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FTO Begins Probe Into Tax Amnesty Cases

The Federal Tax Ombudsman (FTO) has started investigation of over 12,000 pending cases of aggrieved taxpayers who could not avail Assets Declaration Scheme 2019 despite payment of due taxes before the deadline. For availing the facility, the taxpayers had already paid tax amounting to Rs2.6 billion before the deadline, but could not benefit

During the meeting, the FBR officials claimed that FBR's online system was intact till the last minute. Different aspects of the issue were discussed during the meeting of FBR senior officials with FTO. "Hopefully the issue to be resolved soon", the statement added.

Members of Pakistan Tax Bar Association and representatives of the business



from the scheme.

In a formal complaint filed by 300 aggrieved persons with the FTO, the complainants claim that they could not declare assets due to failure of the online system of the Federal Board of Revenue in spite of the fact that they had paid the tax.

An official statement of the FTO said that the ombudsman has started investigation and intends to resolve the long awaited issue, which has created anxiety among the aggrieved taxpayers. During investigation, the FTO also heard the viewpoint of FBR Members Inland Revenue; Operations, Legal, Information Technology, and Policy.

community had also lodged the complaint before the FTO.

The association claims that the prime purpose of the amnesty scheme was to broaden the tax net, documentation of the economy and to revive the tax system. The taxpayers must not be victimised for the paying of taxes under Amnesty Scheme. As the purpose of the amnesty scheme was to allow the non-documented economy's inclusion in the taxation system to trigger economic revival and growth by encouraging a tax compliance in the economy.



Introduction of Institutional & Systemic Reforms; FTO Asks FBR to Explain its Failure

The Federal Tax Ombudsman (FTO) has directed the Federal Board of Revenue (FBR) to explain on March 19, 2020 why the tax authorities failed to timely introduce institutional and systemic reforms including risk management framework to check misuse of registration of "manufacturers".

In this regard, the FTO Office has issued instructions to the FBR members, relevant chief commissioners and directors of intelligence and investigation Inland Revenue, and Customs, here on Tuesday.

While expressing displeasure over the FBR's attitude, the FTO office said that under Section 11(2) of the Establishment of the Office of Federal Tax Ombudsman Ordinance, 2000, the FBR was required to inform the FTO within the specific time about the action taken on FTO's recommendations.

The record shows that the own motion case was investigated by the FTO office and issued findings and recommendations on May 15, 2010. So far, the FBR has not informed about the final action taken on the recommendations.

The FTO had directed the FBR to develop a comprehensive risk management framework in the working of IRIS-based Sales Tax Registration Rules and revisit the approved risk engine and scores to mitigate the possibility of any misuse of "manufacturer status" by the registered persons.

The FBR had been directed to arrange audit of all manufacturers, who availed the benefit of SRO 1125(I)/2011 to find out whether "manufacturer status" was granted after fulfillment of requisite conditions and in cases of irregular approvals of "manufactures status" fix responsibility on the dealing staff for proceedings under E&D Rules and take necessary measures under law/rules for recover) of losses caused to government revenues.

The FBR should direct PRAL and directors to Reforms and Automation (Customs) to develop and implement system/software for live date synchronization with WeBOC regarding sales tax registration to ensure blacklisted and suspended registered persons (RPs) are not able to import and get undue benefit of SRO 1125(1)/2011 and direct all commissioners to conduct half yearly physical verification of all units registered in their jurisdiction as 'manufacturer' to verify existence of manufacturing facility of all such units.

The FTO took notice of reported news that ghost entities registered as manufacturers with fictitious addresses, being setup only for tax evasion by claiming benefit of the SRO 1125(1)/2011 December 31, 2011.

These fraudulent entities not only evaded sales tax in respect of imported fabrics but were involved in issuance of fake invoices for claiming sales tax refund as the FBR had failed to build a robust system whereby such fake registration could

have been avoided.

Once these fraudsters are registered as 'manufacturers' by the Local Registration Office of the RTO concerned, the benefit of SRO 1125(1)/2011 dated 31.12.2011 is extended by the Customs Department at the time of import on the basis of profile available on FBR's website.

The Federal Tax Ombudsman (FTO), Mushtaq Ahmad Sukhera, has held the Federal Board of Revenue's systems and rules responsible for massive misuse of sales tax zero-rating facility available to manufacturers-cum-exporters under the SRO 1125(I) 2011.

In a major move to check misuse of zero-rating regime by manufacturers-cum-exporters sectors, the FTO had further directed the FBR to conduct audit of all manufacturers, who availed the benefit of SRO 1125(I)2011 to verify their manufacturing status. In case of own motion, investigation of FBR's systemic maladministration, the FTO had further directed the FBR to introduce institutional and systemic reforms in the zero-rating regime, and address failure of the FBR to timely check registration of persons misusing the 'manufacturing status'.

The FTO had categorically declared that the Inland Revenue authorities have totally failed to take timely action in integrating the registration module in IRIS system, thereby providing opportunity to the unscrupulous elements to take advantage of the weaknesses in the registration procedure of the sales tax department.

The FTO had further held the FBR responsible for review of sales tax registration rules and risk parameters used for granting registration, which lead to misuse of manufacturer' status by registered persons.

According to the findings of the FTO, the review of Sales Tax Registration Rules and risk score weightage assigned to the risk parameters employed in the registration process, which lead to misuse of manufacturers status by registered persons for the purpose of tax evasion.

The FBR vide SRO 494 (1)/2015 dated 30th June, 2015 showed that the IRIS based Sales Tax Registration module failed to timely incorporate the provisions of revised registration rules. The requisite changes in IRIS were incorporated after nine months vide SRO 227 (1)/2016 dated 21st March, 2016. T

he FTO observed that the FBR had failed to take timely action in integrating the registration module in IRIS system thereby providing opportunity to the unscrupulous elements to take advantage of the weaknesses in the registration procedure of the sales tax department.

FTO Tells FBR to Pay Refund Claims in 72 Hours

The Federal Tax Ombudsman (FTO) has directed the Federal Board of Revenue (FBR) that it must take all needful steps and measures to ensure that refund claims of exporters are processed and paid in 72 hours of submission of claim under the FASTER refund system.

The directions have been given by the FTO to the FBR after a recent meeting held at the FTO Regional Office in Karachi regarding various problems faced by the textile sector industries including the Pakistan Apparel Forum.

According to the FBR's response submitted to the FTO, the system is fully automated now.

The sales tax return for July-19 was due in August-19 and hardly few Annex-H (stock statement) were filed in Sept-19 relating to claims for July-19. Due to understanding issues, a number of Annex-H were not correctly filed resulting in rejections.

Though there were some operational issues in FASTER initially, these were primarily dominated by wrong filing of returns and Annex-H. During Dec-19, the FBR upgraded the module almost eight times to address the problems in filing of Annex-H. The FBR is currently working on five other aspects to further reduce filing of Annex-H issues and sync the system with dynamic needs of the industry.

The issue of value addition has been addressed and proposal is sought from association relating few such claims where the claims are below the risk management system (RMS) benchmark. The association may suggest improvements, if any, which do not affect the RMS benchmark.

These few cases of value addition are even otherwise detrimental to the related export sector being far below the industrial practice.

The FBR said that the tax authorities have enabled the previous CF (carry forward). The issue however lingers with cases where the data was not correctly fed and partial amounts were sanctioned. In a few cases realizing their feeding errors, the claimants have requested for roll back of returns and Annex-H or Annex-H, and have deposited back the wrongly claimed sales tax refund. Deferred claims where partial amounts have been sanctioned are being examined.

In certain cases where the data was substantially misfed, claims as well as returns might need to roll back and the FBR is ready to accommodate such cases referred by the association. The FBR is also examining the option to upgrade module to transfer balance amount in subsequent month refund claims.

For such cases the way forward is only necessary correction in the declarations.

The FTO directed the FBR that the association will examine cases of deferred amounts where the claimants have either

filed wrong declarations in ST&FE monthly returns and Annex-H, and recommend cases for roll back.

The FBR will also take necessary action on the recommendation of the association without requiring the claimants to visit concerned RTO.

The FBR will also work on the upgraded module to accommodate claimants where deferred amounts can be processed without roll back.

The FBR further informed the FTO that the system indicates the submission date on the Annex-H as is done in the case of ST&FE Return. Issues arose when claimants did not file their correct declarations and tried to work back consumption.

Similarly, despite repeated communications claims were not filed in sequence. Whereas an administrative measure, the FBR had to process claims in sequence. Claims are now being processed as and when received, within 72 hours provided they are in sequence. Module is to be upgraded to accommodate BCA data for commercial exporters and other minor issues.

The FTO decided that the FBR would furnish report once, they update all the modules.

The FBR informed the FTO that presently refund was being processed on the basis of Annex-H, which is part of ST&FE return. Once refund is submitted, the system auto locks the return and the Annex-H, and return cannot be auto revised.

Focal persons have been appointed in major RTOs/LTUs and for the time being the claimants may approach them.

The FTO advised that approaching focal persons causes delays and claimants may approach the association, and the FBR may take necessary action on the recommendation of the association. The FBR agreed to allow revision in any number of cases referred by the association. The FTO decided that the provision for auto revision should be updated in the system as provided under the law, and report be furnished well before the next meeting.

However, in the meantime, upon receipt of the list and recommendations from the association of exporters for revision in sales tax return and Annexure H, those who had not received refunds, the FBR will open the revision option and for those who had received refunds are required to submit deposit slip/CPR for opening of revision option.

The FTO further directed the FBR that the FBR will post at the website information banners on regular basis for information and guidelines in this regard. The BCA DATA is being sorted and claims of erstwhile zero-rated regime commercial exporters shall be processed through FASTER as soon as possible. The FBR has imposed a check on value addition with a certain percentage in RMS due to which some exporters claims are now stuck.

FTO Directs FBR to Investigate Employees Involved in Registration of Physically Non-verified Businesses

FTO has directed FBR to identify the tax officers involved in registration of a fake person whose physical verification report was negative and later on claimed refund of Rs. 46 million despite the fact that neither he had filed income tax return and nor he had deposited sales tax at any stage in the government treasury.

According to FTO report the investigation conducted by I&I-IR, FBR revealed that the RP (Registered Person) had applied for Sales Tax Registration (STR) but could not be registered due to negative physical verification report of RTO-I, Karachi. Later on, the same RP applied again and got registered on 20.04.2012.

The FTO report states that the examination of refund profile of the fake person (M/s Hame Tex, STRN.1700391041313, NTN 3910413) showed that the RP claimed aggregate refund of 46.607 million during the tax periods from April to July 2012 on mere paper transactions. Therefore, I&I-IR issued Red Alert for verification on 19.10.2012. However, the registration of the fake RP was blacklisted after 3 and a half years by the Commissioner-IR, Zone-I, RTO, Karachi vide order dated 16.05.2016.

The sleeping over of FBR officers regarding such an important anti-tax evasion exercise carried out by I&I-IR led to serious instances of maladministration on account of certain acts of omission and commission, reflecting improper motives, jeopardizing good governance and transparency in tax administration.

Federal Tax Ombudsman has recommended to FBR to direct the Chief Commissioner-IR, Corporate RTO, Karachi to investigate and identify the officials involved in registration of fake RP (Registered Person), who failed to initiate recovery action against the fake RP and took no appropriate criminal/disciplinary action. FBR is directed also to initiate appropriate action including criminal proceedings leading to prosecution of RP and recovery of amount of Rs.46.607 million, swindled from public exchequer.

In an own motion investigation initiated by FTO to investigate irregularities committed by the FBR field formations in processing and sanctioning of bogus sales tax refunds during the period 2011-14 identified by Directorate General I&I IR of FBR and "Red Alerts" were issued to the field formations concerned but neither any action was initiated against the fake claimants nor their connivers in the Deptt, who were involved in bogus registration, processing and sanctioning of fraudulent refund and issuance of refund cheques, nor against the related officers/officials of bank branches concerned and PRAL management.

FTO Issues Show Cause Notice to Two FBR Officers Due to Their Non-compliance

Federal Tax Ombudsman (FTO) has issued show cause notice to two officers of Inland Revenue Service (IRS) for not complying FTO recommendations.

The FTO issued show cause notices to two Inland Revenue officers due to their non-compliance of FTO's recommendations, challenging the jurisdiction of FTO and initiating fresh proceedings at implementation stage of FTO orders, which is a highest degree of contemptuous act.

According to show cause notices issued to Commissioner Inland Revenue, and Assistant Commissioner Inland Revenue, Zone-III, RTO-II, Lahore, they were obliged to implementation of recommendations in true letter and spirit within the given period. However, the jurisdiction of Federal Tax Ombudsman, having the powers to punish any person for its contempt, had been challenged at the implementation stage and instead of compliance of the recommendations, fresh proceedings were initiated which is the highest degree of contemptuous act.

According to the show cause notices, challenging the jurisdiction of FTO at the implementation stage is nothing but a reflection of an intention to defy the orders of the Hon'ble FTO. This attitude leads to an inference that the said officers have no regard for the codified law and are the victim of their own whim.

The show cause notices state that such actions amount to impede the process and to disobey the orders of the Hon'ble Federal Tax Ombudsman and a vindictive and malicious attitude towards the taxpayers, who are backbone of the country.

According to details a complaint against attachment of bank account by FBR for recovering tax demand, was being investigated and decided by FTO to allow appeal effect to Appellate Tribunal (ATIR) Lahore's order and dispose of refund application of complainant as per law and as per assurance given by the FBR's representative during FTO's investigations.

Compliance letters had been issued to one Commissioner Inland Revenue and an Assistant Commissioner Inland Revenue, Zone-III, RTO-II, Lahore for ensuring implementations of FTO's recommendations.

However, instead of implementing the FTO's recommendations, the officers initiated fresh proceedings against the complainant, going beyond their jurisdiction, and submitted a report that was not only unsatisfactory and against the assurance given by the representative of FBR during FTO's investigations but contrary to the recommendations of FTO.

Bogus Tax Refunds Not Possible Without Involvement of FBR Officials: FTO

The Federal Tax Ombudsman (FTO) has directed the Federal Board of Revenue (FBR) to initiate action against fake persons involved in fraudulent tax refunds and their facilitators in the FBR who processed and sanctioned bogus tax refunds.

The FTO has observed that a countrywide investigation against issuance of bogus refunds was carried out by the Directorate General I&I-IR (FBR). But after a painstaking exercise, the I&I-IR unsearched many cases, where with the connivance of the FBR staff fake persons were registered, who later on claimed refund on the basis of fake and flying vouchers/paper transactions and in many cases got away with fraudulent refund, causing colossal loss to already cash-starved exchequer.

According to the FTO report, most of the purchases by the fake registered persons were suspicious having no relevance with the business activity of the units. "Red Alerts" in such cases were issued by Directorate General I&I-IR (FBR) to the field formations concerned for conducting physical verification of the units, investigative audit to verify suspicious purchases/supplies and determination of exact tax liability, immediate suspension of STRN of fake registered persons, recovery of evaded tax and initiation of criminal proceedings against the persons/officials involved in this nefarious and unlawful activity. However neither any action was initiated against the fake claimants and their connivers in the department who were involved in bogus registration, processing and sanctioning of fraudulent refund and issuance of refund cheques, nor was any action proposed against the related officers of bank branches concerned and PRAL management.

Evidently, the department blacklisted the STRNs but no investigations were carried out to verify the genuineness of input tax claimed by the registered persons, despite the fact that in the blacklisting order, it was mentioned that sales tax registration was obtained with the mala-fide intention to cause loss to the national exchequer by getting unlawful input tax adjustment/refund. The FTO has observed that the department did not grasp gravity of the state of affairs, and except blacklisting; no serious effort was made to unearth and apprehend the culprits who were involved in sales tax registration of the registered persons. This is evidently a case of gross maladministration where, except blacklisting the registered persons, the department has failed to initiate any proceedings to verify the genuineness of the input tax or locate the RP.

Pointing towards a particular case, the FTO has stated that it has been noted that the CIR, Zone-VI, Corporate RTO Karachi suspended STRN of a registered person on 14.11.2019 after

more than four years of physical verification. The order-in-original against the registered person was issued on 25.02.2015, for recovery of Rs410.495 million.

The FTO has stated that even after starting own motion investigation by FTO office, the FBR seems disinclined to take any action in this regard. It also sounds strange that the Directorate of I&I-IR, after conducting such laudable effort of detecting fraudulent activities and issued letters of Red Alerts to the field formation, but did not pursue the matter to its fruition.

In all such cases of Red Alerts, the FTO has recommended to FBR to direct the concerned chief commissioner-IR, to investigate and identify the officials involved in registration of fake RP and initiate disciplinary/criminal action against those found involved. The FBR has been asked to identify the officers involved in processing on the basis of fake and flying vouchers and issuing refund of sales tax and take appropriate criminal/disciplinary action against them. The FBR has also been asked to initiate appropriate action including criminal proceedings leading to prosecution of RP and recovery of refund amount swindled from public exchequer. The FBR has also been asked to initiate investigative audit on the basis of income tax return filed.

On fake refunds issue, the FBR issued an official response on FTO finding and explained that two processes are being used to deal with refund cases. The first is the processing of refunds through automated system for exporters. In this process, the audit of the refund is conducted after the issuance of refunds. The other system of refund issuance has been devised for the taxpayers not associated with the export sector. The refunds issued through this mode are called the "carry forward refunds." Such refunds are issued once in a year. Audit is conducted before the issuance of such refunds.

The FBR has clarified that taxpayers involved in presenting wrong invoices are dealt strictly and recovery is made from them. Moreover, it said, penalty and default surcharge is also imposed to curb this practice. Sometimes, the audit process of refunds takes longer period of time which may cause problem of liquidity for the exporter, in case of delayed issuance of refunds. To avert liquidity crunch for the businesses, the refunds are issued and the scrutiny is conducted afterwards.

The FBR said there are certain inbuilt checks within the system to match the input claim by one person with output claim by another person. To avoid revenue loss, it said, the FBR has almost resolved the issue of fake invoices. "Sometimes, it becomes a little cumbersome and lengthy to check the flying invoices but scrutiny is conducted in all the cases.

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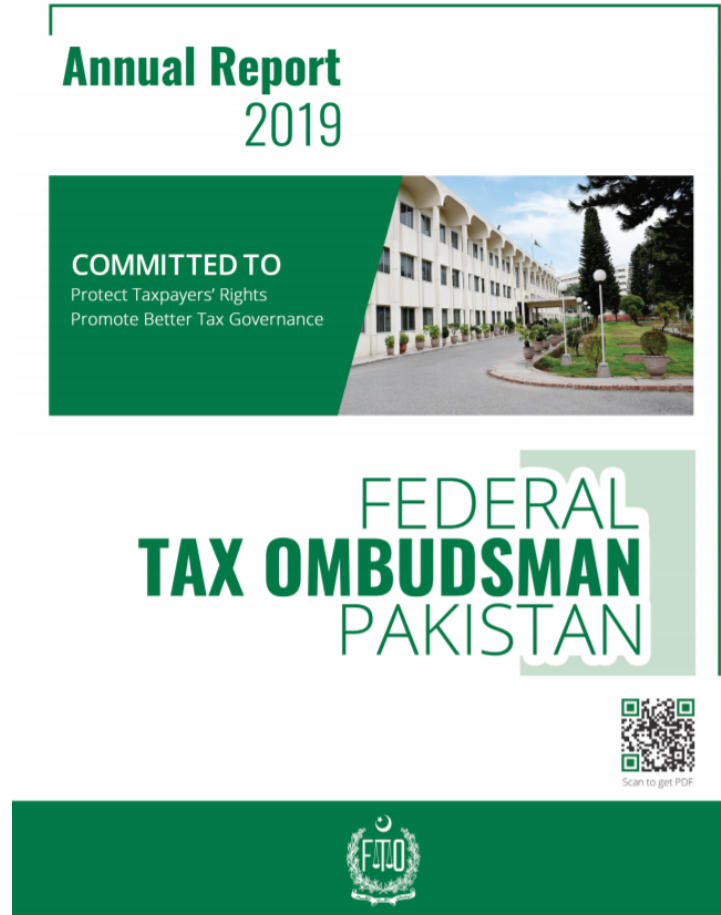
Annual report (2019) of Federal Tax Ombudsman was submitted to the Hon'ble President in the month of April. Annual Report 2019 is a manifestation of the performance of Federal Tax Ombudsman (FTO) office during 2019, in the discharge of its mandate under FTO Ordinance 2000.

During the year 2019, record number of 2510 fresh complaints and 202 Own Motion (OM) cases were registered, compared to 1918 fresh complaints and 178 OM cases during 2018. Total 3171 cases were processed, which included 458 cases carried forward from previous year and one inspection report. Out of these, 2633 complaints/cases were disposed off during 2019, against 1880 cases in the year 2018. Only 6.08% of the Recommendations were challenged, out of which 74.60% Findings were upheld in Review and Representations. 82.59%, Recommendations were implemented and stuck up refunds of Rs. 5864.94 million were allowed to the aggrieved taxpayers by the FBR. Average time to dispose off complaints was 57 days against 60 day's time allowed under FTO Ordinance.

Significant progress was achieved towards institution building, which resulted in more efficient handling of complaints and contribution towards good governance in FBR. Complaint Management Information System (CMIS) was fully utilized for monitoring of Monthly performance Review (MPR). Video Link was regularly used to overcome time and space barriers for MPR meetings and hearing of Review Petitions. Work on new mobile interactive website with modern design and functionality, with facility of Urdu translation, was introduced.

Social media platforms were more vigorously used to reach out to taxpayers and public. Quarterly News letter was published regularly; print and electronic media was apprised about the activities and success stories of FTO's office. PTA's Urdu SMS service was used to create awareness about FTO's cost free grievance redressal mechanism. Information boards urging the public to use services of FTO, were placed at the offices of FBR, CC&I and Tax Bars.

Two hundred and two (202) own motion cases relating to illegal Income Tax exemptions claimed under the garb of misdeclared agriculture income, smuggling of Iranian origin POL products, misuse of import-cum-export facility in respect of gold and jewelry, under-realization of FED and ST from cigarette manufacturers, ghost manufacturers claiming fake ST refunds and sanction of bogus sales tax refunds were initialized. Annual report contains summaries of these cases. Two inspections of Customs/IRS offices were conducted in Quetta and Faisalabad respectively, where complaints of persistent maladministration were reported. Senior officers nominated by FBR were made members of the inspection team. A number of discrepancies noticed during these



inspections were shared with FBR.

During the year important and comprehensive suggestions were sent to FBR to improve tax administration. These covered the areas of HR strategy, measures for trust building to expand tax enrollment, suggestions for improving Automation, need for proactive anti-smuggling measures, procurement of scanners for additional layer of nonintrusive inspection of imports, monitoring of manufacturing activities, simplification of contents and filing of Income Tax Returns and revival of Inspection regime. Attention of FBR was drawn to the menace of under invoicing, malpractices in Sales Tax Registration, need for ensuring filing of returns by government employees, anomalies in desk and sectoral audits, streamlining refund procedures, removing shortcomings in Withholding Tax Regime for transfer of immoveable properties and promulgation of Taxpayers' Bill of Rights. It was suggested to segregate targets for Withholding and Return based tax collection. A number of Budget proposals and case study reports were sent to FBR. A case of grave environmental hazard was resolved with the intervention of FTO, where FBR **(Continued on Page 7)**

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disposed off 599 containers of hazardous plastic waste at Karachi port.

Federal Tax Ombudsman remained actively engaged with all stake holders in the tax system throughout the year, holding meetings with important stakeholders in major cities and disseminated information about mandate and role of FTO office and stressing the need of paying taxes as national duty and option to use the FTO's services to redress their grievances. Advisory committees meetings were held in Islamabad, Lahore and Karachi. Recommendations on problems of refunds, unfair assessments, coercive recoveries and IT related issues were sent to FBR for appropriate solutions.

Forum of Pakistan Ombudsmen and International Ombudsman Association were utilized towards common cause of national and International institutions of Ombudsmen. It provided unique opportunity to exchange experience, share concerns, evolve joint approach to compliment needs of national institutions, learn international and global best practices and consolidate cooperation

The outreach campaign during the year included awareness sessions and meetings with trade bodies, business community and legal fraternity.

Eighty seven (87) awareness sessions were addressed by the FTO's advisors throughout the country as compared to thirty nine (39) such sessions held during the year 2018. Information about grievance redressal system of FTO was disseminated during these sessions and problems of taxpayers were heard and incorporated in recommendations to FBR.

FTO office is highly indebted to the Honourable President, for upholding a number of Findings of FTO in the cases of high importance to revenue and reforms in tax administration.

Institution of FTO: A Symbol of Good Governance **Continued from Page 8**

important contributor to the economy and the people often complained about the abuse of power by the tax collecting officials, the government set up the institution of Federal Tax Ombudsman in 2000. How useful and effective this institution is in addressing the complaints of the tax-paying individuals and firms affected by the maladministration of the tax collecting functionaries actually dawned on me when I had a personal experience in this regard. I had approached the FTO in regards to inordinate delay in the tax refund by the concerned authorities. Amazingly the problem was settled within two weeks as the tax advisor in FTO instead of resorting

to lengthy correspondence with the tax authorities and repeated appearances, personally discussed the issue with the high ups of the Income Tax Department. That actually is my motivation to contribute this piece of writing. As a journalist and a columnist I felt it obligatory to contribute my bit to the creation of awareness among the people on an issue of public interest.

According to the annual report of FTO the institution settled 2713 complaints during the year 2019 and the average period of complaint disposal was 45.3 days which by any standards is a commendable effort in line with the concept of expeditious and cost free justice.

The FTO not only acts on the complaints formally filed by the complainant but also takes suo moto notice of any maladministration by the tax authorities. The complaint can be filed personally, through courier service, email, online and fax.

The cases with which FTO deals under the purview of maladministration include: a decision of the tax authorities contrary to law, rules or regulations or in contravention of an established practice or procedure; a decision based on irrelevant grounds involving, failure or refusal for corrupt or improper motives such as bribery, jobbery, favouritism, nepotism and administrative excesses; neglect, inattention, delay, incompetence of the tax administration in the discharge of duties and responsibilities; serving of repeated notices or prolonged hearings involving assessment of income or wealth, determination of liability of tax or duty, classification or valuation of goods, settlement of claims of refund, rebate or duty drawback or determination of fiscal and tax concession of exemptions; willful errors in the determination of refunds, rebates or duty drawbacks, deliberate withholding or non-payment of refunds, rebates or duty drawbacks already determined by the competent authority; coercive methods of tax recovery in cases where default in payment of tax or duty is not apparent from record etc. The complainants can file their complaints on the above issues provided the matter is not sub judice.

Unfortunately our media is excessively focusing on the never-ending political wrangling and in the words of Prime Minister Imran Khan on whipping up a well-orchestrated propaganda against the government. My considered view is that while the media as a watch-dog against the government, public institutions and public servants has the responsibility to pinpoint their inadequacies, shortcomings and maladministration, it also has the obligation to project and highlight the positive things done in the public interest.

FTO in its present role is a symbol of good governance, the hall mark of which is paying attention to the difficulties and problems of the people and resolving them without too much hassle. It needs greater media attention.

Institution of FTO: A Symbol of Good Governance

By Malik Muhammad Ashraf



The concept of the ombudsman evolved during the Swedish enlightenment in eighteenth century where democracy, humanitarianism and individual liberty were emphasized against state absolutism, injustice and abuse or misuse of public power. The surge of democratic values placed prime importance upon the personal responsibility of officials towards their citizens. According to Sir, John Robertson the Ombudsman institution is seen as a valuable insurance against falling back into old habits, and an influential oversight organization to ensure that the bureaucracy has a more humane approach.

The concept is now widely accepted and practiced in all the democratic and welfare states. The justification for setting up this institution also stemmed from the realization that with more and more delegation of powers to the state institutions and administrative wings of the government, the oversight by the parliament and judiciary on the abuse of power by the state functionaries was not enough and there was a need for an arrangement outside the judicial review which addresses public complaints through an expeditious and cost free process. With the passage of time it was also realized that with the expansion in the administrative structures of the government and introduction of culture of specialization one Ombudsman at the national level was not enough and there was an imperative need to have separate Ombudsman for the most important sectors within the administrative structure.

Pakistan established the institution of Federal Ombudsman in 1983. Since Revenue sector of the economy was the most important contributor to the economy and the people often complained about the abuse of power by the tax collecting officials, the government set up the institution of Federal Tax Ombudsman in 2000. How useful and effective this institution is in addressing the complaints of the tax-paying individuals and firms affected by the maladministration of the tax collecting functionaries actually dawned on me when I had a personal experience in this regard. I had approached the FTO in regards to inordinate delay in the tax refund by the concerned authorities. Amazingly the problem was settled within two weeks as the tax advisor in FTO instead of resorting to lengthy correspondence with the tax authorities and repeated appearances, personally discussed the issue with the high ups of the Income Tax Department. That actually is my motivation to contribute this piece of writing. As a journalist and a columnist I felt it obligatory to contribute my bit to the creation of awareness among the people on an

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The cases with which FTO deals under the purview of maladministration include: a decision of the tax authorities contrary to law, rules or regulations or in contravention of an established practice or procedure; a decision based on irrelevant grounds involving, failure or refusal for corrupt or improper motives such as bribery, jobbery, favouritism, nepotism and administrative excesses; neglect, inattention, delay, incompetence of the tax administration in the discharge of duties and responsibilities; serving of repeated notices or prolonged hearings involving assessment of income or wealth, determination of liability of tax or duty, classification or valuation of goods, settlement of claims of refund, rebate or duty drawback or determination of fiscal and tax concession of exemptions; willful errors in the determination of refunds, rebates or duty drawbacks, deliberate withholding or non-payment of refunds, rebates or duty drawbacks already determined by the competent authority; coercive methods of tax recovery in cases where default in payment of tax or duty is not apparent from record etc. The complainants can file their complaints on the above issues provided the matter is not sub judice.

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