissioner LTO Karachi vide letter dated 14.06.2023 forwarded comments of the Commissioner, AEIOI Zone, LTO Karachi stating that during the meeting with Member (IT) at LTO Karachi on 22.03.2022, the issue of separate jurisdiction over income tax and sales tax cases was discussed for resolution under IT related software. Furthermore, the Commissioner AEIOI Zone, Karachi and the CCIR LTO Karachi vide letters dated 15.03.2022 & 01.04.2022 respectively requested the Member (IT) for early redressal of this issue.

4. Arguments heard and records perused.

5. It is observed that the original jurisdiction of the complainant in view of business address at SITE Karachi, (both income tax & sales tax) rests with RTO-II (now RTO-1) Karachi in terms of Board's jurisdiction order dated 16.08.2016. Thereafter, due to receipt of some

information related to foreign assets, the jurisdiction of the Complainant was transferred from RTO-I Karachi to AEOI Zone, LTO Karachi vide Board's jurisdiction order dated 21.12.2018. Subsequently, Board's vide jurisdiction order dated 28.02.2019 transferred Sales Tax jurisdiction back to its original jurisdiction to RTO-1 Karachi. However, online 'Taxpayer Profile Inquiry' reflects the jurisdiction of income tax as well as sales tax as LTO Karachi. Meanwhile, the sales tax registration of the complainant was suspended w.e.f. 30.06.2013 due to non-filing of sales tax returns for tax periods May 2018 to April 2023. The Complainant desired to pay penalty for restoration of status but the LTO Karachi did not entertain the request as the jurisdiction over Sales Tax of the complainant rested with RTO-1 Karachi in view of Board's jurisdiction order dated 28.02.2019. On the other hand, RTO-1 Karachi was not able to consider the request of the complainant as the 'Taxpayers Profile Inquiry' is still reflecting the jurisdiction as LTO Karachi meaning thereby the sales tax jurisdiction has not yet been transferred to RTO-1 Karachi through FBR web portal despite lapse of four years of Board's jurisdiction order dated 28.02.2019.

6. As can be observed that Board's vide jurisdiction order dated 28.02.2019 transferred Sales Tax & FED jurisdiction of all cases lying in AEOI Zone back to its original jurisdiction all over Pakistan. But FBR IT software has not been able to incorporate this change of separate jurisdiction of sales tax & FED even after lapse of more than four years. As a result, a substantial number of cases pending proceedings of assessment /audit /show cause notices/ appeals etc. in sales tax against which separate jurisdiction of sales tax & FED was allotted to its original jurisdiction but still lying in AEOI Zones in FBR web portal got barred due to limitation of time prescribed under Sales Tax Act

1990 & FED Act 2005 causing huge loss of revenue. This is a clear case of neglect, inattention, delay, incompetence, inefficiency and ineptitude, in the administration or discharge of duties and responsibilities causing huge loss of revenue on the part of the FBR IT wing and PRAL.

FINDINGS:

7. Non-transfer of jurisdiction of the Complainant over Sales Tax from AEOL Zone LTO Karachi to RTO-1 Karachi through FBR web portal despite Board's jurisdiction order dated 28.02.2019 tantamounts to maladministration in terms of section 2(3)(ii) of FTO Ordinance.

RECOMMENDATIONS:

8. FBR to direct:-

- i) the Member (IT) and the Chief PRAL to make necessary changes in IT software to implement the jurisdiction order dated 28.02.2019 for separate jurisdiction of Sales Tax & FED as per policy of the Board;
- ii) the Secretary (Jurisdiction) to transfer the jurisdiction of the complainant over sales tax from AEOL Zone LTO Karachi to RTO-1 Karachi;
- iii) the Member (Admn) in coordination with Member (IT) and Member (Ops) to initiate fact finding inquiry for delay to implement the jurisdiction order dated 28.02.2019 for separate jurisdiction of Sales Tax & FED pending for over four years causing huge loss of revenue; and
- iv) report compliance within 45 days.



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

Dated: 5/7/2023

Approved for reporting