

## **POLICY DOCUMENT – IV**

Government of Pakistan  
Federal Board of Revenue  
Directorate General  
Intelligence & Investigation (IR)  
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C.No.BTB/3/11-112231-R

Islamabad, August 1, 2011.

The Chief Commissioner,  
Regional Tax Office,  
Karachi-I/Karachi-II/Karachi-III/  
Hyderabad/Sukkur/Quetta/Multan/  
Bhawalpur/Faisalabad/Sargodha/  
Lahore-I/Lahore-II/Gujranwala/  
Sialkot/Rawalpindi/Islamabad/  
Abbottabad/Peshawar.

Subject: - **APPRAISAL OF BTB CAMPAIGN 2010-11: LESSONS LEARNT FOR 2011-12**

Reference: Subject cited above.

**The last quarter of F.Y 2010-11 deserves to be remembered as BTB Quarter, as during this period a concerted and comprehensive BTB campaign was conceived, evolved and enforced across the country. All RTOs were taken on board at all the aforementioned stages of this campaign, and above all it was done without creating any ripples among the ever alarmed & sensitive community of existing Tax Payers, ITPs and Trade bodies. Within short span of 2/3 months this campaign produced the results which have not only created a ray of hope among the policy makers, but it also revived confidence of the tax machinery. Results of this campaign were appreciated by all concerned, and national media projected the whole campaign in a befitting manner.**

2. Notwithstanding the aforesaid positive signals & achievements, there were certain weak areas as well, which also need to be taken up with the same spirit. This

Directorate General was always keen to receive feedback from all quarters (within or outside the department), and following analysis is based on the input received from different stakeholders.

**1. Professional weaknesses.** Professionally this campaign cannot be termed as completely satisfactory. Following glaring lapses need to be highlighted.

- I. In a fairly large number of cases notices u/s 114 (4) were issued without cross checking the existing master index and resultantly a lot of efforts/time and resources were wasted in the futile correspondence.
- II. Proper service of notices was not given the importance it actually deserves. Any lapse on this account alone can derail the whole proceedings, and it has been observed that BTB campaign was not free from this pitfall.
- III. While initiating BTB proceedings, potential cases were not prioritized (on the basis of information forwarded by this office or collected by the RTOs themselves). This lapse resulted in a lot of tax activity but without much tangible results.
- IV. In some RTOs BTB proceedings were entirely left to the will & whims of BTB officers. Supervisory officers did not provide the much needed professional guidance/advice.
- V. In certain RTOs bank a/c information was retrieved but it could not be utilized properly due to un-professional handling and lack of understanding of banking transactions/instruments vis-à-vis their tax impact.

**2. Legal/Procedural Bottlenecks.** Apart from professional weaknesses there were certain legal/procedural hiccups which adversely affected the BTB campaign. Few such needs to be mentioned.

- I. For the first time in the history of FBR detailed and massive Bank A/C related information was provided to the field formations, but unfortunately this golden opportunity was not fully utilized to the best of Revenue's interest. Throughout the country and more specifically in Punjab, bank a/c information could not be effectively enforced due to para 8 of Board's circular No. 13 of 1991. The said circular needs to be immediately rescinded/amended, and IR wing has already been requested for the desired action.
- II. In certain RTOs Commissioners failed to realize that BTB proceedings deserve to be conducted in the **Fast Lane**. This mindset has adversely affected BTB performance. At one RTO even simple requisition of third

party information was waylaid by the commissioner (IP) for full one month and only after the intervention of Chief Commissioner the road block could be removed.

- III. This office in close liaison with NADRA had organized the installation of in-house online CNIC verification system (**Verisys**) at each RTO, but unfortunately the whole process was delayed due to over-proceduralism at certain RTOs. There must be some RTOs which have yet not secured this facility.
- IV. The issues of jurisdiction kept on affecting adversely. Despite detailed guidelines on the subject uniformity of approach could not be ensured.
- V. Most of the RTOs could not develop Regional mechanism for collection & analysis of third party information.

**3. Administrative & Organizational Issues.** There were certain administrative and organizational issues as well which impacted BTB performance adversely. For instance;

- I. Despite categorical and clear instructions that only officers/officials of proven integrity are to be posted in BTB units, this office has noted that at some RTOs notoriously corrupt individuals have been assigned this responsibility.
- II. Reasons whatsoever, throughout BTB campaign some of the BTB units remained ill-equipped, under-staffed and thus poorly administered. Despite repeated efforts from this office, certain RTOs were not willing to shed the traditional mindset of treating BTB as a least priority area.
- III. Broadening of Income Tax Base occupied the major focus of the whole campaign and much narrower Sales Tax and FED Base was not given the due attention.
- IV. FBR as a whole failed to evolve a befitting incentive mechanism to reward the enviable efforts put in by certain RTOs in this campaign. In the long run it may affect the whole campaign.
- V. Most of RTOs could not explore their real BTB potential due to improper staff deployment. While certain wings remained underutilized, BTB units kept on suffering on account of understaffing.

**4. Technical/IT issues.** BTB campaign cannot be organized without proper technical/IT support. This office has observed that;

- I. Valuable Data/Information gathered/processed and disseminated by this office could not be tracked properly because of the ineffective IT support offered by PRAL.
- II. Software for processing and Monitoring of BTB cases is still being conceived by PRAL. Any further delay in this process may result in irreparable loss.
- III. Computer Hardware (PCs/Laptops) procured under Tax Reforms Project could only be delivered in the month of July, 2011 and the previous FY witnessed some of the worst Hardware shortages.
- IV. Lahore based software TREKKER is a very useful tool for BTB, but its location at a central place like Islamabad could have enhanced its usefulness for all RTOs and their BTB units.
- V. Online linkages with other National/Provincial/Regional and Organizational Data Bases could not be developed.

**5. Directorate General I&I-IR related issues.** As BTB is one of the core functions of this Directorate General, therefore we cannot be absolved from the existing snags in BTB Regime. Occasionally it has been aired (criticizing this Directorate General) by different stakeholders that;

- I. Properly segregated and processed information was not passed on to RTOs.
- II. A large number of Assessments u/s 122C have been made without fulfilling legal requirements.
- III. Demand created through provisional assessments is not recoverable.
- IV. BTB campaign had been launched without having input from the senior management.

**While this office acknowledges that existing BTB regime is not an ideal one, yet it submits that;**

- **BTB is a team work which involves this Directorate General and 18 RTOs, and without positive contribution of all team members it cannot achieve its targets.**
- **BTB units constitute an integral part of RTOs, who are the first and foremost beneficiaries of the whole BTB scheme. In the presence of 18 Chief Commissioners and over 250 commissioners and Additional Commissioners, this Directorate General alone may not be held responsible for all the shortcomings in BTB system.**

- Any direct intervention in BTB audit/assessment proceedings by this Directorate General is neither advisable nor legally possible. Only concerned Tax authorities can intervene to ensure quality assessments, compliance with the relevant provisions of law and timely completion of BTB proceedings.
- Directorate General I&I-IR was launched during March 2011. During the period in question (March-June, 2011), this Directorate General was comprising of Islamabad based two member squad i.e. Director General and Director (HQs), and practically without any Regional offices.

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Copy, for information, to:-

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