

**FEDERAL TAX OMBUDSMAN ORDERS INITIATION OF
CRIMINAL /DISCIPLINARY PROCEEDINGS AGAINST SENIOR
FBR OFFICERS IN A REFUND SCAM**



The Federal Tax Ombudsman (FTO) in pursuance of Own Motion (OM) investigation initiated while exercising powers conferred under Section 9(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance), to investigate irregularities committed by the FBR's field formations in processing and sanctioning of bogus sales tax refund has ordered for initiation of disciplinary and criminal proceedings against the senior officers of Inland Revenue Service of FBR. The Directorate General I&I-IR, FBR had issued the "Red Alerts" in such cases to the field formations concerned but neither any action was initiated against the fake claimants of income tax refund and their connivers in the Department (Deptt), who were involved in bogus registration, processing and sanctioning of fraudulent income tax refund and issuance of refund cheques, nor was any action proposed against the officers/officials of bank branches concerned and the PRAL management. In the case of M/s China National Electric Wire & Cable Import & Export Corporation (RP), an AOP registered vide NTN 2789363-2 with principle activity of electrical installation refund for Tax Year 2012 amounting to Rs.26.119 million was claimed. In terms of sub-Section (3) tax deducted on the income of a resident person or Permanent Established (PE) of the non-resident person under clauses (a) and (c) of sub-Section (2) 153 of the Income Tax Ordinance 2001 (the Ordinance) should be final tax. Thus income tax refund claimed by the RP, nonresident PE, for Tax Year 2012 was inadmissible.

Furthermore, after conducting Post Refund Audit (PRA) of the RP for Tax Years 2007, 2008, 2009 and 2011, the Director I&I Lahore also issued

investigation report to the Chief Commissioner-IR RTO Lahore . As per report the RP claimed refund for Tax Years 2007, 2008, 2009, 2010 and 2011 amounting to Rs.26.778, Rs.25.264, Rs71.151,and Rs.0.170 million respectively. The Deptt had however, already issued refund for Tax Years 2007, 2008, 2009 and 2011 aggregating to Rs.123.364 million.

In order to retrieve the loss of revenue, the Directorate I&I also proposed initiation of action for Tax Years 2007 to 2011 under Section 122(5A) of the Ordinance.

Evidently, no action whatsoever was taken by the Deptt on the above Red Alert and PRA investigation report. Thus for failure of the Deptt to take timely action on such an important anti-tax evasion exercise carried out by 1&1-IR, led to serious instances of maladministration on account of certain acts of omission and commission, reflecting improper motives, jeopardizing good governance and transparency in tax administration.

Federal Tax Ombudsman while finally disposing the case has directed FBR to initiate proceedings for recovery of tax demand created for Tax Years 2007, 2008 & 2009 vide consolidated order dated 05.06.2013, as per law and remove the officers involved from field postings and initiate disciplinary and criminal action against Ch. Muhammad Tariq, the then Additional CIR and Mr. Ashfaq Ahmad the then DCIR involved .Further The Federal Tax Ombudsman has also ordered disciplinary proceedings against Dr.SarmadQureshi,the then Commissioner ,CRTO Lahore and Syed NadeemHussainRizvi,thethen Chief Commissioner ,CRTO Lahore in the same scam.