



**Federal Tax Ombudsman
Pakistan**

Annual Report
2012



Federal Tax Ombudsman Pakistan

MAKING A DIFFERENCE

**Annual Report
2012**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

إِعْدِلُوا هُوَ أَقْرَبُ لِلتَّقْوَىٰ

***Be just; that is nearer
to righteousness.***

6:5:8 (Al Quran)





Introduction

The Office of the Federal Tax Ombudsman (FTO) is a quasi-judicial forum established under the Establishment of Federal Tax Ombudsman Ordinance (No XXXV) of 2000 dated August 11, 2000, to diagnose, investigate, redress and rectify any injustice done to a person through maladministration by tax functionaries of the Revenue Division and the Federal Board of Revenue (FBR).

The FTO Secretariat started functioning when the first FTO took oath of the Office on September 19, 2000. The FTO Secretariat comprises five geographical locations. Its Headquarters is located at Islamabad with four Regional Offices at Karachi, Lahore, Quetta and Peshawar. Prior to the establishment of the Office of the FTO in the year 2000, tax maladministration fell in the jurisdiction of Wafaqi Mohtasib in terms of the Establishment of the Office of Wafaqi Mohtasib (Ombudsman) Order, 1983.

The law empowers the FTO to entertain complaints of maladministration by the FBR officials administering income tax, customs duties, sales tax and federal excise duty. The FTO is mandated to identify and redress systemic issues and frequently emerging maladministration-related problems within the Revenue Division/ FBR and its field offices. Also, a citizen can file a complaint with the FTO against the Revenue Division/FBR and its field offices for not providing the requested information as per the Freedom of Information Ordinance, 2002.

The FTO Office maintains a dynamic and interactive website: www.fto.gov.pk



Hon'ble FTO Dr. Muhammad Shoaib Suddle



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

File No. 10(2)/2012-A-II

Islamabad,
14 February, 2013

Dear Mr. President,

In pursuance of section 28 of the Federal Tax Ombudsman Ordinance 2000, the Annual Report of the Office of the Federal Tax Ombudsman for the period 1 January to 31 December 2012 is submitted, please.

With best regards.

Yours sincerely,

(Dr. Muhammad Shoaib Suddle)



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Hon'ble FTO Dr. Muhammad Shoaib Suddle with Mr. Kevin Fenwick, Ombudsman Sasketchvin, Canada and participants of Fair Practices Workshop held at Islamabad on 26-27 March, 2012



Message By Hon'ble FTO



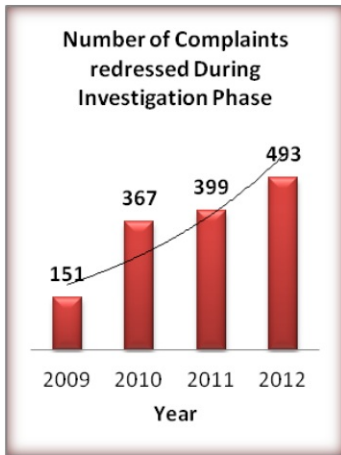
**Dr. Muhammad
Shoaib Suddle
Hon'ble Federal
Tax Ombudsman**

***As many as, 1430
fresh complaints
and 167
complaints
pending from 2011
were decided
during 2012.***

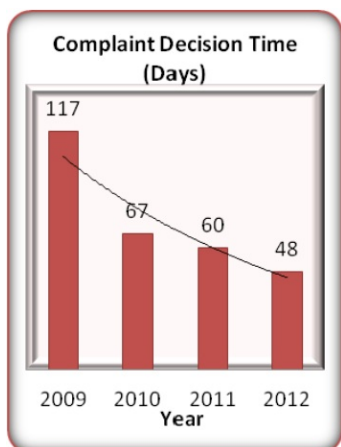
I am pleased to present the annual report for the year 2012. It has been another landmark year for the Office of the Federal Tax Ombudsman (FTO) Pakistan. The exceptional achievements during 2012 have added new milestones to FTO's performance matrix. During the year, a number of measures matured including my flagship e-enablement initiative and collective capacity building of all Federal and Provincial Ombudsman offices of Pakistan under the umbrella of the Forum of Pakistan Ombudsman (FPO).

In 2012, the FTO received 1689 fresh complaints of which 883 (52.28%) pertained to income tax, 517 (30.61%) to sales tax, 269 (15.93%) to customs, 17 (1.00%) to federal excise and 03 (0.18%) to Freedom of Information Ordinance 2002. As many as, 1430 fresh complaints and 167 complaints pending from 2011 were decided during 2012 making a total of 1597 complaints decided in 2012. In addition, 58 review applications were also decided during 2012.

Out of the 1597 decided complaints, 1414 (88.54%) ended up in favour of taxpayers as compared to 86.09% favorable decisions in 2011, 83.16% favorable decisions in 2010 and 76.25% favorable



Significantly, the taxpayers' grievances in as many as 493 out of 1597 complaints decided in 2012 were redressed at the investigation phase.



decisions in 2009.

Acceptance of the FTO recommendations by taxpayers and FBR increased to 86.29% in 2012 compared to 81.16% in 2011, 76.82% in 2010 and 77.79% in 2009. It indicates a marked improvement in the quality of decision making by the FTO.

Significantly, the taxpayers' grievances in as many as 493 out of 1597 complaints decided in 2012 were redressed at the investigation phase. The number of grievances redressed at investigation phase was 399 in 2011, 367 in 2010 and 151 in 2009.

My initiative for informal resolution of disputes is being increasingly pressed for expeditious and amicable redress of taxpayers' mundane grievances, without docketing complaints for formal investigation. As many as 100 cases (84 fresh and 16 carried over) were taken up with FBR during 2012 for informal resolution in terms of Section 33 of the FTO Ordinance 2000. Out of these, 67 cases were resolved as against 11 cases resolved in 2011, 02 cases resolved in 2010 and 01 case resolved in 2009.

In 2012, the average time taken to decide a complaint was 48 working days, lowest ever, as compared to 60 days in 2011, 67 days in 2010 and 117 days in 2009. This exceptional success was achieved despite a major investigation was assigned to me by the Supreme Court of Pakistan, which consumed three months of my dedicated effort.

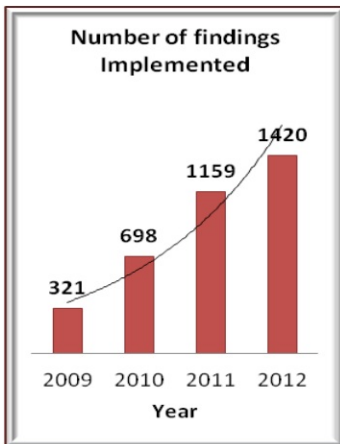


Out of the total amount of Rs9.787 billion got refunded during 2012, Rs8.827 billion involved in 231250 claims got refunded through own motion intervention.

By an exceptional effort, a sum of Rs9.787 billion was got refunded by the FBR to the taxpayers in 2012 as compared to Rs7.889 billion during 2011, Rs7.080 billion in 2010 and Rs0.094 billion in 2009. The amount of Rs9.787 billion got refunded during 2012 included refund amounting to Rs822.33 million in 375 income tax cases, Rs125.06 million in 25 sales tax cases, Rs10.16 million in 01 case of federal excise, Rs1.89 million in 03 customs cases. It is worth noting that Rs9.787 billion that the taxpayers received during 2012 due to the intervention of the FTO was almost 5 times of the total amount that taxpayers received during ten years from 2000 to 2009 and 44 times the average per annum they received during the same period.

Out of the total amount of Rs9.787 billion got refunded during 2012, Rs8.827 billion involved in 231250 claims got refunded through own motion intervention as compared to Rs6.625 billion refunded in 181,880 cases in 2011, Rs4.904 billion refunded in 194,056 cases in 2010. No claim of refund/duty drawback was taken up in 2009 in exercise of own motion Jurisdiction of Hon'ble FTO.

During 2012, the taxpayers also received a sum of Rs 1.61 million in compensation for delayed payment of refunds in 30 cases. In overall terms, the total amount of tax refund, duty drawback and compensation received by the taxpayers during the four year period 2009-2012 was Rs 24.85 billion in 609,376 cases that were got settled by the FTO intervention.



The Immediate result of ISAF Container Scam investigated by me during 2011 was that the extent of smuggling by misuse of transit facilities dropped by 60%. Over Rs 1 billion per month addition in customs revenue started accruing on account of diversion of smuggling-prone items to regular import channel.

Implementation of the FTO recommendations by the FBR remained under increased focus during 2012. With exceptional effort, recommendations in as many as 1420 cases were got implemented by the FBR during 2012, as compared to 1159 cases during 2011, 698 cases during 2010 and 321 cases during 2009. In other words, the number of decisions got implemented during 2012 was up 23% compared to 2011, up more than 100% compared to 2010 and up 350% compared to 2009. More significantly, all recommendations pending implementation with the FBR from 2002 to 2006 were got implemented. In addition, recommendations pending implementation since 2011 (433), 2010 (158) 2009 (70), 2008 (15) and 2007 (8) were also got implemented during 2012.

The immediate result of ISAF Container Scam investigated by me during 2011 was that:

- (i) The extent of smuggling by misuse of transit facilities dropped by 60%;
- (ii) Over Rs 1 billion per month addition in customs revenue started accruing on account of diversion of smuggling-prone items to regular import channel.

In the light of the FTO's recommendations in the ISAF Container Scam Investigation Report submitted in 2011, the government has made changes in the Customs law and procedure through the Finance Act 2012 and various Notifications issued by the FBR, including:



- (i) Definition of smuggling in section 2(s) of the Customs Act, 1969 has been amended to include enroute droppage of transit cargo. Now unlawful enroute droppage of transit cargo also constitutes smuggling;
- (ii) Penal provisions of section 156(1) of the Customs Act, 1969 have been amended to include punishment of transporters responsible for unlawful enroute droppage of transit cargo;
- (iii) Two posts of Deputy Chairman have been created in the FBR;
- (iv) A Directorate General of Transit has been established and the Director General appointed in the Customs Department for dedicated supervision of transit operations;
- (v) Procedural improvements have also been made in Transit Rules notified vide SRO 601(I)/2011 dated June, 2011 dated 13.06.2011.

A flagship achievement of the FTO Office during 2012 was launching of the computerization project for online filing of complaints and e-correspondence.

A flagship achievement of the FTO Office during 2012 was launching of the computerization project for online filing of complaints and e-correspondence. The computerization project for the FTO Office was conceptualized in 2009 and approved by the CDWP on March 18, 2010. Despite meager releases of funds, essential IT infrastructure was set up at FTO Offices at



Citizens can now file and track progress of their complaints on-line through the FTO's web portal.

Islamabad, Lahore, Karachi, Quetta and Peshawar. A web-based FTO's Computerized Complaint Management System (FCCMS) was rolled out in November 2012 after completing test trials and training of staff. In addition, through e-link established with FBR and its field offices, notices and related documents are being sent through email, reducing time lags considerably. Citizens can now file and track progress of their complaints on-line through the FTO's web portal.

During 2012, draft proposals for standardization and reform of legislations of Federal Ombudsmen were packaged by the Steering Committee constituted under the umbrella of the Forum of Pakistan Ombudsman (FPO).

During 2012, the FTO's capacity building project: "Ombudsman IDF: Institutional Capacity Building" and the FTO's component in the "Project Preparation Facility (PPF) for Revenue Mobilization Project (RMP)," both funded by the World Bank, were approved. UNDP also provided computer equipment to various Federal and Provincial Ombudsman Offices under Umbrella of the Forum of Pakistan Ombudsman which were deficient due to resource constraints.

During 2012, draft proposals for standardization and reform of legislations of Federal Ombudsmen were packaged by the Steering Committee of Federal Ombudsmen under the umbrella of the Forum of Pakistan Ombudsman (FPO). The proposals were submitted to the Parliament through Ministry of Law, Justice and Human Rights. After approval by the Parliament, the proposals are expected to be enacted early 2013.

The proposals for reform of legislations are aimed at ensuring Ombudsmen's independence, strengthening



The complainants and their representatives are being automatically given SMS and e-mail alerts on the progress of their complaints. In addition, 157,000 taxpayers were served bulk SMS and e-mails to facilitate their access to the FTO Office.

their empowerment to promptly redress public grievances and standardizing their terms and conditions. The *raison d'etre* of the proposed legal reform is reinforcing Ombudsmen's capacity to ensure accountability of errant public functionaries for their acts of injustice and maladministration.

In order to ensure transparency of complaint management by the FTO Office, a proactive SMS and e-mail based system has been put in place. The complainants and their representatives are being automatically given SMS and e-mail alerts on the progress of their complaints. In addition, 157,000 taxpayers were served bulk SMS and e-mails to facilitate their access to the FTO Office for redress of any grievances arising out of tax maladministration. The scope of bulk SMS will be expanded in coming days.

Admittedly, the problem of maladministration is deep-rooted and well-entrenched. Tolerance of small taxpayers for tax maladministration is wide spread due to fear of reprisals. Under its 'Making a Difference' approach; the FTO Office is doing its level best to reduce taxpayers' undue tolerance for endemic corruption and systemic maladministration. The FTO is thus promoting good governance by monitoring efficiency and ensuring accountability of tax administration. Methodologies adopted to achieve these objectives are: **(i) investigating formal complaints; (ii) informal dispute resolution; and (iii) own motion action against tax maladministration.**



The stakeholders rated the FTO Office as the cleanest public sector organization in terms of efficiency, integrity and user-friendliness.

The FTO Office has emerged as a 'role model' and a 'blessing' especially for the least influential taxpayers as reported by the Citizen Report Card study conducted in 2011 by Transparency International. The stakeholders rated the FTO Office as the cleanest public sector organization in terms of efficiency, integrity and user-friendliness.

The FTO, being the most judicious and efficient accountability mechanism, presents a reliable opportunity to deliver reform and address the governance issues in tax administration more efficiently and effectively. The FTO is keen to sustain and strengthen its performance effectiveness in the interest of reform for good governance and fairplay in the country's tax collection system.

Dr. Muhammad Shoaib Suddle
Federal Tax Ombudsman





Mandate, Vision, Mission and Values

Mandate

- Diagnosing, investigating, redressing and rectifying any injustice done to a person through maladministration by functionaries administering federal tax laws.

Vision

- Eliminating tax maladministration and helping taxpayers receive the highest level of service and respect.

Mission

- Redressing taxpayers' grievances and addressing systemic issues.

Values

- Accessibility
- Efficiency
- Integrity
- Objectivity
- Transparency





***Hon'ble FTO Dr. Muhammad Shoaib Suddle addressing
annual Press Conference on 14-02-2012***



Jurisdiction

Mandate

The FTO's mandate is not only to issue recommendations but also to get these implemented efficiently and effectively.

Mandate of the FTO Office is to diagnose, investigate, redress and rectify any injustice done to a person through maladministration by functionaries administering federal tax laws. The FTO can take cognizance of cases referred to him by the President, the Parliament, the Supreme Court or a High Court during the course of any proceedings or of his own motion. The FTO's mandate is not only to issue recommendations but also to get these implemented efficiently and effectively. The President vide his Directive No. 1 of 1990, the Prime Minister vide his instructions issued in 1995 and the Supreme Court vide its judgment (199 SCMR 2189) directed that Ombudsman's recommendations must be implemented promptly.

Maladministration Defined

The FTO entertains citizens' complaints of maladministration by the functionaries administering laws relating to income tax, sales tax, customs duties and federal excise duty. The important areas of maladministration which the FTO can investigate include decisions or processes as are contrary to law, rules or regulations and acts of omission or commission as are



The FTO has the authority to investigate complaints on such grounds as issuance of repeated notices, requirement of unnecessary attendance and prolonged hearings deliberately done to harass taxpayers.

perverse, arbitrary, discriminatory or unreasonable. The definition of maladministration under section 2(3) of the FTO Ordinance, 2000 also covers exercise of official power by tax functionaries for corrupt or improper motives, neglect, inattention, delay, discrimination, incompetence, ineptitude and inefficiency.

Scope of Maladministration

The FTO has the authority to investigate complaints on such grounds as issuance of repeated notices, requirement of unnecessary attendance and prolonged hearings deliberately done to harass taxpayers. The FTO can also investigate cases involving willful withholding of refunds, coercive methods of tax recovery and the FBR's avoidance of disciplinary action against those who have been held by the FTO as vindictive, whimsical or biased.

Empowerment to Conduct Inquiry

The FTO himself can initiate an inquiry into a complaint or assign his officials to conduct a probe. In the process, the authorized official is entitled to have access to any official document necessary for investigation.

Powers of a Civil Court

The FTO has the same powers under Section 14 of the FTO Ordinance, 2000, as are vested in a Civil Court under the Code of Civil Procedure, 1908 (Act V of 1908) in respect of the following matters, namely: -



The FTO has the same powers under Section 14 of the FTO Ordinance, as are vested in a Civil Court under the Code of Civil Procedure, 1908.

- a) summoning and enforcing the attendance of any person and examining him on oath;
- b) compelling the production of documents;
- c) receiving evidence on affidavits; and
- d) issuing commission for the examination of witnesses.

Power to Punish for Contempt

Under section 16 of the FTO Ordinance, 2000, the tax Ombudsman has the same powers, mutatis mutandis, as the Supreme Court of Pakistan, to punish any person for contempt, if he abuses, interferes with, impedes, imperils, or obstructs the process of the FTO in any way or disobeys his orders. In case, the charge of maladministration gets established against a tax functionary, the Ombudsman may recommend to the concerned authority for an appropriate remedial action. The FTO can recommend disciplinary action and order compensation by the errant tax official to the aggrieved citizen. The FBR will have to explain reasons in case it does not implement the FTO's recommendations within 30 days, and if the FTO is not satisfied with the explanation, he can refer the matter to the President of Pakistan.

Independence from the Executive

The FTO performs his functions and exercises his powers independent of the executive. However, all the executive authorities throughout Pakistan are required by

The FTO can recommend disciplinary action and order compensation by the errant tax official to the aggrieved citizen.



The FTO is also empowered to identify and review maladministration-related systemic issues within the FBR and its field offices that have a negative impact on taxpayers.

law to act in aid of the FTO.

Power to Review

Under section 14(8) of the FTO Ordinance, Hon'ble FTO has power to re-examine any findings/ recommendations made or any order passed by him. The FTO is also empowered to identify and review frequently emerging maladministration-related systemic issues of maladministration within the FBR and its field offices that have a negative impact on taxpayers.

Limitations of Jurisdiction

The FTO's jurisdiction does not extend to cases that are *sub judice* before a court or a tribunal of competent jurisdiction. He is not mandated to carry out functions such as interpretation of law, assessment of tax, valuation and classification of goods, except when these issues are intermingled with maladministration.

Complaints under FOI Ordinance, 2002

Citizens can file complaints with the FTO against the Revenue Division/ FBR and their field offices for not providing the required information in defiance of the Freedom of Information Ordinance, 2002.





Performance-2012

i) Highlights

1,689

fresh complaints were received by the FTO office during 2012 as compared to 1390 fresh complaints received in 2011, 1446 fresh complaints received in 2010 and 810 fresh complaints received in 2009.

1,597

complaints were decided during 2012:

(1430) of the decided cases were from fresh complaints;

(167) of the decided cases were carried over from 2011.

1,414

or 88.54% complaints were decided by the FTO office in favour of the taxpayers as compared to 86.09% favorable decisions in 2011, 83.16% favorable decisions in 2010 and 76.25% favorable decisions in 2009.

67

cases settled informally in 2012 without formally docketing complaints for formal investigation as compared to 11 cases in 2011, 02 cases in 2010 and 01 case 2009.

**183**

or 11.46% complaints were rejected during 2012 as compared to 195 or 13.90% complaints rejected in 2011, 242 or 16.84% complaints rejected in 2010 and 200 or 23.75% complaints rejected in 2009.

86.29%

percent of the FTO Findings/ Decisions accepted by taxpayers and the FBR in 2012 as compared to 81.16% in 2011, 76.82% in 2010 and 77.79% in 2009.

219

or 13.71% recommendations were challenged during 2012 through review and representation mechanisms as compared to 264 or 18.83% challenged cases in 2011, 333 or 23.17% challenged cases in 2010 and 187 or 22.21% challenged cases in 2009.

9.787

billion rupees got refunded to the taxpayers on the FTO recommendations during 2012 as compared to Rs7.889 billion refunded in 2011, Rs7.080 billion refunded in 2010 and Rs0.094 billion refunded in 2009.

2,31,654

claims of refund and duty drawback involving an amount of Rs9.787 billion were got settled in 2012 as compared to 182457 claims involving an amount of Rs 7.889 billion in 2011, 196015 claims involving an amount of Rs7.080 billion settled in 2010 and 231 claims involving an amount of Rs0.094 billion in 2009.



2,31,250

claims of refund and duty drawback out of a total of 231654 claims were got settled through Own Motion action by the Hon'ble FTO in exercise of his jurisdiction under Section 9(1) of the FTO Ordinance, 2000. 1,81,880 claims involving an amount of Rs 6.63 billion of refund and duty drawback was got settled in 2011 through Own Motion action. In 2010, 1,94,056 claims involving an amount of Rs 4.90 billion were got settled. No claims were settled through Own Motion action in 2009.

48

working days were taken on an average for disposal of a complaint by the FTO Office during 2012 as compared to 60 days in 2011, 67 days in 2010 and 117 days in 2009.

1,420

cases of the FTO's recommendations were implemented in 2012 as compared to 1159 cases implemented in 2011, 698 cases implemented in 2010 and 321 cases implemented in 2009.

(493) grievances redressed by FBR during investigation phase in 2012 as compared to 399 grievances redressed in 2011, 367 grievances redressed in 2010 and 151 grievances redressed in 2009.



(927) cases containing the FTO's recommendations were got implemented in 2012 as compared to 760 cases in 2011, 331 cases in 2010 and 170 cases in 2009.

1,57,000

taxpayers were proactively sent SMS and emails as a part of FTO's awareness campaign. Taxpayers were encouraged to seek redress through the FTO mechanism in case they faced any injustice done to them by the tax functionaries.

578

FTO decisions were pending implementation by the FBR and its field offices at the end of year 2012. These do not include cases where a representation or a review petition has been filed by the FBR or the taxpayers. Unjustified delay by the FBR in implementing the FTO decisions detracts much from taxpayers confidence in the FTO mechanism for prompt redress of their grievances against tax maladministration.





Performance 2012 (Details)

ii) Disposal of Complaints

During 2012, performance of the FTO Office continued to be impressive as service delivery improved qualitatively and quantitatively. Several exceptional achievements added new milestones to its already remarkable accomplishments. A notable achievement was the increased receipt and disposal of complaints. Out of a total of 1862 complaints (1689 fresh and 173 carried over from 2011), 1597 complaints were decided during 2012. 265 complaints mostly those filed during the closing period of 2012, were carried forward. The carried forward complaints are disposed of by or before March of the following year.

The trend indicates that taxpayers have been more careful in filing of complaints in strong cases because of the stringent filtering mechanisms instituted by the FTO for distinguishing the genuine from the frivolous complaints.

Of the 1597 decided complaints, 1414 findings / recommendations (88.54%) were in favor of taxpayers compared with 86.09% in 2011, 83.16% in 2010 and 76.25% in 2009. The trend indicates that taxpayers have been more careful in filing of complaints in strong cases because of the stringent filtering mechanisms instituted by the FTO for distinguishing the genuine from the frivolous complaints. Receipt and disposal of complaints during 2012, is reflected in Table-1 and the Graph: -



Table-1

Receipt and Disposal Of Complaints During 2012

| Carried Forward from 2011 | Fresh Receipt During 2012 | Total | Disposal During 2012 | Pending at the Year End |
|---------------------------|---------------------------|-------|----------------------|-------------------------|
| 173 | 1689 | 1862 | 1597 | 265 |

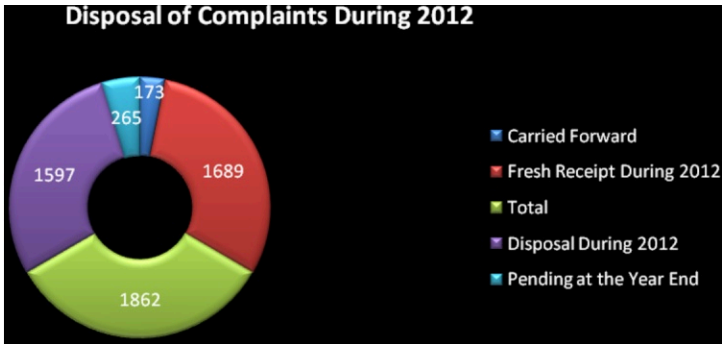
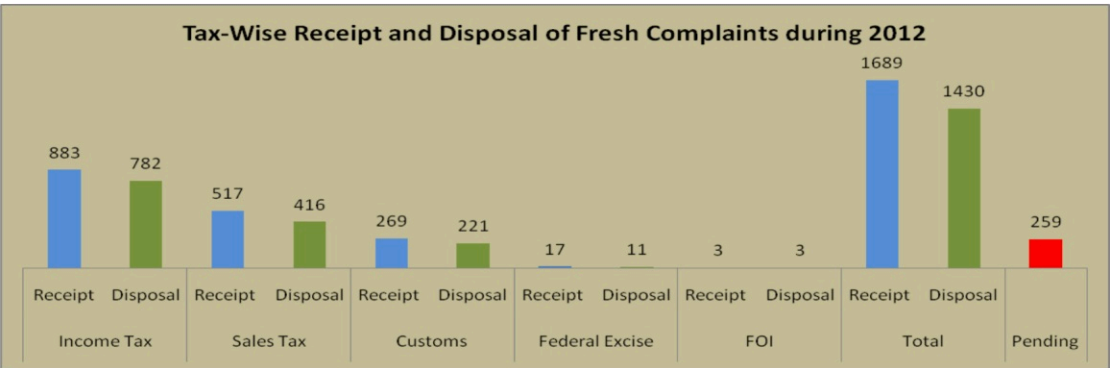


Table-2 and the Graphs below provide tax-wise break-up of fresh complaints received during 2012:

Table-2

Tax-Wise Receipt and Disposal of Fresh Complaints During 2012

| Income Tax | | Sale Tax | | Customs | | Federal Excise | | FOI | | Total | | |
|------------|------|----------|------|---------|------|----------------|------|-------|------|-------|------|-------------------------|
| Recpt | Disp | Recpt | Disp | Recpt | Disp | Recpt | Disp | Recpt | Disp | Recpt | Disp | Pending at the year end |
| 883 | 782 | 517 | 416 | 269 | 221 | 17 | 11 | 03 | Nil | 1689 | 1430 | 259 |



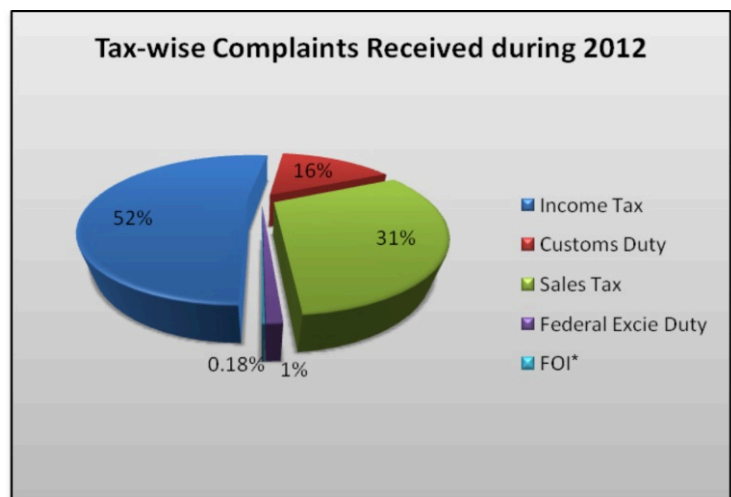


Tax-wise share in fresh complaints received during 2012 is shown by Table-3 and the Graphs below:-

Table-3

Tax-Wise Receipt and Percentage of Fresh Complaints During 2012

| Category | Number of Complaints | Percentage |
|---------------------|----------------------|-------------|
| Income Tax | 883 | 52.28% |
| Sales Tax | 517 | 30.61% |
| Customs Duty | 269 | 15.93% |
| Federal Excise Duty | 17 | 1.00% |
| FOI* | 03 | 0.18% |
| Total | 1689 | 100% |



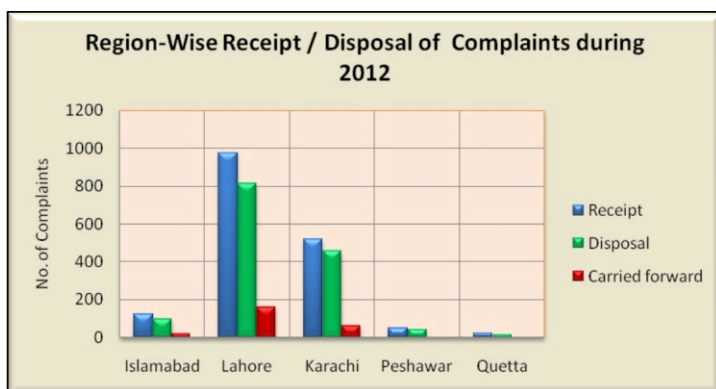
*Freedom of Information Ordinance, 2002

Region-wise receipt and disposal of fresh complaints received during 2012 is given in Table-3 and the Graphs:-

Table-4

Region-wise Receipt and Disposal of Fresh Complaints During 2012

| Station | Receipt | Disposal | Balance |
|------------------|-------------|-------------|------------|
| Islamabad | 124 | 101 | 23 |
| Karachi | 519 | 457 | 62 |
| Lahore | 974 | 812 | 162 |
| Quetta | 21 | 16 | 5 |
| Peshawar | 51 | 44 | 7 |
| Total | 1689 | 1430 | 259 |



Office-wise receipt of fresh complaints during 2012 is reflected in Table-5 below: -

Table-5 ***Month-wise Receipt of Complaints During 2012***

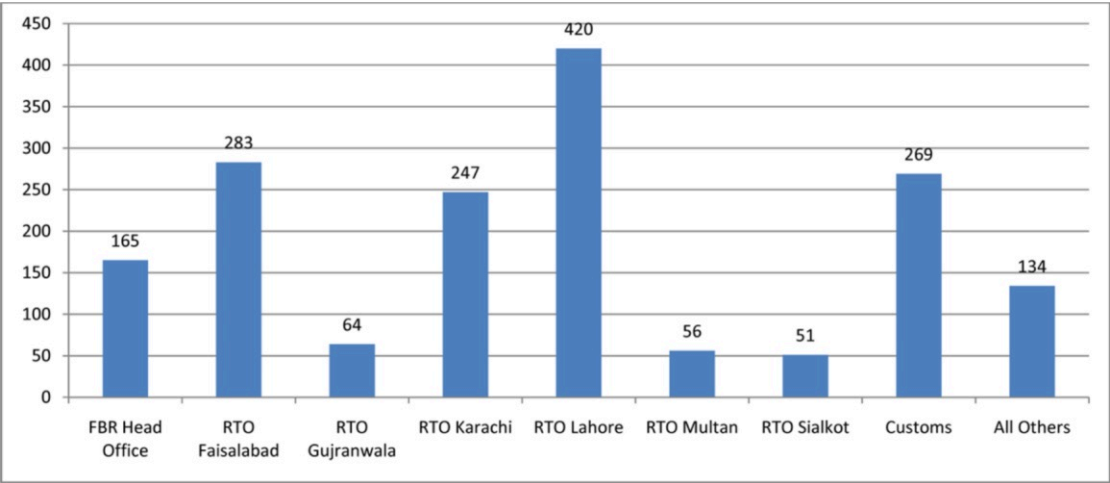
| FTO Offices | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|---------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|
| HQ Islamabad | 18 | 11 | 18 | 11 | 6 | 15 | 7 | 3 | 8 | 8 | 7 | 6 | 118 |
| Karachi | 51 | 42 | 49 | 39 | 73 | 44 | 59 | 25 | 28 | 37 | 31 | 41 | 519 |
| Lahore | 90 | 56 | 70 | 74 | 113 | 65 | 85 | 122 | 85 | 56 | 76 | 84 | 976 |
| Peshawar | 0 | 0 | 14 | 10 | 3 | 5 | 3 | 4 | 2 | 3 | 8 | 4 | 56 |
| Quetta | 1 | 3 | 2 | 2 | 1 | 0 | 0 | 0 | 4 | 0 | 5 | 2 | 20 |
| Total | 160 | 112 | 153 | 136 | 196 | 129 | 154 | 154 | 127 | 104 | 127 | 137 | 1689 |



The offices of the Revenue Division generating most of the complaints are shown in Table-6 and the Graphs below:-

Table-6
Revenue Division's Offices Generating Most Complaints

| Offices | Complaints Received |
|-----------------|---------------------|
| FBR Head Office | 165 |
| RTO Faisalabad | 283 |
| RTO Gujranwala | 64 |
| RTO Karachi | 247 |
| RTO Lahore | 420 |
| RTO Multan | 56 |
| RTO Sialkot | 51 |
| Customs | 269 |
| All Others | 134 |
| Total | 1,689 |





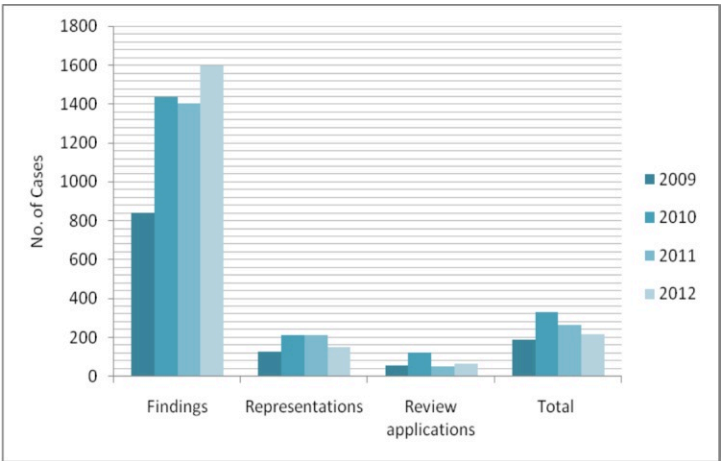
Out of 1597 cases decided during 2012, 219 (13.71%) cases were challenged through representations under Section 32 and review applications under Section 14(8) of the FTO Ordinance, 2000.

iii) Acceptance Ratio of FTO Findings / Recommendations

Out of 1597 cases decided during 2012, 219 (13.71%) cases were challenged through representations under Section 32 and review applications under Section 14(8) of the FTO Ordinance, 2000. The following Table-10 and the Graph below represent the year-wise number of findings / recommendations that were challenged during 2012 applications:-

Table-7

| Year | Findings | Representation | Review applications | Total |
|------|----------|----------------|---------------------|-------|
| 2009 | 842 | 128 | 59 | 187 |
| 2010 | 1437 | 212 | 121 | 333 |
| 2011 | 1402 | 211 | 53 | 264 |
| 2012 | 1597 | 153 | 66 | 219 |





It shows that 1378 decisions or 86.29% out of a total of 1597 decisions were accepted by the FBR and the taxpayers. The acceptance ratio was 81.16% in 2011, 76.82% in 2010 and 77.79% in 2009.

The average time taken for investigation and disposal of complaints decreased to 48 working days in 2012 as against 60 days in 2011, 67 days in 2010 and 117 days in 2009.

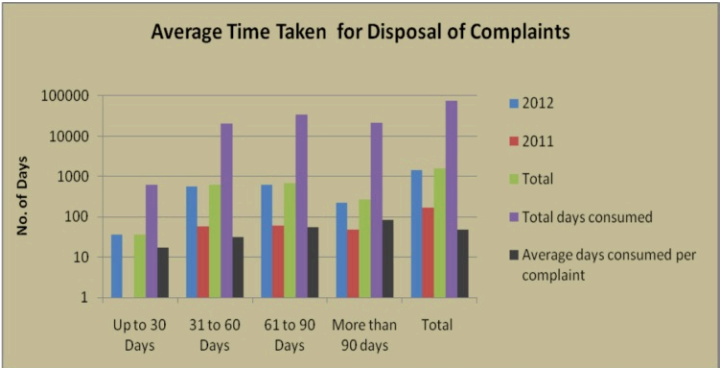
It shows that 1378 decisions or 86.29% out of a total of 1597 decisions were accepted by the FBR and the taxpayers. The acceptance ratio was 81.16% in 2011, 76.82% in 2010 and 77.79% in 2009. It clearly marks substantial improvement in the quality of decision making by the FTO.

iv) Average Time Taken for Disposal of Complaints

Time taken for disposal of a complaint begins from the date of filing it with the FTO Office. It includes the time taken by the FBR for its comments; time taken by the complainant for filing a rejoinder; sharing the rejoinder with the FBR; holding hearing(s); drafting of findings by the Advisors and approval of findings/recommendations by the Hon'ble FTO. The average time taken for investigation and disposal of complaints decreased to 48 working days in 2012 as against 60 days in 2011, 67 days in 2010 and 117 days in 2009. Improvement in average time taken for investigation and disposal of complaints is mainly due to e-enablement and sustained focus of Hon'ble FTO to improve efficiency and speed in complaint handling. Table-8 and the Graph below reflect the position:-

Average Time Taken Per Complaint During 2012

| Year | Up-to 30 Days | 31 to 60 Days | 61 to 90 Days | More than 90 days | Total |
|----------------------------|---------------|---------------|---------------|-------------------|-------|
| 2012 | 37 | 563 | 612 | 218 | 1430 |
| 2011 | 0 | 59 | 61 | 47 | 167 |
| Total | 37 | 622 | 673 | 265 | 1597 |
| Total days | 628 | 20127 | 33550 | 21785 | 76090 |
| Average days per complaint | 17 | 32 | 55 | 82 | 48 |



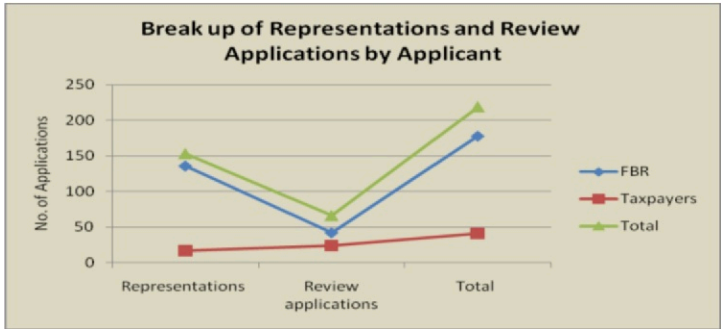
v) Review Applications and Representations

During 2012, out of 1597 complaints decided, 153 decisions were impugned in representations before the President in terms of section 32 of the FTO Ordinance, 2000 and 66 decisions were subjected to review applications before the FTO.

During 2012, out of 1597 complaints decided, 153 decisions were impugned in representations before the President in terms of section 32 of the FTO Ordinance 2000 and 66 decisions were subjected to review applications before the FTO. Table-9 and the Graph below show the number of impugned decisions during 2012:-

Table-9
Representations and Review Applications by Applicant

| Applicants | Representations | Review applications | Total |
|------------|-----------------|---------------------|-------|
| FBR | 136 | 42 | 178 |
| Taxpayers | 17 | 24 | 41 |
| Total | 153 | 66 | 219 |



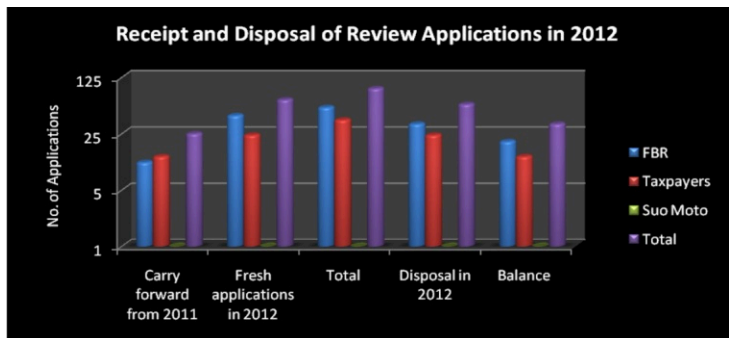
a) Review Applications

Apart from 153 representations made before the President 66 review applications were received under section 14(8) of the FTO Ordinance, 2000. 58 of the review applications were decided during 2012. Table-10 and the Graph below reflect receipt and disposal of review applications:-

Table-10

Receipt and Disposal of Review Applications in 2012

| Applicant | Carry forward from 2011 | Fresh applications in 2012 | Total | Disposal in 2012 | Balance |
|--------------|-------------------------|----------------------------|-----------|------------------|-----------|
| FBR | 11 | 42 | 53 | 33 | 20 |
| Taxpayers | 13 | 24 | 37 | 24 | 13 |
| Suo Moto | 01 | 00 | 01 | 01 | 00 |
| Total | 25 | 66 | 91 | 58 | 33 |



Acceptance/rejection ratio of review applications during 2012 is indicated in Table-11 and the Graph below:-

Table-11

Acceptance/Rejection of Review Applications During 2012

| Decided | Accepted | Rejected | Withdrawn | Closed |
|---------|----------|----------|-----------|--------|
| 58 | 04 | 31 | 14 | 9 |

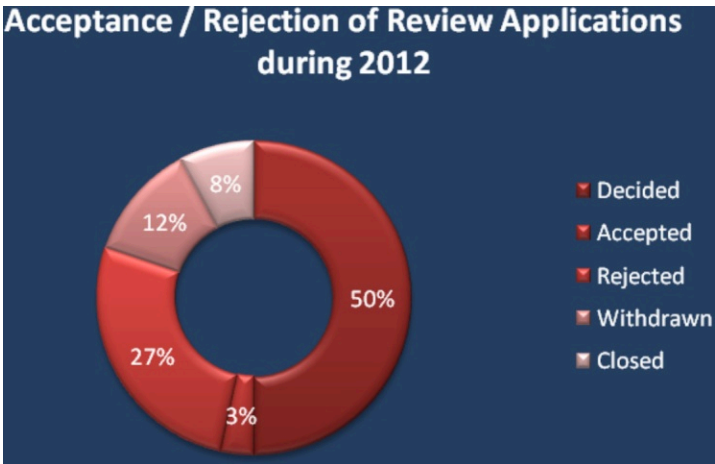
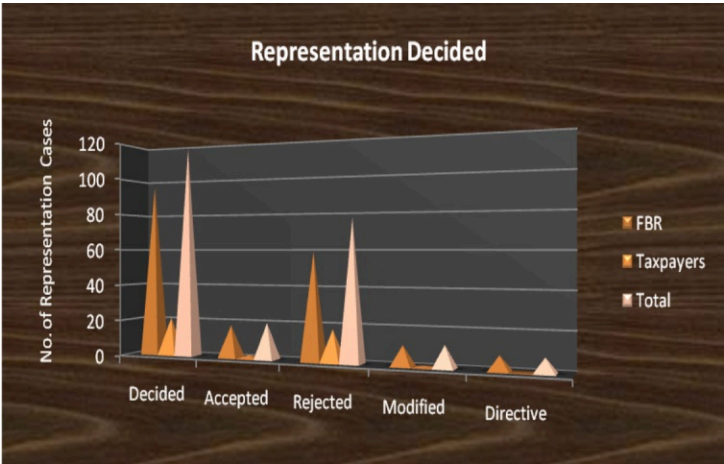


Table-12 and the Graph below indicate the number of representations decided during 2012:-

Table-12
Representation Decided

| Application | Decided | Accepted | Rejected | Modified | Directive |
|-------------|---------|----------|----------|----------|-----------|
| FBR | 96 | 18 | 59 | 11 | 08 |
| Taxpayers | 21 | 02 | 18 | 01 | Nil |
| Total | 117 | 20 | 77 | 12 | 08 |





Most of the representations and review applications (81.27%) are filed by the FBR. As normally over two thirds of these representations and review applications end-up in rejection, it appears that representations and review applications are not carefully filed by the FBR.

It is evident that only 219 (13.71%) out of 1597 decisions made during 2012 were challenged by the FBR and taxpayers. The above-mentioned data shows that most of the representations and review applications (81.27%) are filed by the FBR. As normally over two thirds of these representations and review applications end-up in rejection, it appears that representations and review applications are not carefully filed by the FBR. This constitutes violation of the President's Directive No. 1 of 1990 communicated vide letter No. 178/1/President dated the 20th September, 1990, salients of which are reproduced below:-

- (i) Findings / recommendations of Ombudsman should be implemented within the stipulated time.
- (ii) The tendency of defying or delaying implementation of Ombudsman's recommendations should be avoided.
- (iii) Representations by the federal agencies should only be made if there is a strong case in their favor. These should not be made on frivolous grounds merely to gain time.

vi) Refund and Duty Drawback

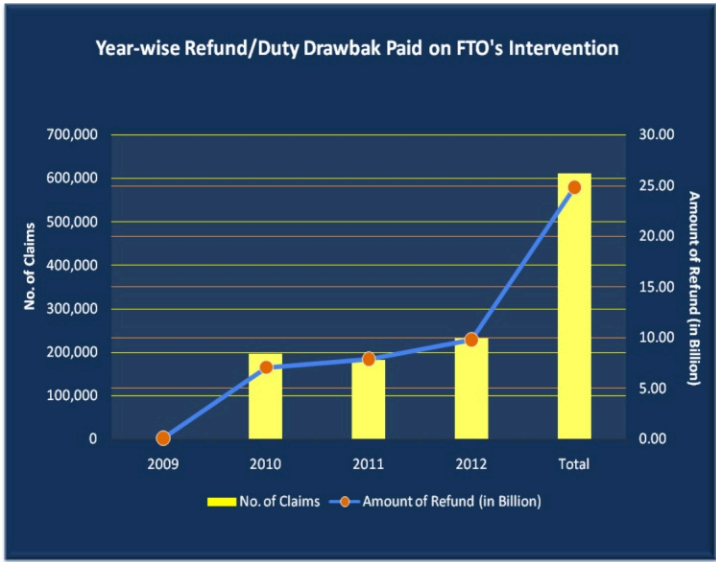
The FTO interventions are extremely helpful in expediting settlement of due refund and duty draw back claims and improving sense of accountability among the tax functionaries. During 2012, an amount of Rs.9.787



billion involved in 231,654 refund and duty drawback claims, was paid on intervention of the FTO. Additionally, an amount of Rs. 1.61 million was paid as compensation to the taxpayers in 30 cases of serious nature. Table-13 and the Graph below indicate the position:-

Table-13
Year-Wise Refund/Duty Draw Back Paid on FTO Intervention

| Year | No. of claims involved | Amount of Refund (in Billion) |
|-------|------------------------|-------------------------------|
| 2009 | 231 | 0.094 |
| 2010 | 196,015 | 7.080 |
| 2011 | 182,457 | 7.889 |
| 2012 | 231,654 | 9.787 |
| Total | 610,357 | 24.85 |



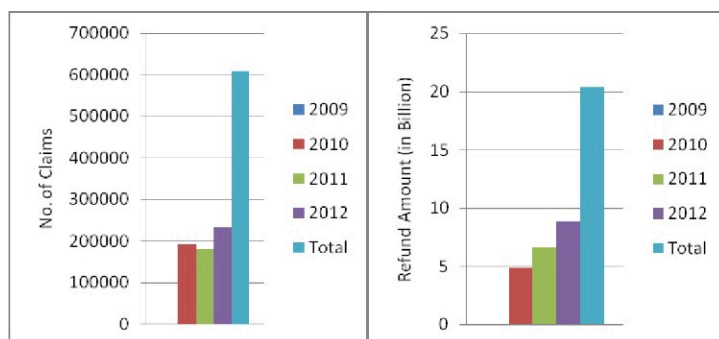
vii) Own Motion Interventions

Most of the refund and duty drawback claims were got settled through own motion interventions by the FTO. Table-14 and the Graphs below comprise the tell-tale:-

Table-14

**Year-Wise Refund/Duty Draw Back Paid On
Suo Moto Intervention**

| Year | No. of claims | Amount of Refund/Duty Drawback |
|--------------|----------------|--------------------------------|
| 2009 | Nil | Nil |
| 2010 | 194,056 | Rs 4.90 Billion |
| 2011 | 181,880 | Rs 6.63 Billion |
| 2012 | 231,250 | Rs 6.83 Billion |
| Total | 607,181 | Rs 20.36 Billion |



Due to increased focus on implementation, recommendations in 1420 cases were implemented in 2012 as compared to 1159 cases recommendations in 2011, recommendations cases 698 in 2010 and 321 cases in 2009.

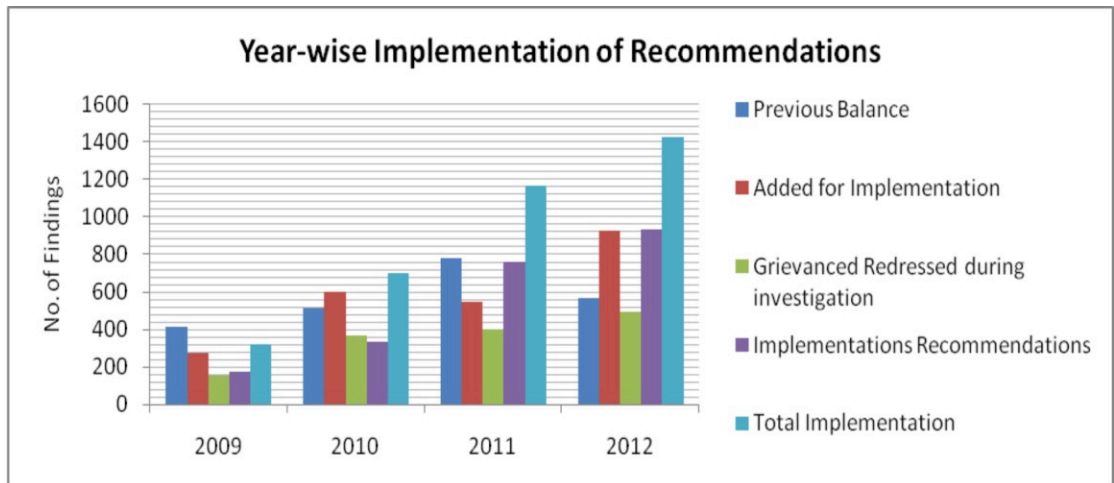
viii) Implementation of Recommendations

Due to increased focus on implementation, recommendations in 1420 cases were implemented in 2012 as compared to 1159 cases recommendations in 2011, recommendations cases 698 in 2010 and 321 cases in 2009. Out of 1420 cases implemented during 2012, 493 grievances of complaints were redressed by FBR during the investigation phase as against 399 grievances redressed during investigation phase in 2011, 367 grievances redressed in 2010 and 151 grievances redressed in 2009. Table-14 and the Graph below reflect year-wise implementation of FTO's findings and redress of grievances in complaints during the investigation phase:-

Table-15

Year-Wise Implementation of Recommendations

| Year | Previous Balance | Added for Implementation | Grievances Redressed during investigation | Recommendations Implemented | Total Cases Implemented |
|------|------------------|--------------------------|---|-----------------------------|-------------------------|
| 2009 | 410 | 272 | 151 | 170 | 321 |
| 2010 | 512 | 597 | 367 | 331 | 698 |
| 2011 | 778 | 546 | 399 | 760 | 1159 |
| 2012 | 564 | 921 | 493 | 927 | 1420 |



It is encouraging to note that FBR has started redressing an increasing number of complaints during investigation by the FTO Office. However, a durable and desirable solution lies in reducing cases of taxpayers grievances by the FBR and its field formations by strengthening their internal grievance redress mechanisms. This can best be done by addressing the systemic issues identified by the FTO and sustainably forestalling the chances of their repetition. It would require a lot of capacity building of the operational and



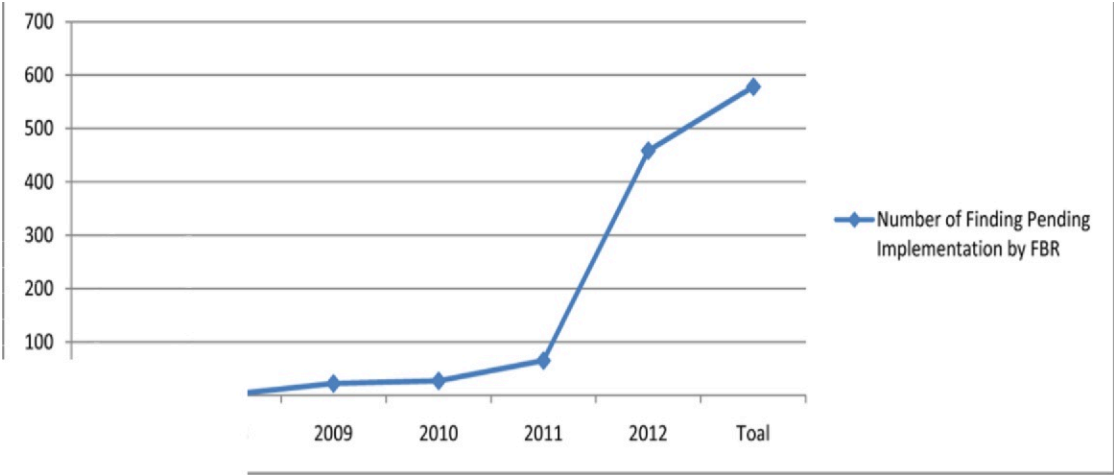
supervisory staff at all levels of federal tax administration and strengthening of FBR's internal mechanisms for efficient complaint management. Table-16 and Graph below show the number of cases pending implementation by the FBR:-

Table-16

**Year-Wise Break up of Pendency
(as of 31st December, 2012)**

| Year | Number of Findings Pending Implementation by FBR |
|-------|--|
| 2007 | 05 |
| 2008 | 01 |
| 2009 | 22 |
| 2010 | 27 |
| 2011 | 65 |
| 2012 | 458 |
| Total | 578 |

**Year-Wise Break up of Findings Pending Implementation
by FBR As of 31st December, 2012**





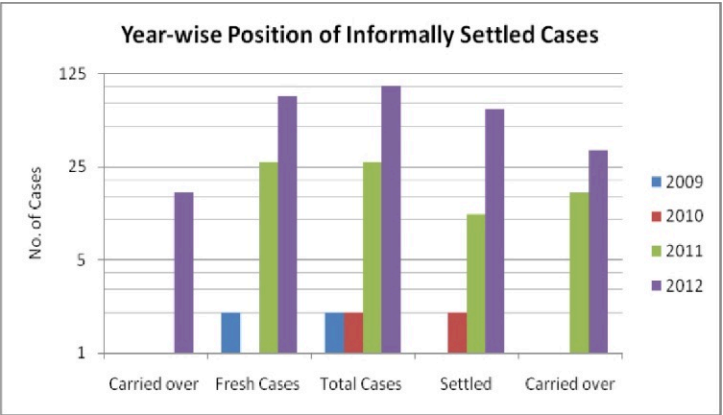
ix) Informal Resolution of Disputes

Section 33 of the FTO Ordinance 2000, empowers the FTO to informally resolve taxpayers grievances against tax maladministration without formally docketing complaints or proceeding with regular investigation and hearing procedure. The FTO has effectively used the provisions of Section 32 to informally resolve minor disputes. The FTO got 67 out of 100 cases informally resolved by the Revenue Division/FBR during 2012. Year-wise position of informally settled cases is as under: -

The FTO got 67 out of 100 cases informally resolved by the Revenue Division/FBR during 2012.

Table-17
Year-wise Number of Cases Settled Through Informal Resolution

| Year | Carried Over | Fresh Cases | Total Cases | Settled | Carried Over |
|------|--------------|-------------|-------------|---------|--------------|
| 2009 | Nil | 02 | 02 | 01 | 01 |
| 2010 | 01 | 01 | 02 | 02 | Nil |
| 2011 | Nil | 27 | 27 | 11 | 16 |
| 2012 | 16 | 84 | 100 | 67 | 33 |





The upshot is that the FTO Office is doing whatever it takes to fulfill its mandate to redress taxpayers' grievances of maladministration committed by the tax functionaries. It has made a difference in the lives of thousands of aggrieved taxpayers. The focus now is on the recurrent issues frequently facing taxpayers.

The upshot is that the FTO Office is doing whatever it takes to fulfill its mandate to redress taxpayers' grievances of maladministration committed by the tax functionaries. It has made a difference in the lives of thousands of aggrieved taxpayers. The focus now is on the recurrent issues frequently facing taxpayers. Exceptional efforts are being made to find sustainable solutions to forestall chances of resurgence of settled issues. It is now up to the Revenue Division / FBR to strengthen its complementarities with the Office of FTO to make the tax administration more efficient, accountable, transparent and taxpayer friendly by eliminatory systemic issues.

x) Disciplinary Action

In serious cases of maladministration, the FTO recommends disciplinary action by the Revenue Division/FBR against the errant tax functionaries. Year-wise details of tax functionaries proceeded against by the FBR on FTO recommendations are represented in Table-18:

Table-18

Year-wise Disciplinary Action Taken by the FBR on Recommendations by the FTO

| Disciplinary Proceedings | 2012 | 2011 | 2010 | 2009 |
|--------------------------|------|------|------|------|
| Dismissed | Nil | Nil | 01 | Nil |
| Reduced in Time Scale | 01 | Nil | Nil | Nil |
| Censured | Nil | Nil | Nil | 02 |
| Warned | 02 | 02 | 07 | 05 |
| Transferred | Nil | Nil | Nil | 01 |
| Suspended | Nil | 07 | Nil | Nil |
| Under Process | 05 | 02 | 10 | 05 |
| Under Representation | Nil | Nil | 22 | 18 |
| Total | 08 | 11 | 40 | 31 |



***Hon'ble FTO Dr. Muhammad Shoaib Suddle visited
Lahore Tax Bar Association on 14-06-2012***



Projects

E-enablement was the most critical initiatives aimed at transforming the operating environment of the FTO's Office from an outdated manual system to a modern and fully automated paperless environment.

(i) E-enablement

After assuming the charge of FTO Office in June, 2009, Hon'ble Mr. Muhammad Shoaib Suddle, Federal Tax Ombudsman undertook a quick SWOT analysis and conceptualized reform of some critical areas of the Organization. A number of measures were packaged to upgrade efficiency, improve transparency and strengthen outreach of the FTO Office for better service delivery to the aggrieved taxpayers. E-enablement was the most critical initiatives aimed at transforming the operating environment of the FTO Office from an outdated and manual system to a modern and fully automated operating environment. For this purpose, an exercise was undertaken to ascertain the absorptive capacity of the available human resource. After completing the preparatory work, the Project: "Enhancing Countrywide Outreach, Upgradation and Computerization of the FTO Office" was prepared with following core objectives:

- (a) Extending outreach of FTO from five regional locations to another 8 regional locations at Abbotabad, Faisalabad, Gujranwala, Sialkot, Multan, Sukkur and Hyderabad for taxpayer-friendly and maladministration-free tax collection



system, with the provision of IT infrastructure;

- (b) Computerizing the entire taxpayer complaint database in all respects, and ensuring online availability of record since establishment of the FTO Office in 2000;
- (c) Facilitating the target population for easy and speedy lodging of complaints of tax maladministration and their efficient follow-up; and
- (d) Organizing seminars/conferences/workshops to enhance advocacy of the FTO Office for expanding public awareness.

The e-enablement project was aimed at improving citizens access to administrative justice and to increase FTO's ability to respond in a timely manner, to redress grievances.

The e-enablement project was aimed at improving citizens access to administrative justice. It increased FTO's ability to respond in a timely manner, to redress grievances and reduced cost of filing complaints by the general public. It was also aimed at ultimately creating a paperless environment. It improved coordination between the FTO Office and Federal Board of Revenue and introduced uniformity in decisions due to easy access to computerized record of complaints. As the objectives and the scope of the project was in line with the public sector policies and strategies under the Mid-Term Development Framework (MTDF) and introduction of e-government, the project was approved by the CDWP of the Planning Commission on 18.03.2010.



The FTO Secretariat has managed to make significant progress against the deliverables.

Though the project was approved on 18-03-2010, its first release of Rs 5.0 million was given to FTO in December 2010. Against a total cash demand of Rs 133.189 million during the three year period of 2010, 2011 and 2012, an amount of only Rs 43 million has been released on the basis of Rs 5 million for each quarter. Despite meager releases, the FTO Secretariat has managed to make significant progress against the deliverables as mentioned below.

| Deliverable | Progress |
|-----------------------------|---|
| IT Enablement | Completed: IT infrastructure including server sites, renovation, arrangements of (LAN / WAN) networking primary and secondary power setup has been done at FTO offices at Islamabad, Lahore, Karachi, Quetta and Peshawar. A data center has been established at Islamabad to save, protect and retrieve data through standard backups and Disaster Recovery (DR) site in case of any unforeseen calamity. |
| Connectivity of FTO Offices | Completed: All the four Regional Offices have been connected with Head Office through Virtual Private Networking (VPN). The arrangement is flexible and capable of connecting 08 new Regional Offices to be established in future. |



| | |
|---|--|
| E-Connectivity with FBR | <p>Completed: Email link has been established with FBR HQs and its field offices. Complaint related documents and notices are being sent through automatic email system to FBR HQs and relevant field offices. The e-link with FBR will be up-graded for achieving a dedicated system-to-system interfacing.</p> |
| Web portal | <p>Completed: A dynamic web portal has been developed and hosted. It is being updated on regular basis using its built in feature of Content Management System (CMS).</p> |
| FTO's Computerized Complaint Management System | <p>Completed: A web-based FTO's Computerized Complaint Management System (FCCMS) has been developed and operationalised at Islamabad and Regional Offices. The system is user friendly, role based and provides centralized/ paperless handling of complaints. It helps fast retrieval of information and provides virtual file along-with all documents in scanned form, in case physical file is lost.</p> |
| Online Complaint filing and tracking | <p>Completed: Online Complaint filing and tracking system was launched on 15-11-2012. The system provides taxpayers an alternate medium to file their grievances through internet. Core features of the system are as;</p> <ul style="list-style-type: none"> i. Online filing of complaints. ii. In order to ensure transparency, the taxpayers have been given facility track progress on their complaint online. iii. SMS alerts are automatically generated to the |

| | |
|---|--|
| | <p>complainant and the representative as and when any action is taken on their complaint at FTO.</p> <p>iv. E-Notices e.g. parawise comments, hearing notices, decision etc are sent to the complainant, representative, and the concerned FBR office.</p> |
| IT Capacity Building | Completed: Training Needs Assessment (TNA) was carried out, and accordingly trainings were planned and implemented in which seniors as well as junior officials of FTO Secretariat were imparted IT enablement trainings at HQs and Regional Offices. |
| Digitalization of old record | In Progress: About 16,000 already decided complaints and about 1100 Review Applications pertaining to period 2000-2010 are being scanned, digitized and stored in central database of the FTO Secretariat. |
| E-hearing through Video Conferencing | In Progress: In order to introduce e-hearing of complaints, a video conferencing solution is being put in place. This would facilitate the FTO management to conduct a hearing without requiring physical presence of the parties i.e. the aggrieved taxpayers and the FBR. |
| Creation of new Regional Offices | On-going: 08 new Regional Offices at Abbotabad, Faisalabad, Gujranwala, Sialkot, Multan, Sukkur and Hyderabad will be established and IT infrastructure will be installed at these locations. These will be made part of the central network of the FTO Secretariat. |



(ii) Capacity Building Project

The FTO's Secretariat and World Bank started negotiations for building the capacity of the ombudsman offices in 2011. The negotiations matured in 2012 when a project 'Institutional Capacity Building' was inked. Under this project an IDF grant was offered by the World Bank to strengthen all Ombudsman institutions in Pakistan for better service delivery by enhancing capacity, accountability and responsiveness. Improving economic governance including tax administration is a critical component of the World Bank's Country Partnership Strategy (CPS) for Pakistan. General improvement of accountability regime and good governance through capacity building of Ombudsman offices in Pakistan is consistent with the component of economic governance and institutional strengthening of the CPS. Collective capacity building of Federal and Provincial Ombudsmen who are all members of the Forum of Pakistan Ombudsman (FPO) was envisaged to go a long way in strengthening Ombudsmanship in Pakistan.

The World Bank grant amounting to US \$ 450,000 would be available for a period of two years. The implementation of the project started in April, 2012 with completion date is April, 2014. Main activities and outputs of the project are as under:

Activity # 1

Initiate programs for capacity building that will



Improvement of accountability regime and good governance through capacity building of Ombudsman offices in Pakistan is consistent with the component of economic governance and institutional strengthening.

include conferences, training workshops, and overseas study visits for professional development of Ombudsmen and their senior staff: Prepare and initiate a capacity building plan for training by local and international specialists, arrange local and international conferences and seminars, and overseas study visits.

Outputs:

- a) Prepare an inception report and assess training needs of the senior staff of every Ombudsman institution;
- b) Prepare and finalize a three year capacity building plan;
- c) Prepare training modules and material and organize/arrange training workshops/conferences, impart essential management skills and service delivery skills; develop post training evaluation format;
- d) Organize/arrange overseas study visits, progress report of activities and end of the project report;
- e) Arrange local/international conferences and prepare conference reports based upon the proceedings / views and recommendations of the specialists.

Activity # 2

Only such overseas conferences and meetings will be selected, whose themes are directly relevant to the working of Ombudsman Offices.

Implement performance improvement interventions in all Ombudsman offices: Conduct a general review of all offices to assess the potential for performance improvement through improvement in procedures, business processes, and building capacity. Take stock of successful interventions implemented by various Ombudsman offices to enhance capacity, accountability, and responsiveness and assess which of these can be selected for replication across Ombudsman offices based on demand and felt needs. All offices may be provided support for performance improvement to increase the number of citizens benefiting from the Ombudsman services and a decrease in number of days taken for processing complaints. Legal framework of various Ombudsman offices will also be reviewed and recommendations for improvement framed including enforcement mechanism of Ombudsman decisions.

Outputs:

- a) Prepare an assessment report highlighting the weak areas, including legal framework needing attention for performance improvement through improved procedures, re-engineered business processes, and building staff capacity.



- b) Prepare another report indicating successful interventions implemented by various Ombudsman offices with cost estimates for replication in other Ombudsman offices for improvement in implementation of Ombudsman recommendations and decrease in the number of days for processing complaints.

Activity # 3

Establish independent service monitoring: building on the Citizens' Report Card assessment conducted on performance effectiveness of the FTO, prepare recommendations and implement an independent service delivery monitoring mechanism through interactive websites and feedback received from the public, in the form of letters, report of the Advisory Committees and press reports etc.

Outputs:

- a) Prepare a report recommending independent service delivery monitoring mechanisms for each office; and
- b) Implement an independent monitoring mechanism in two offices as an example for others to follow.



Activity # 4

Launch a quarterly professional magazine / newsletter 'Pakistan Ombudsman' as part of an outreach and communication strategy and hold regular briefings for the media persons.

Outputs:

- a) Prepare and implement a communication and outreach strategy; and
- b) Launch quarterly 'Pakistan Ombudsman' magazine / newsletter which could become self supporting in twelve months.
- c) Brief the media persons about the performance of the Ombudsman offices.

(iii) Project Preparation Facility (PPF) for Revenue Mobilization Project (RMP)

The Project Preparation Facility (PPF) is a Revenue Mobilization Project (RMP) including a component for capacity building of the FTO Office.

The Project Preparation Facility (PPF) is a Revenue Mobilization Project (RMP) for the Federal Board of Revenue which includes a component for the capacity building of the FTO Office. It envisages provision of funds by the World Bank amounting to US \$3 million. The PPF is aimed at enabling the Government of Pakistan to prepare a Revenue Mobilization Project (RMP). The main objective of the RMP is to consolidate the tax administration reforms initiated under Tax Administration Reform Project



(TARP). The FBR is the main beneficiary of PPF loan and the CDWP approved the FBR project proposal on June 18, 2012. The FTO related component is for utilization of a small amount of US \$ 0.271 million only. The main components of the PPF are:

- i) Improve tax policy formulation and revenue forecasting;
- ii) Consolidating FBR's tax administration reforms by strengthening functions supporting result-oriented management;
- iii) Enhancing accountability and transparency of tax administration including strengthening of the Office of the Federal Tax Ombudsman; and
- iv) Strengthening automation for a modern and performance based administration.

Enhancing accountability and transparency of tax administration including strengthening of the Office of the Federal Tax Ombudsman.

The project identifies the FTO Secretariat as one of the counterpart agencies which, being an FBR oversight Organization, can significantly help strengthen reform of tax administration for better revenue mobilization. The PPF is a short duration project only for one year. The following activities, outputs and outcome are envisaged by the Project to make the FTO Office a centre of excellence:

| INPUT | OUTPUT | OUTCOME | | TARGET IMPACT |
|--|---|---|--|---|
| | | Base line indicator | Targets after completion of project | |
| Training workshops | Capacity building of the senior management and staff | Low capacity resulting in delay in disposal of complaints | Disposal time Taxpayers complaints reduced | Prompt and fast redress of taxpayers complaints |
| Expert advice by Advisor | Provide technical guidance and direction in key areas for improvement | No input previously received from experts for improving the working of FTO Office | Improvement made on the basis of recommendations proposed by Advisor | FTO Office becomes the Center of Excellence for other Ombudsman Offices |
| Study Tours | Studying best practices for replication in FTO Office | Lack of awareness about the best practices in Tax Ombudsman Offices | Best practice replicated in the FTO Office | Efficiency of the FTO Office improves |
| Developing Synergy between FTO & FBR Practices | Recommendation of the Expert after carrying out an in depth analysis | Lack of knowledge between FTO and FBR in major practices | Improved understanding between FTO and FBR | Improved understanding would help in improving the working relationship |

PPF will be used to train the management of FTO Office to upgrade their skill sets for improved complaint handling.

PPF will be used to train middle and senior management of FTO Office to upgrade their skill for improved complaint handling. Study tours of two overseas best practice Ombudsman Offices are also planned. A study will be conducted on exploring and strengthening synergies between the FTO and the FBR practices for effectively addressing tax maladministration and implementation of FTO's recommendations.

(iv) Legal Reforms Initiative

The Federal Tax Ombudsman conceptualised establishment of a common platform for all federal and provincial Ombudsmen primarily for collective capacity building for effective enforcement of accountability of public functionaries under the Ombudsman oversight.



Capacity building through e-enablement, upgradation of staff skills required for competent, fair and objective investigation and legal and procedural reforms were unanimously considered as immediate priorities.

For this purpose, the Forum of Pakistan Ombudsman (FPO) was established on April 15, 2011. All Ombudsmen carried out a quick capacity mapping of their respective offices. Capacity building through e-enablement, upgradation of staff skills required for competent, fair and objective investigation and legal and procedural reforms were unanimously considered as immediate priorities. Whereas computer hardware and software were provided to the deficient offices with the financial support of UNDP, two training workshops on the 'Art of Fairness' were arranged for collective capacity building in 2012 at Islamabad and Karachi. CIDA provided financial and technical support required for these workshops. A Canadian Ombudsman and his lead trainer delivered the workshops. Similar training workshops for collective capacity building will continue to be held in the coming years as training is a continuous process.





Hon'ble FTO Dr. Muhammad Shoaib Suddle and Hon'ble Mr. Kevin Fenwick, Ombudsman Sasketchvin, Canada Calling on Acting President, Syed Nayyer Hussain Bukhari, at Parliament House Islamabad on 27 March, 2012



Need for Addressing Systemic Issues

The systemic problems frequently facing the taxpayers on account of maladministration of tax functionaries constitute a serious problem the FTO Office is trying to grapple with.

The systemic problems frequently facing the taxpayers on account of maladministration of tax functionaries constitute a most serious problem the FTO Office is trying to grapple with. Despite exceptional efforts and increased focus, the problem is persisting unabated with seriously adverse implications for the taxpayers. Root causes of the unabating phenomenon of frequently repeated acts of maladministration appear to be:

- (i) Lack of appetite for reform in the field formations of the FBR;
- (ii) Reprisal-triggered tolerance of taxpayers for tax maladministration;
- (iii) Lack of deterrent accountability of errant tax officials;
- (iv) Weak internal accountability mechanisms in the FBR;
- (v) Disregard for external accountability mechanisms.

A most disturbing aspect of systemic issues is that these keep on repeating even within the same



An abiding sense of impunity engendered by lack of deterrent accountability for wrong doing has been promoting inefficiency, willfulness and corruption in the field offices of the FBR.

Collectorates / Commissionerates despite having been once settled at an appropriate level. An abiding sense of impunity engendered by lack of deterrent accountability for wrong doing has been promoting inefficiency, willfulness and corruption in the field offices of the FBR. Consequently, the operational managements of the field offices of tax administration is operating at will. The supervisory management lacks the will and the capacity required for effective supervision. The policy management at the FBR level too, has failed to insulate itself from undesirable interventions by the influentials. Thus, all three levels of tax administration have been degenerating under the dead weight of self-seeking influentials within tax administration and without. As a result, all pervasive inefficiency and corruption tampered by willfulness now characterizes the tax administration. Professionalism has given way to opportunism and initiative and drive for doing good have frittered away. Frequent repetition of even the settled issues time and again signifies deterioration and degeneration plaguing the tax administration.

The organizational experience of the FTO Office shows that the oft repeated systemic issues that the Revenue Division and the FBR have failed to eradicate are:

- (i) Non-responding to taxpayers correspondence;
- (ii) Delay in dispute settlement;
- (iii) Withholding of tax refunds/drawbacks to

artificially jack up revenue performance;

- (iv) Inefficient handling of assessments;
- (v) Non observance of prescribed time limits;
- (vi) Discriminatory treatment of taxpayers.
- (vii) Weak monitoring of pending cases;
- (viii) Unwarranted objections on the FTO's jurisdiction;
- (ix) Unnecessary filing of representations;
- (x) Deferment of implementation of FTO recommendations;
- (xi) Defective seizure reports;
- (xii) Weak handling of serious cases of tax fraud.

The Citizen Report Card Study published by Transparency International-Pakistan in May, 2011 on the initiative of Hon'ble FTO rated delay as the most widespread tax maladministration as indicated in the Table below:

| Maladministration | Percentage (%) |
|--------------------------------|----------------|
| Delay | 56.7 |
| Inefficiency | 24.3 |
| Arbitrariness | 8.9 |
| Harassment for corrupt motives | 6.9 |
| Other | 14.2 |



The Revenue Division/FBR has been regularly and repeatedly advised through recommendations in individual complaints as well as through Hon'ble FTO's meetings with the FBR and its field officers to eradicate systemic issues. The matter was discussed by the FTO Advisors with Member Legal of the FBR in December, 2009. Following this meeting, the FBR issued detailed instructions as under:

- (i) Letter of Legal Wing dated the 23rd December, 2009 in respect of FTO matters;
- (ii) D.O. letter No.1(1) Chief (Legal) 2010 dated the 19th May, 2010, directing activation of 'Grievance Redress Cells; and
- (iii) Standing Order No.6(23)Coord/2011 dated 03th March 2011 regarding 'Standardized Acknowledgement' of citizens correspondence.

The matter of systemic issues was discussed in detail during the FTO Advisory Committee meeting on 20th July, 2011 while Dr. Hafeez Shaikh, Minister for Finance and the senior management of the FBR was also present. Subsequently also, the problem of systemic issues was discussed in a coordination meeting of the FTO and the FBR held on 06-08-2012 with Dr. Amna Saeed Khalifa, Director General, FBR's for Strategic Planning and Reform and Member Legal with other senior officers of the FBR being in attendance. During the meeting, a number of steps were agreed to be taken by the FBR to



forestall chances of recurrence of settled issues. In pursuance of the agreed steps, the FBR issued the following instructions for observance by its field officers:

- i) Instructions Regarding Filing of Representations under Section 32 of the FTO Ordinance, 2000 vide C. No.1(1) SS (L)/2010 dated the 7th September, 2011.
- ii) Instructions Regarding Submission of Parawise Comments in complaints filed before Hon'ble FTO vide C.No.1(2) S (L)/2011-142810-R dated the 6th October, 2011.
- iii) Repetition of mistakes on the issues decided by Hon'ble FTO and accepted by the Department vide C. No.1(2) S (Legal) / 2011-8815-R dated the 17th January, 2012.

The system of Sales Tax refund was also considerably improved to cut out inordinate delays. All these measures have made some impact especially in handling sales tax refunds, implementation of the FTO's recommendations and redressal of taxpayers grievances during investigation of complaints by the FTO Office. However, significant change is still a far cry. The FTO's Regional Offices were asked to discreetly monitor impact of the FBR instructions. They have reported 'slight improvement'. Some of their observations are reproduced in the following paragraphs.

(i) Repetition of mistakes on the issues decided by Hon'ble FTO and accepted by the Department

FBR instructions to field formations communicated through letter No.1(2)S(Legal)/ 2011-88/5-R dated 17.01.2012 to adhere to Hon'ble FTO's guidelines in decided cases are not being followed in routine on issues such as:

- (i) Delay in issuance of refunds, duty drawback and compensation;
- (ii) Monitoring of pendency;
- (iii) Inefficient handling of assessment cases;
- (iv) Discriminating treatment of taxpayers; and
- (v) Non observance of statutory time limits

Delay in refund disposal and compensation payment is endemic and corruption is the No.1 issue facing taxpayers.

Resultantly, there is no significant change for the better in the Department's performance in these areas and complaints continue to be lodged in this regard before Hon'ble FTO. Issuance of timely refund and compensation payment is especially problematic. Delay in refund disposal and compensation payment is endemic and corruption is the No.1 issue facing taxpayers. Officers do not take up processing of refund claims cited in Tax Returns immediately after the deemed assessment is finalized under Section 120(1) of the Ordinance thereby violating case law that they are bound to follow [(2010ptd(Trib)519]. Even when processing is taken up in time the refund claims are rarely, if ever, scrutinized properly and pertinent



queries are not made through formal notice issued to the claimant. Finally, order under Section 170(4) of the Ordinance determining the amount of refund due is not passed within the mandatory timeframe of 60 days. The resultant delay entails compulsory compensation payment under Section 171 of the Income Tax Ordinance reckoned from the date of deemed assessment but the assessing officers calculate compensation from the date that the refund application is filed.

In most cases compensation payment is arbitrarily refused for the full period prescribed under the law on lame excuses.

In most cases compensation payment is arbitrarily refused for the full period prescribed under the law on lame excuses. An important reason why field officers are loathe to pay compensation after they have paid refund is that payment of compensation reflects adversely on their performance as payment of compensation is an acknowledgement of delay in issuance of refunds. That is why assessing officers either force taxpayers to forego compensation payment or else say that no compensation is due or sanction very little compensation against that is actually due. So far, the Department has not taken cognizance of the lapses by field officers in these areas and no deterrent punishment has been awarded. As a result, the officers continue to behave at will as they have always done and taxpayers continue to suffer invariably.

(ii) Instructions regarding submission of parawise comments against complaints filed before the FTO and presentation of Department's viewpoint

Parawise comments are not filed in time and are usually sketchy to the point that they are of every little

There is no value addition whatsoever and more importantly misleading or inaccurate statements made at the first stage are not deleted/corrected subsequently.

assistance. The initial response to the complaint is made by the assessing officer and his reply goes up the hierarchy to the FBR. At each stage the initial reply is, in almost all cases, forwarded to the next level with no independent comment. The final reply received by the Advisor dealing with the case is an exact copy of what the assessing officer wrote at the first stage when he filed the initial reply. There is no value addition whatsoever and more importantly misleading or inaccurate statements made at the first stage are not corrected subsequently.

The Departmental Representative deputed to argue the case and project the departments' view point before the Advisor during hearing is not selected with care and tends to see his assignment in a negative light and hardly ever makes an effort to prepare himself properly. However, there has been a recent change in the policy with regard to appointment of DR's. Instead of one DR representing a RTO, there is now a Zone-wise assignment of DRs. This is a significant improvement over the earlier policy. Nevertheless, impact of this change has yet to take effect and become visible.

(iii) Instructions regarding filing of representations under Section 32 of the FTO Ordinance, 2000.

As in the case of replies filed on complaints, the representations, too, are prepared by relatively junior officers and are not properly vetted. However, intervention by senior officers is not entirely absent and in a few cases at least it is evident that an effort has been made to project



There is still a lot of room for considerable improvement in filing of representations in strong cases only.

the departments' viewpoint much more seriously than in the case of comments made on complaints. There is still a lot of room for considerable improvement in filing of representations in strong cases only.

A negative aspect in the representations made by the Department before the President is that in many cases the presentations are actually made to defer and delay implementation of the FTO recommendations. The Department is well aware that at the end of the day they will lose their case before the President. However they draw negative satisfaction from the fact that implementation of the FTO recommendations is stopped till such time that the representation is disposed of.

(iv) Standard acknowledgment in response to private sector individuals/firms' communications.

From the complaints received it appears that there has been no significant improvement in this regard. The FBR instructions in the Standing Order dated 03.03.2011 are not being followed invariably. The main reason of weak compliance of FBR instructions by the field staff is absence of a monitoring mechanism in the FBR for ensuring compliance. Neither is there any arrangement for ongoing sensitization of the field staff on the implications of FBR's instructions.

(v) Way Forward

It would be desirable if two Chiefs (one each for IR and the Customs) are dedicated to receive

decisions, judgments, recommendations of external oversight mechanisms and to immediately take all necessary measures including written instructions presentation and advocacy for awareness follow-up and periodical inspections to building capacity of field staff to accept change and implement unchallenged decisions and judgments of external fora immediately and in right earnest. It is only through a focused, dedicated and exceptional effort that the absorptive capacity and appetite for reform of tax functionaries can be enhanced.



Hon'ble Ombudsmen who attended the Fair Practices Workshop held at Islamabad on 26-27 March 2012 with Resource Person Hon'ble Mr. Kevin Fenwick, Ombudsman Sasketchvin, Canada



Outreach Initiatives for Enhancing Public Awareness

The Hon'ble FTO is using all advocacy tools in order to enhance public awareness about the FTO mechanism for expeditious and inexpensive redress of citizens grievance of tax maladministration.

While citizens are aware of the public interest cases being taken up by the judiciary and the media, the awareness of Ombudsman Office is limited. The Hon'ble FTO is using all advocacy tools in order to enhance public awareness about the FTO mechanism for expeditious and inexpensive redress of citizens grievances of tax maladministration. Under outreach initiative, the Hon'ble FTO packaged a number of measures as listed below:

- (i) Hosting of Website
- (ii) Bulk SMS/E-mail
- (iii) Annual Report
- (iv) Press Conferences and Television Interviews
- (v) Publication of FTO Findings in Law Journals
- (vi) Establishment of Advisory Committee
- (vii) Establishment of FPO
- (viii) OIC Networking
- (ix) Stakeholder Interaction
- (x) News Letter



(i) Interactive Website

In order to keep the taxpayers informed of the activities of the FTO Office, a website was hosted in August, 2009. In November, 2012, the FTO's Computerized Complaint Management System (FCCMS) was launched, based on a dynamic and interactive web-portal. Now, the taxpayers can file complaints online and track their progress through FCCMS. The system is capable of automatically triggering e-mail alerts for taxpayers attention.

(ii) Bulk SMS

Proactively, the FTO Office launched a new initiative in 2012 to send bulk SMS to taxpayers informing them of the services being rendered by the FTO Office and how best they can avail these services in case they face any injustice through maladministration of tax functionaries. During 2012, bulk message were sent through cell phone and e-mail to 157,000 taxpayers. The scope of this service will expand exponentially in the days to come.

During 2012, bulk message were sent through cell phone and e-mail to 157,000 taxpayers.

(iii) Annual Report

The FTO Office is required by law to submit an annual report to the President. The annual report covers the performance and achievements of the FTO Office during the year under report. The report is placed on the website for information of general public.



Hon'ble FTO personally briefs the electronic and print media on performance. During the year too, press conferences are held and press releases are published through the print media.

(iv) Press Conferences

After completion of each calendar year, a vastly attended press conference is held in the FTO HQs. Hon'ble FTO personally briefs the electronic and print media on performance effectiveness and the achievements of the FTO Office. He also receives input from the media on their perception about FTO service delivery. Suggestions for improvement are welcomed and encouraged. Thus a two way traffic of information is effectively established for guidance in the future. During the year too, press conferences are held and press releases are published through the print media. Occasionally invitation for television interviews are accepted for the benefit of tax payers to keep the well informed of important matters being handled by the FTO Office.

(v) Publication of Landmark Decisions

Landmark decisions of the Hon'ble FTO are regularly published in the law journals and also placed on the website for the benefit of taxpayers and tax professionals. It enhances transparency of the FTO Office and thus serves a very useful purpose.

(vi) FTO's Advisory Committee

The FTO's Advisory Committee comprising eminent tax professionals, journalists, and retired officers well known for their expertise in tax matters serves as the eyes and ears of the FTO. It serves as the FTO's direct



contact with the civil society. The four sub-committees of the Advisory Committee are presently engaged in firming up their research on important aspects of FTO Office for deliberation and adoption. The recommendations of the Advisory Committee will be referred to the Revenue Division/FBR for implementation for the benefit of both the taxpayers and the tax collectors. The various topics being considered by the sub-committee are as follows:

| | |
|--------------------|--|
| Sub-Committee No.1 | Diagnosing the systemic issues of tax maladministration and suggesting sustainable remedies |
| Sub-Committee No.2 | Expanding FTO's outreach for public awareness and suggesting ways and means for their improvement/sustainability |
| Sub-Committee No.3 | Proposals for widening the tax base in the context of a fair, just and transparent tax system |
| Sub-Committee No.4 | Preparing a code of conduct / rules of procedure, and also Taxpayers Bill of Rights |

The FPO is a platform established with consensus by all the twelve federal and provincial Ombudsmen for collective capacity building and enhancing public awareness.

(vii) Forum of Pakistan Ombudsman

The FPO is a platform established with consensus by all the twelve federal and provincial Ombudsmen for collective capacity building and enhancing public awareness about the usefulness of Ombudsman mechanism. Strategizing for expanding Ombudsman's outreach to the citizens is one of the topmost priorities of the Forum of Pakistan Ombudsman (FPO). All Ombudsmen have their own



public awareness programs through which the citizens are being regularly encouraged to use the Ombudsman mechanism for redress of their grievances. The FPO members have unanimously decided to bring out a quarterly magazine "Pakistan Ombudsman" for enhancing public awareness about the usefulness of Ombudsmanship for the citizens.

(viii) Networking of Ombudsman of Islamic Countries

Hon'ble FTO, being the founder President of the FPO, has moved a proposal for establishing similar Forum of Ombudsman of Islamic Countries under the OIC umbrella. It is aimed at strengthening the Ombudsman mechanism as a service tool for promoting good governance in the Islamic Countries for the benefit of common citizens. The proposal has been widely appreciated by the OIC Member States. They have adopted an OIC resolution for establishing the Forum of Ombudsman of OIC Member States. Hon'ble FTO's proposal to host the first ever conference of the OIC Ombudsmen in Pakistan has also been accepted by the General Secretariat of OIC at Jeddah with the approval of the Member Countries. The conference will take place in Islamabad in near future. It will serve as a big push in public awareness about the Ombudsman mechanism for prompt redressal of citizens' grievances against maladministration of public functionaries.

Hon'ble FTO's proposal to host the first ever conference of the OIC Ombudsmen in Pakistan has also been accepted by the General Secretariat of OIC at Jeddah with the approval of the Member Countries.



(ix) Interaction with Stakeholders

The Hon'ble FTO has been regularly using the platform of Chambers of Commerce and Industry, Business Associations, Trade Bodies, Tax Bars, Collectors/Commissioners Conferences to explain the usefulness of the Ombudsman mechanism for prompt redress of maladministration.

The most effective and readily available advocacy and public awareness tool is direct personal contact of an Ombudsman with the stakeholders. The Hon'ble FTO has been regularly using the platform of Chambers of Commerce and Industry, Business Associations, Trade Bodies, Tax Bars, and Collectors/Commissioners Conferences to explain the usefulness of the Ombudsman mechanism for prompt redress of tax maladministration. This interaction has proved immensely useful in feeling the pulse of taxpayers problems as also in expanding public awareness.

It is the stakeholders meetings that triggered Suo Moto action by the FTO to get hundreds of thousands of claims of refund and duty drawback paid and settled promptly without formal docketing of complaints and holding investigation proceedings. Stakeholder meetings have also prompted informal resolution of mundane problems of taxpayers pending unresolved for lack of attention by the tax administration. Over a hundred such issues have been informally resolved through the FTO's intervention during a period of almost four years from 2009 to 2012. During 2012 the Hon'ble FTO enhanced his interface with taxpayers and other related segments of society through the following outreach activities at the national level during 2012:

(a) Activities at National Level

- (i) Visited the Regional Tax Office Lahore on



26-01-2012

- (ii) Addressed the Karachi Tax Bar Association on 09-02-2012
- (iii) Visited the National Institute of Management, Peshawar on 20-02-2012
- (iv) Held Press Briefing about the work done by the Office of FTO during 2011 in the FTO Sectt. Islamabad on 02-03-2012
- (v) Addressed Karachi Tax Bar Association on 03-03-2012
- (vi) Addressed Customs Officers at Directorate of Training (DOT) Lahore on 09-03-2012
- (vii) Presided the third regular meeting of the Forum of Pakistan Ombudsman (FPO) at the Office of Provincial Ombudsman Punjab Lahore on 10-03-2012
- (viii) Addressed the Khyber Pakhtunkhwa Chamber of Commerce & Industry Peshawar on 14-03-2012 and discuss the pending duty drawback claims with Collector Peshawar
- (ix) Attended two-day 'Fair Practices Workshop' at Islamabad under the umbrella of the Forum of Pakistan



Ombudsman (FPO) on 26/27-03-2012

- (x) Attended two-day Fair Practices Workshop at Karachi under the umbrella of FPO on 29/30-03-2012
- (xi) Addressed the Sialkot Tax Bar Association on 11-04-2012
- (xii) Presided the fifth regular meeting of the Forum of Pakistan Ombudsman at Mirpur AJ&K
- (xiii) Met Members of the Lahore Tax Bar Association (LTBA) at the Regional Office Lahore on 18-05-2012
- (xiv) Participated in the Experts Working Group meeting at Marriot Hotel, Islamabad on 29-05-2012
- (xv) Presided over the Seminar Organized by Lahore Tax Bar Association on "Role of FTO in Fiscal Statues" on 14-06-2012
- (xvi) Discussed the issue of pending duty drawback claims with Chief Collector of Customs (North) Islamabad on 04-06-2012
- (xvii) Received a presentation on progress of computerization of procedures at the FTO Office on 06-06-2012



- (xviii) Met with Chairman NAB and Chairman FBR in the Office of Chairman NAB on 13-06-2012
- (xix) Visited FTO's Regional Office Lahore on 13/14-06-2012
- (xx) Presided the 6th regular meeting of the Forum of Pakistan Ombudsman (FPO) in the Office of Federal Tax Ombudsman Regional Office, Karachi on 18-06-2012
- (xxi) Met with World Bank Team visiting Islamabad on June 19-26, 2012 to supervise launching of the Project Preparation Facility (PPF) on Revenue Mobilization on 21/26-06-2012
- (xxii) Met with the Pakistan Steel Melters Association on 26-06-2012
- (xxiii) Addressed Pakistan Tax Bar Association's Summer Camp-2012 on 17-07-2012
- (xxiv) Attended launching ceremony of Legal Empowerment of the Poor (LEP) at Serena Hotel, Islamabad on 17-07-2012
- (xxv) Attended UNODC 'National Conference on Improving Law Enforcement Training Standards to Achieve Better Criminal Justice Outcomes' on 28-09-2012



- (xxvi) Attended UNOPS at Launching Ceremony of LEP Study "VOICES OF THE UNHEARD" at Serena Hotel, Islamabad on 23-10-2012
- (xxvii) Presided over the Launching Ceremony of FTO Office Computerized Complaint Management System on 15-11-2012
- (xxviii) Presided over the Steering Committee Meeting of the Project Titled "Ombudsman Institutional Capacity Building on 03-12-2012
- (xxix) Presided over the 8th Regular Meeting of the Forum of Pakistan Ombudsman (FPO) at Wafaqi Mohtasib Sectt. on 17-12-2012
- (xxx) Met with Chairman KATI at KATI Head Office, Karachi on 20-12-2012
- (xxxi) Met with Chief Collector of Customs (South) at FTO, Regional Office, Karachi on 20-12-2012
- (xxxii) Meeting with representatives of Pakistan Apparel Forum at FTO, Regional Office, Karachi on 21-12-2012

(b) Representation at International Level

Attended International Conference of Ombudsman Held in Bishkek from 27th August to 30th



August, 2012

It is the stakeholders interface that has prompted diversification of the FTO's redress mechanisms from formal complaint mode to proactive Suo Moto interventions and informal dispute resolution.

The purpose of these meeting is not only enhance public awareness but also know, first hand, the taxpayers problems, and causes of the tax administrations' failure to address there problems efficiently and effectively. It is the stakeholders interface that has prompted diversification of the FTO's redress mechanisms from formal complaint mode to proactive Suo Moto interventions and informal dispute resolution. The results of the proactive approach are phenomenal as reflected by the increased number of grievances redressed during investigation phase, implementation of recommendations, settlement of long standing tax refund and duty drawback claims and informal resolution of mundane problems of taxpayers.

(x) News Letter

A quarterly News Letter is proposed to be issued under the FPO arrangement. It will contain performance highlights and news of all Federal and Provincial Ombudsman Offices for public information. The main purpose of the news letter will be to keep the general public well informed of the usefulness of Ombudsman mechanism for inexpensive and prompt redress of citizens' grievances against maladministration by public functionaries.





Hon'ble FTO Dr. Muhammad Shoaib Suddle attending the Business Forum of Punjab (BFP) and FTO MOU Signing Ceremony on 17-04-2012



Public Feedback

Hon'ble FTO receives letters and e-mails of appreciation and thanks from a number of taxpayers, whose grievances are redressed. Following are excerpts from some of these letters and e-mails:

We would like to thank you for your efforts which have helped the Government of Pakistan, in preventing mis-use of SRO's and depriving the Government Exchequer from duty and tax earnings.

"We refer to your letter no Dy.No. 2627/2012 to inform us about the addressing of our complaint about activities of a private concern, the Tariff Commission and with the FBR. Sir, we would like to thank you for your efforts which have helped the Government of Pakistan, in preventing mis-use of SROs and depriving the Government exchequer of duty and tax. Sir, further more I would like to thank the Federal Tax Ombudsman and his secretariat for using their good office to ensure that protection given for the development of selected sectors is utilized in its true spirit. Sir, the efforts of the Honorable Ombudsman and his team would go a long way to ensure that the Pakistani Bulk Drugs Industry (Active Pharmaceutical Ingredients Industry) develops which would help Pakistan save its precious foreign exchange currently being spent on import of finished APIs."

Jawad Amin Khan, M. D.
Zafa Pharmaceutical Laboratories Pvt Ltd Karachi



We are pleased to inform that due to efforts of Hon'ble FTO Dr. Muhammad Shoaib Suddle, our above named client got justice.

"We are pleased to inform that due to efforts of Honorable FTO Dr. Muhammad Shoaib Suddle, our above named client got justice and concerned Commissioner of Inland Revenue closed our case with the remarks that parameters of audit u/s 177 were irrelevant which was our contention."

Faisal Latif

Chartered Accountants
G-8 Markaz, Islamabad

The problem raised in my subject complaint has been resolved to my full satisfaction. I am thankful for the cooperation and courtesy extended by FTO staff. It was a pleasing experience to visit the FTO Secretariat.

"I attended the last hearing in the office of Advisor IT on 16-08-2012. It was confirmed by him that my complaint has been resolved by Chief Commissioner Inland Revenue, RTO, Rawalpindi. I have prepared and submitted my GST Return for the month of July 2012 and now I am at the preparation stage of return for August 2012. All relevant entries are being updated in prescribed manner and there is no hold up. The problem raised in my subject complaint has been resolved to my full satisfaction. I am thankful for the cooperation and courtesy extended by FTO staff. It was a pleasing experience to visit the FTO Secretariat."

Muhammad Akram, Prop

A J Enterprises, Rawalpindi

"This is with reference to the letter of our Client, M/s Sindh Employees Social Institution (SESSI), dated June 8, 2012, with regard to the subject matter. Mr. Manzoor Hussain Kureshi, the



However, we find it in order to express our immense gratitude to Your Honor and to this esteemed institution, Federal Tax Ombudsman Pakistan, which is providing prompt relief and protection to the aggrieved taxpayers. Thank you sir.

Learned Advisor to Federal Tax Ombudsman, Regional Office, Karachi, has very kindly taken a prompt action on our application and helped resolved our grievances with the tax authorities. Therefore, it is requested that the aforementioned application may kindly be treated as withdrawn. However, we find it in order to express our immense gratitude to Your Honor and to this esteemed institution, Federal Tax Ombudsman Pakistan, which is providing prompt relief and protection to the aggrieved taxpayers. Thank you sir."

Shahab Usto

Shahab Usto & Associates
Advocates & Legal Consultants, Karachi

"I must express my gratitude for quick and proper investigation which resulted in restoring my Customs Clearing agents license illegally suspended by Customs authorities. A proper investigation on my complaint has surely restored my confidence. I myself and my family members, who are directly dependent upon me and who suffered because of high handedness of Customs Authorities, also join me in expressing their gratitude for reinstatement of my license due to your proper investigation and restoration of their livelihood. In the end I hope and raise my hands before THE ALMIGHTY GOD to pray for your long life and I hope your



The outcome of each and every communication made to office of the Honorable Federal Tax Ombudsman, ultimately proves beyond any shadow of doubt that forum of Honorable Federal Tax Ombudsman is a real blessing for the Pakistan's taxation system.

department would surely check arbitrariness and high handedness being meted out to the business community and general public."

Muhammad Kamran Khurshid

M/S King Enterprises
Haq Nawaz Road, Rawalpindi

"The outcome of each and every communication made to office of the Honorable Federal Tax Ombudsman, ultimately proves beyond any shadow of doubt that forum of Honorable Federal Tax Ombudsman is a real blessing for the Pakistan's taxation system. All good wishes for all team members of Honorable forum of Federal Tax Ombudsman. Hope our beloved homeland may become a better place to live in!"

Waheed Shahzad Butt

Advocate High Court
Tax Resolution Services Company
Shahrah-e-Quaid-e-Azam, Lahore





How to File a Complaint

A complaint may be filed in accordance with the provisions contained in Section 10 of the FTO Ordinance, 2000.

A complaint may be filed in accordance with the provisions contained in Section 10 of the FTO Ordinance, 2000 read with Regulation No. 3 of the FTO's Regulations 2001 preferably on FTO-Form "A" available free of cost at the Head Office and Regional Offices. Form 'A' can also be downloaded from FTO's website: www.fto.gov.pk

Complaints can be filed at the FTO's Regional Offices at Karachi, Lahore, Quetta or HQ office at Islamabad. However, complaints pertaining to Khyber Pakhtunkhwa Province are filed at Islamabad till such time that the Regional Office at Peshawar becomes fully operational.

It will be stated in the solemn affirmation attached with the complaint that-

- (i) Previously no complaint on the subject was filed with the FTO Office;
- (ii) A representation to a senior officer of the Revenue Division or any of its departments in respect of the allegations contained in the complaint was made, but either no reply thereto was given within a reasonable time or representation had



unjustly been turned down, or no representation was made.

The territorial jurisdiction of the Head Office and Regional Offices shall be as specified in the Schedule to FTO's Regulations, 2001.

The territorial jurisdiction of the Head Office and Regional Offices shall be as specified in the Schedule to FTO's Regulations, 2001 which may be modified by the Ombudsman by an order in writing from time to time: provided that the Ombudsman may direct that a complaint falling within the territorial jurisdiction of one Regional Office may be investigated at any other Regional Office or the Head Office.

On receipt of a complaint, the concerned official in the Registry shall enter the particulars of the complaint in the daily register giving it a diary number and issue a receipt thereof, if the complainant is present personally, and forward it to the Registrar.

The official receiving the complaint shall assist the complainant in filling out the FTO-Form "A", if such assistance is requested.

The official receiving the complaint shall assist the complainant in filling out the FTO-Form "A", if such assistance is requested.

Online Filing of Complaints

A complaint may be filed and tracked on line as per following procedure:

- ▶ Open FTO website www.fto.gov.pk
- ▶ Click on Online Complaint System
- ▶ Click on File a New Complaint or Track Already Filed Complaint



- ▶ Fill in the required fields/data and click on Save button

The complainants and their representatives are being given SMS and e-mail alerts automatically by the FTO's Computerized Complaint Management System (FCCMS) on the progress of their complaints.

In order to ensure transparency of complaint management by the FTO Office, a proactive SMS and email based alert system has been put in place. The complainants and their representatives are being automatically given SMS and e-mail alerts by the FTO's Computerized Complaint Management System (FCCMS) on the progress of their complaints. In addition, 157,000 tax payers were served bulk SMS and e-mails to facilitate their access to the FTO Office for redress of their grievances against tax maladministration. The scope of bulk SMS will be expanded next year.

Who can File a Complaint?

Any person aggrieved by an action (decision, process, recommendation, omission or commission etc.) of any functionary of the Revenue Division / FBR which: -

- a) is contrary to law, rules or regulations or is a departure from established practice or procedure, unless it is bona fide and for valid reasons; or
- b) is perverse, arbitrary or unreasonable, unjust, biased, oppressive, or discriminatory; or
- c) is based on irrelevant grounds; or
- d) involves the exercise of powers or the



failure or refusal to do so, for corrupt or improper motives, such as, bribery jobbery, favouritism, nepotism and administrative excesses; and

- e) neglect, inattention, delay, incompetence, inefficiency and ineptitude, in the administration or discharge of duties and responsibilities.
- f) repeated notices, unnecessary attendance or prolonged hearings while deciding cases involving -
 - (i) assessment of income or wealth;
 - (ii) determination of liability of tax or duty;
 - (iii) classification or valuation of goods;
 - (iv) settlement of claims of refund, rebate or duty drawbacks; or
 - (v) determination of fiscal and tax concessions or exemptions;
- g) willful errors in the determination of refunds, rebates or duty drawbacks;
- h) deliberate withholding or non-payment of refunds, rebates or duty drawbacks already determined by the competent



authority;

- i) coercive methods of tax recovery in cases where default in payment of tax or duty is not apparent from record; and
- j) avoidance of disciplinary action against an officer or official whose order of assessment or valuation is held by a competent appellate authority to be vindictive, capricious, biased or patently illegal.

FTO's HQ Office in Islamabad, FTO's Regional Offices at Karachi, Lahore, Quetta, Peshawar and make shift arrangements at Faisalabad are the six geographical locations where complaints are heard by the Advisors.

Geographical Locations for Hearing of Complaints

FTO's HQ Office in Islamabad, FTO's Regional Offices at Karachi, Lahore, Quetta, Peshawar and make shift arrangements at Faisalabad are the six geographical locations where complaints are heard by the Advisors. The Advisors are either Federal Secretary or Additional Secretary level retired officers of FBR or retired judges of the High Court.





Hon'ble FTO Dr. Muhammad Shoaib Suddle addressing the Fair Practices Workshop held at Karachi on 29-30 March, 2012



Organization

Inception

The FTO Secretariat initially comprised its Headquarters at Islamabad and two Regional Offices at Karachi and Lahore.

The Government of Pakistan promulgated Ordinance No. XXXV of 2000, to establish the Office of the Federal Tax Ombudsman on August 11, 2000. The FTO Office started functioning on September 19, 2000 when the first Federal Tax Ombudsman took oath of office. The FTO Secretariat originally comprised its Headquarters at Islamabad and two Regional Offices at Karachi and Lahore. Another Regional Office started working at Quetta in November, 2009. The Regional Office at Peshawar was operationalised in 2012. In addition, a number of Facilitation Centers have been planned for the main commercial cities like Hyderabad, Sukkur, Sialkot, Gujranwala, Multan, Faisalabad and Abbotabad. In keeping with work load of complaints from Faisalabad, hearings are held in Faisalabad by the Advisors of FTO Regional Office, Lahore.

Legal Framework

The legal framework of the FTO Office includes:

- (i) The Establishment of the Office Ombudsman Ordinance, 2000;
- (ii) The Federal Tax Ombudsman

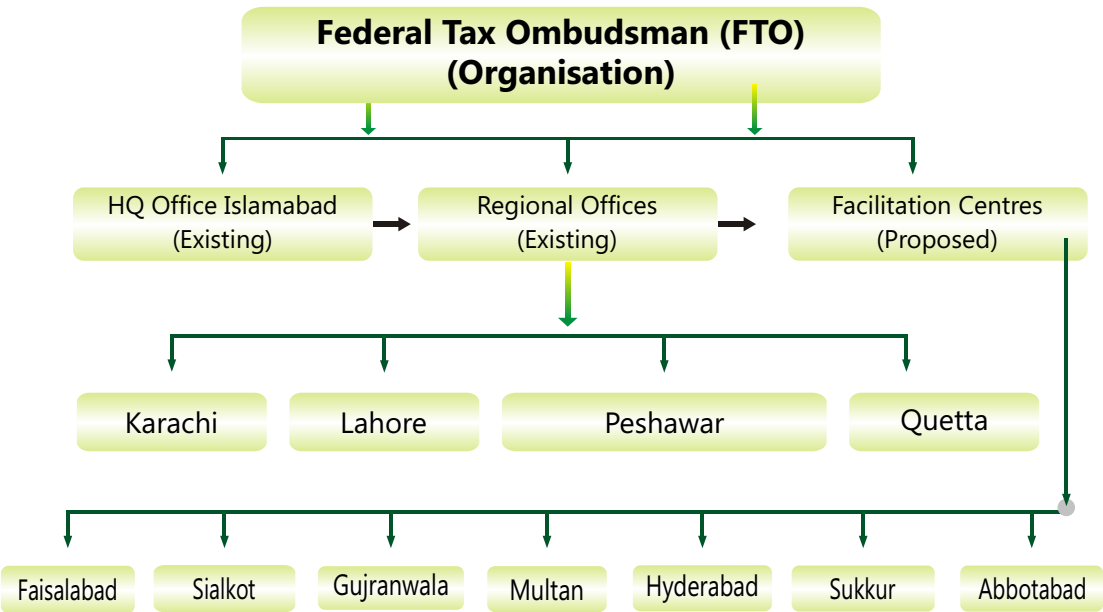


Investigation and Disposal of Complaints Regulations, 2001;

- (iii) The Federal Tax Ombudsman Office Staff Service Rules, 2006; and
- (iv) The Ministry of Law Justice and Human Rights Office Memorandum No 36/2001-Law (FTO) dated December 10, 2001

Organisational Set up

The Organisational set-up of the FTO Secretariat including the Regional Offices is small and simple as can be seen in the organogram below:



It will be observed that the Organisation is small and compact and administrative set up in lean and flat. These are two main prerequisites for effective command

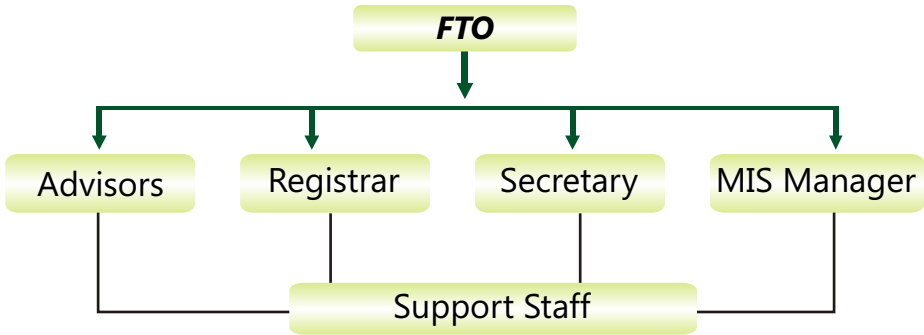


The stakeholders contacted in the survey adjudged the FTO Office as a most user-friendly and the cleanest public sector Organisation of Pakistan in terms of efficiency and integrity.

and control of the organisation. No wonder that it earned a glowing tribute from the stakeholders in a Citizen Report Cord study got conducted by transparency International-Pakistan. The stakeholders contacted in the survey adjudged the FTO Office as a most user-friendly and the cleanest public sector Organisation of Pakistan in terms of efficiency and integrity. The aggrieved taxpayers consider the FTO Office to be a 'blessing' for them as their grievances are redressed in the shortest possible time and emplacement inexpressively and effectively.

Administrative Set-Up

The FTO Office initially had the sanctioned strength of 243 posts. During a subsequent rightsizing drive, as many as 100 posts were slashed. Later, 48 posts were added keeping in view of the increased workload. In 2010, an MIS section was added with an initial strength of an MIS Manager and 6 staff members. The FTO's investigation staff includes Senior Advisor, Advisors In-charge of Regional Offices and the subject specialist Advisors. They are mostly well-reputed retired senior officers of the FBR and the judiciary. At the advisory level, it is a lean and flat administrative setup as can be seen from the diagram below:



As the workload is increasing qualitatively and quantitatively and as the core functions of the FTO Office have been computerized, the organization is being reinvented. Quality staff in terms of advanced skills in information technology is gradually replacing the staff lacking computer skills. The ultimate aim is to achieve an IT-enabled and paperless operating environment.



Hon'ble Dr. Muhammad Shoaib Suddle visited Sialkot Chamber of Commerce and Industry on 11-04-2012



How to Contact Us

Citizens may contact the FTO Office at:



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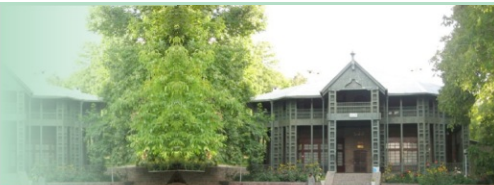
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Highlights of CRC STUDY on the FTO Performance

Transparency International-Pakistan got a Citizen Report Card Study (CRC Study) conducted in 2011 on the performance of the Federal Tax Ombudsman Office through an independent research firm 'Islamic Countries Society of Statistical Sciences (ISOSS)'. After completing the survey of taxpayers, tax consultants and federal tax departments, the CRC Study reported that the Federal Tax Ombudsman was the most clean public sector organization and a role model for other public sector organizations. Highlights of the CRC Study on the FTO performance were as under:

- ➡ 93.5% of taxpayers rate FTO response quality as good or excellent
- ➡ 90.6% of taxpayers are satisfied with FTO office staff behavior
- ➡ 87% taxpayers are satisfied with time taken by FTO to dispose of complaints
- ➡ 83.5% taxpayers consider FTO officials have high integrity by not asking any favor from the taxpayers.
- ➡ 51.4% complaints were filed by small businesses



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