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IRIS 2.0 Disables Taxpayers from Responding to Audit and Assessment Notices

A critical flaw within the digital tax infrastructure of IRIS 2.0 has come to light, causing a predicament for taxpayers who find themselves unable to effectively engage with audit and assessment notices.

The Karachi Tax Bar Association (KTBA) has promptly brought this issue to the attention of the Federal Board of Revenue (FBR) chairman, sounding alarm bells within the taxpayer community.

The newly unearthed glitch pertains to the incapacitation of taxpayers in responding to notices dispatched by Income Tax Officers (IROs) after appeal orders issued by the Commissioner Inland Revenue- Appeals (CIR-A) undergo modifications. Regrettably, the present iteration of IRIS 2.0 does not provide a mechanism for taxpayers to submit their responses in such cases.

KTBA elucidated that following CIR-A's alterations to an assessment order, the IRO dispatches a notice to the concerned taxpayer, seeking further action. However, the absence of a functional avenue for responding within the IRIS 2.0 system has led to instances of non-compliance by taxpayers, a predicament beyond their control.

President of KTBA, Mr. Syed Zafar Ahmed, apprised the FBR chief that this issue has led to inadvertent non-compliance by taxpayers, solely due to the absence of a responsive mechanism within the 2.0 version of the system. Consequently, each taxpayer faces the unwarranted label of non-compliance.

Remarkably, IRIS 2.0 places a stringent restriction, allowing for only one Rectification application pursuant to Section 221 of the Income Tax Ordinance, 2001, to be filed within a single Tax Year. This restriction profoundly impacts taxpayers, especially in cases entailing multiple proceedings under various sections of the tax code, including but not limited to:

- a) Section 177: Income Tax Audit
- b) Section 122: Income Tax Assessment
- c) Section 161: Monitoring of Withholdings
- d) Section 182: Penalty Proceedings
- e) Section 170: Refund Proceedings
- f) Section 205: Imposition of Default Surcharge

The tax bar has earnestly appealed to the FBR chairman, urging the following courses of action to ameliorate these pressing issues:

Response Option in IRIS 2.0 System: The swift implementation of an option for taxpayers to respond to notices within the IRIS 2.0 system is imperative. In cases where non-compliance stems from the system's constraints, it is advisable to instruct field formations not to initiate adverse actions until IRIS 2.0 incorporates the Response Option. Alternatively, instructions should permit taxpayers to file responses manually, an approach that should be deemed acceptable by tax authorities until IRIS 2.0 integrates the Response Option.

Rectification Application Anomaly: The limitation of permitting only one Rectification application within a Tax Year should be promptly repealed, ensuring a more flexible and taxpayer-friendly approach.

The Karachi Tax Bar Association remains sanguine that these measures will rectify the challenges posed by the IRIS 2.0 system, thereby fostering a tax ecosystem that is not only equitable but also efficient for all stakeholders.