



Federal Tax Ombudsman Pakistan

FTO Achieves New Heights During 2011

2011 has been an historic year in several respects for the Office of the Federal Tax Ombudsman (FTO) Pakistan. The exceptional achievements of the FTO have added new milestones to its history.

In 2011, a sum of Rs 7.89 billion was got refunded to the taxpayers as compared to Rs 7.08 billion during 2010. This included refunds amounting to Rs 606 million in 455 income tax cases, Rs 570 million in 107 sales tax cases, and Rs 81 million in 15 customs cases. The highest amount of refund issued in a single income tax case, sales tax case and customs case was Rs 143.31 million, Rs 143.7 million and Rs 40.19 million respectively. The taxpayers also received a sum of Rs 6.16 million in compensation for delayed payment of refunds in 81 cases. In addition, under his *suo moto* jurisdiction, the FTO got settled 181,880 duty draw-back customs cases involving refunds of Rs 6.63 billion during 2011 as against 194,056 duty draw-back cases involving refunds of Rs 4.9 billion in 2010. It is worth noting that Rs 7.89 billion that the taxpayers received due to the intervention of FTO during 2011 was almost 4 times of the total amount that they got during 2000-2009, and 36 times of the average per annum the taxpayers received during the same ten-year period.

Another milestone that the FTO was able to achieve during 2011 was in terms of disposal time of complaints. The average time taken to decide a complaint was – exceptionally - brought down to 60 days, as compared to 67 days for 2010 and 117 days for 2009. There is no Ombudsman office in the world which has achieved such a high level of efficiency in handling taxpayers' complaints.

Under his thematic approach, FTO declared 2011 as the 'year of implementation'. With exceptional effort, FTO's decisions in as many as 760 cases were got implemented by the Federal Board of Revenue during 2011, as compared to 331 cases during 2010 and 170 cases during 2009. In other words, the number of decisions got implemented during 2011 was 2.3 times as much as for 2010. More specifically, the implemented decisions pertained to Recommendations issued in 2011 (222), 2010 (425), 2009 (48), 2008 (52), 2007 (6), 2006 (2), 2005 (2), 2003 (1) and 2002 (2).

In 2011, the FTO received 1390 individual taxpayer complaints of which 706 (50.80%) pertained to income tax, 349 (25.10%) to customs, 328 (23.60%) to sales tax, and 7 (0.50%) to Federal Excise Duty. Of these, 1218 (87.63%) complaints were decided by 31st December 2011. Of the decided complaints, 1053 (86.45%) ended up in favour of taxpayers. For the first time in the history of FTO, the taxpayers' grievances in as many as 370 complaints filed during 2011 were got redressed during the investigation phase. The focus was shifted to getting the disputes resolved, from issuing Recommendations at the end of investigation. Out of Recommendation issued in 683 complaints during 2011, FBR implemented 222 cases and filed Representations in 211 cases. In addition, 184 complaints pending from 2010 were also disposed of by 31st March 2011.

In early 2011 the FTO submitted the 'Container Scam' investigation report to the Hon'ble Supreme Court. The scam turned out to be 'mother of all scams'. The ongoing follow-up investigation has led to detection of at least 28,802 commercial containers and a further 3,542 containers imported in the name of ISAF/NATO that went 'missing' during the period January 2007 to October 2010, and the numbers are still rising. While the security-related aspects of the scam are yet to be quantified, the colossal loss of revenue, assuming that these containers carried the usual smuggling-prone items, has been estimated at over Rs 60 billion. The impact of FTO investigation on local industry, which was dying due to flood of 'duty-free' smuggled items, has been phenomenal. Not only has the transit-related 'smuggling' registered a staggering drop of 60%, the investigation is yielding over Rs 1 billion per month in additional revenue due to diversion of smuggling-prone items to regular import channels.

In a 2011 study conducted by the Islamic Countries Society of Statistical Sciences (ISOSS), a Lahore-based independent research organization, over 90% of the respondents who had actually interacted with FTO rated FTO as most helpful and most clean public sector organization in Pakistan. The advisors and staff of FTO deserve generous appreciation for having achieved so high a performance level.

According to Transparency International's 2011 Corruption Perceptions Index, Pakistan's score in 2011 was 2.5 out of 10 as compared to 2.3 in 2010. One of the four organizations that contributed in improving Pakistan's rank in 2011 was FTO Office, the other three being Public Accounts Committee of Parliament, Judiciary, and the Ministry of Defence for applying PPRA rules. The Transparency International report also rated the FTO as one of the cleanest institutions of Pakistan.

While the FTO has emerged as a role model institution in improving good governance in Pakistan, the problem of maladministration is deep-rooted and needs concerted efforts on the part of both Government and FBR to effectively control it.

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