

**BEFORE  
THE FEDERAL TAX OMBUDSMAN  
ISLAMABAD**

**COMPLAINT NO.1629/ISB/IT/2022**

Dated: 26.04.2022\* HQ, Islamabad

**Mr. Armaghan,**  
60c, Lane 6, Askari-2,  
Chaklala Scheme-III, Rawalpindi

...Complainant

**Versus**

The Secretary,  
Revenue Division,  
Islamabad.

...Respondent

Dealing Officer	:	Mr. Muhammad Majid Qureshi, Advisor
Appraised by	:	Mr. Muhammad Tanvir Akhtar, Advisor
Authorized Representative	:	Complainant in Person
Departmental Representative	:	(i) Mr. Tauqeer Ahmad, Chief POS FBR (ii) Ms. Asma Humayun, DCIR, RTO ISB (iii) Mr. Zulfiqar Ali Gopang, FBR (iv) Mr. Ashfaq Ahmad, CM Development, PRAL

**FINDINGS/RECOMMENDATIONS**

This complaint has been filed under Section 10(1) of the Federal Tax Ombudsman Ordinance 2000 which was referred for comments to the Secretary, Revenue Division in terms of Section 10(4) of the FTO Ordinance, read with Section 9(1) of the Federal Ombudsman Institutional Reforms Act, 2013. Parawise comments dated 24.05.2022 were received from FBR.

2. Precisely, the complainant is agitating FBR's negligence and inefficiency in plugging the loopholes in the Point of Sales transactions. He has pointed out a few postpaid tax transaction receipts which were not verified, which are detailed hereunder;

- (i) PSID: th006-320220421202553680, shows negative error, "minimum 8 characters and maximum 15 characters"
- (ii) CPR: th006-32220421202553680, shows error, "no record found" or sometimes shows negative error "minimum 21 characters and maximum 24 character"



- (iii) POS verification-ID: th006-320220421202553680, "no record found"

3. Besides, the tax was being charged on eatables too despite being non-scheduled items as per price control Act 1977. Not only the tax was illegally being charged, it was not being paid into government exchequer. This is a double edged loss, firstly the tax collected from customers was not being paid to the government and secondly, by way of suppression of sales, the traders were evading tax due on their own sales and income. The complainant believes that it was prime responsibility of FBR to plug loopholes in tax collection.

4. The Complainant had earlier lodged this complaint on PM Citizen's Portal, in response to which the FBR had responded that all postpaid transaction receipts will become verifiable w.e.f 01.07.2021. Despite lapse of one year the leakage continues due to FBR's inefficiency. He believes that it was one of the reasons of Pakistan's failure to get out of FATF Grey list.

5. During the course of hearing on 04.06.2022, attended by Mr. Zulfiqar Gopang, Departmental Representative and Mr. Armaghan, the complainant, the postpaid receipts pointed out by complainant could not be verified. Second hearing was conducted on 07.06.2022, attended by Mr. Ashfaq Ahmad, Chief Manager Development PRAL, Mr. Zaheer Ahmad Chief Manager, Operation PRAL, Mr. Zulfiqar Gopang Second Secretary IT wing FBR and the complainant. The following discussion took place;

- (i) Mr. Ashfaq has informed that vendors of software are not authorized by PRAL/FBR; the retailers can purchase software from any private vendor.
- (ii) All transactions on this software are visible to the CIR concerned. He can however, see only those transactions which are carried on through software but those which are siphoned out of the software are not visible to him.



- (iii) Complainant has further stated that tax is being collected on scheduled items as well as non-scheduled items which is unfair and illegal.

6. The complainant raised some additional points in his email dated 08.06.2022 which are summarized as follow;

- (i) Postpaid tax system is a lengthy process which has not succeeded to ensure foolproof tax collection system. It should be replaced with prepaid tax credit system.
- (ii) Despite FBR's assurance of plugging all loopholes, QR code is still missing from invoices.
- (iii) Postpaid tax-ID system has to continuously generate invoices, which is a burden on the system. FBR/PRAL may therefore introduce Prepaid Tax Card System.
- (iv) RTOs responsible for enforcement, may be asked to report as to how many instances' of tax leakage were detected, how many are reported to FBR/PRAL and what penalties were levied on defaulters.

7. During the next hearing on 16.06.2022, Mr. Tauqeer Ahmad, Chief POS FBR, Mr. Ashfaq Ahmad CM, PRAL, Ms. Asma DR, Mr. Zulfiqar Gopang Second Secretary, IT, FBR and the Complainant attended. The points raised by the complainant were brought to the notice of representatives of FBR/PRAL/RTO etc. Mr. Ashfaq Ahmad stated that system up-gradation is an ongoing process which PRAL is regularly doing. Its enforcement is however, responsibility of field formations, which need to be more vigilant and proactive. Ms. Asma Humayun stated that RTO can watch the uploaded invoices on real time basis on dashboard available to CIR. Penalties are imposed on the defaulting retailers. She was directed to submit a report in respect of RTO ISD for the last thirty days to show how many incidents of default have been detected and what action has been taken. The report was to be submitted by 23.06.2022 which was not done by RTO. Similarly Mr. Tauqeer also sought time to respond to the points raised in the complainant's email dated 08.06.2022, a copy of which was handed over to him. Vide his letter dated 23.06.2022, Secretary POS FBR has replied that the points raised by the complainant regarding postpaid vs prepaid tax system are a

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policy issue and cannot be commented upon by FBR as those were promulgated through acts of parliament. As far as the matter of unverified invoice (QR code missing) issued by the retailers is concerned, FBR has introduced Rules. Chapter XIV-AD " **Procedure for Sealing and De-Sealing of Business Premises of tier-I Retailers**" in Sales Tax Rules, 2006 which empower the Inland Revenue Field Formations to proceed against the delinquent Tier-I Retailers. Besides this, Section 33 of the Sales Tax Act 1990 empowers the Commissioner Inland Revenue to take penal action against non-compliant Tier-I Retailers. No comments were offered as to what actions did FBR take when the incident of non-verified invoices was referred to it by the complainant directly and then through FTO secretariat. Similarly nothing has been mentioned in respect of charging tax on non-scheduled food items.

8. Arguments of the parties have been heard, and the available record perused. It has been observed that after putting in place a system of postpaid tax, by PRAL, FBR could not train and motivate its field officers to monitor and enforce the system effectively. No report from the RTO Islamabad was submitted as desired. FBR's statement that procedure for tier-1 retailers has been introduced, without reporting incidents of enforcement of such rules, is mere eye wash. Mere installation of a system or rolling out defective software is not enough unless effective and efficient monitoring and enforcement follow up is not put in practice. FBR's negligence, incompetence, inefficiency and ineptitude in enforcing the POS system is thus obvious.

#### **FINDINGS:**

9. FBR's failure to effectively enforce the procedure for point of sales integration and take legal action against the defaulting



retailers tantamount to maladministration as defined in section 2(3)(ii) of the FTO Ordinance 2000.

**RECOMMENDATIONS:**

10. FBR to:-

- (i) direct Member-IR (Operations) to evolve & enforce efficient and effective monitoring & enforcement mechanism plugging all loopholes in POS regime.
- (ii) direct Member-IT to prepare, publish and issue a list of credible authorized vendors for sale/installation of software and its integration with the PRAL software;
- (iii) direct all Chief Commissioners to ensure that the registered and functional QR code must be visible on all invoices issued through POS system
- (iv) direct I&I-IR to trace and proceed against Tier-1 Retailers who are found involved in tax evasion through non issuance of verifiable tax invoices; and
- (v) report compliance within 60 days.

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

Dated: 18/07/2022

*Approved for reporting*

Certified to be True Copy

Registrant  
FTO Secretariat  
Islamabad