DOCUMENTATION SIMPLIFICATION VIA TAX E-FILING: EXAMINING BARRIERS TO ADOPTION AND CONTINUANCE INTENTION OF USING E-FILING BY TAXPAYERS IN PAKISTAN

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ABSTRACT

The present study aimed to investigate and shed light on the hurdles and barriers that presently exist in the way of successful and widespread adoption of FBR's tax e-filing system in Pakistan. To achieve this purpose, a holistic multistakeholder perspective was taken by conducting 20 face-to-face, semi-structured interviews with tax filers, non-filers, and FBR officers. The study employs theoretical lens provided by DeLone and McLean's IS Success Model to assess the respondents' comments about the quality of FBR's tax e-filing service. The findings suggest that problems related to the dimensions of system quality i.e. complexity of IRIS website, and limited functionality of app, information quality i.e. ineffective tutorials, language barrier, and penalty unawareness, and service quality i.e. taxpayer unawareness about support and education through Taxpayer Facilitation Centers and helpline acted as barriers to adoption of FBR's tax e-filing system in Pakistan. Moreover, the unwillingness of citizens to comply, and the cost of complying through agents as well as the privacy concerns associated with it are also regarded as possible barriers. Based on the findings, the study also provides recommendations for improvement.

Keywords: Tax e-filing, tax compliance, IRIS, FBR, Tax Asaan app, IS Success Model

PREFACE

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INTRODUCTION

Tax is the major source of revenue generated by government to ensure efficient delivery of services and continuous economic development. Citizens are obligated to pay taxes without the expectation of any direct compensation. However, the outcome of taxes can be seen in terms of national development and government spending for the welfare of society. As the primary entity that collects tax revenue for the government of Pakistan, Federal Board of Revenue (FBR) has the responsibility to maximize tax collection to generate sufficient revenue for the country's economic growth. Therefore, to increase tax revenue by means of greater tax compliance, FBR introduced the electronic tax filing system (e-filing) through its website named IRIS in 2005. The primary objective of implementing e-filing was to facilitate the taxpayers so that they can access the system anywhere and anytime they want at their own convenience and to also minimize the cost associated with paper-based tax filing. On the other hand, e-filing is also beneficial for the service providers as it reduces their workload and cost of processing, managing, and storing paper-based tax filing documents. The introduction of online tax filing services in 2005 initially brought more people into the tax stream than manual tax filing as reported by FBR's review of 2006. In the initial phase after introduction of tax e-filing even countries like USA, Taiwan, and Singapore faced challenges in terms of its implementation (Ullah et al., 2023). However, in Pakistan even after a decade the number of tax e-filers still does not meet targets. According to FBR's Active Taxpayers List (ATL) there are 3.41 million active taxpayers (FBR, 2024) which constitutes only 1.4% of the population of Pakistan which stands at 245.29 million people (Worldometer, 2024) and 4.1% of the working class/labor force in the country. It is also worth noting that the number of tax filers has seen fluctuations over the years and instead of continuous increase, the number of active taxpayers has dropped from 5.7 million in 2021 to 3.55 million in 2022 and 3.41 million in 2024 which demonstrates the abysmal performance of FBR over the years. Moreover, the proportion of taxpayers in the population is the lowest in Pakistan i.e. 1.4% when compared to other countries with India standing at 5%, Indonesia at 10%, Japan at 39%, USA at 44%, France at 76%, and Canada and Australia at more than 80% (Nabi & Nasim, 2020). Therefore, the dismal situation of tax e-filing in Pakistan needs attention of academicians and practitioners to find ways towards improvement. However, to arrive at a solution to a problem, the prerequisite is to identify its root cause. Some of the past studies and experts have discussed the major factors which hinders the promotion of tax compliance culture in Pakistan. Bukhari & Haq (2014) states that poor management, inefficient tax e-filing system, unjust and burdensome tax tariffs, and general lack of trust on tax authority contributes towards the culture of tax evasion in Pakistan. Moreover, Awan & Hannan (2014) declared tax system complexity, wastage of public tax funds, fraudulent management of tax funds, and wasteful spending by the government to be the key factors contributing towards non-compliance culture. "The system is plagued by cumbersome procedures and a lack of transparency, discouraging compliance and fostering a culture of avoidance" (Zahid, 2024). Khalid & Nasir (2020) state that high compliance cost demotivated people to comply and to file their tax returns. "This cost consists of the number of hours required for record keeping, tax planning, and forms completion and submission. It takes around 577 hours (per year) to complete the tax payment process in Pakistan compared to the world average of 108 hours" (p. 464). Other than that, tax awareness was also identified as an important factor in compliance of citizens with their tax obligations as less tax knowledge leads to unfamiliarity with the tax filing process and its benefits which acts as a demotivating factor (Bano et al., 2023). Even though these studies have made

mentions of various issues with tax compliance in Pakistan, no previous study in Pakistan has provided a comprehensive investigation of the barriers to the adoption of FBR's tax e-filing service by taking a holistic perspective from multiple stakeholders involved. Therefore, the present study aimed to contribute towards the gap in the existing body of knowledge by exploring the existing barriers facing the adoption of tax e-filing service in Pakistan by taking views and opinions from tax e-filing stakeholders including the tax-filers (those who have had exposure to the system/have used the system), non-filers (those who have not used the system themselves/do not file their tax returns), and FBR officers (those who are involved in the implementation of the system). The purpose of the study is to bring attention towards the hurdles and barriers that presently exist in the way of successful and widespread adoption of tax e-filing system in Pakistan and to provide recommendations which can help to curb the dismal tax e-filing situation.

LITERATURE REVIEW

For the past few decades, the area of taxation and electronic filing of tax returns has been the center of attention for many economies. Therefore, abundant research on adoption and success of tax e-filing has been emerging from different countries like USA, Indonesia, Malaysia, Taiwan, Tunisia, Vietnam, Kenya, India, and Pakistan. Unlike the USA, which developed and introduced its tax e-filing service IRS back in 1986 and where "trends indicate continuous and steady progress both by volume and by share" (Bai et al., 2019), other countries have only recently introduced their tax e-filing platforms. The majority of these economies are faced with a challenge of low adoption rate of tax e-filing services. Therefore, most of the research efforts were made to find out ways to improve the system and to enhance adoption. The adoption of technology/information systems like tax e-filing has been extensively explained in the past using theories like technology acceptance model (TAM), Diffusion of innovation (DOI), Unified theory of acceptance and use of technology (UTAUT) and IS success model (Rana et al., 2017) while some scholars have tried to integrate two or more theories or have extended these theories by introducing additional constructs to explain adoption or barriers to adoption of tax e-filing services (Maji & Pal, 2017). For instance, the study conducted by Schaupp & Carter (2010) employed UTAUT and found that tax e-filing adoption was significantly impacted by performance expectancy, social influence, and facilitating conditions. Tahar et al. (2020) reported in their study that perceived ease of use and perceived security were significant factors influencing the intention to use e-filing in Indonesia. Rakhmawati & Rusydi (2020) found correlation of perceived usefulness of e-filing and social influence on tax compliance in Indonesia. Azmi et al. (2012) studied an extended model of TAM with additional construct of perceived risk. The study found that perceived usefulness, perceived ease of use, and perceived risk all contributed towards tax e-filing adoption in Malaysia. Similarly, Santhanamery & Ramayah (2018) conducted a study in Malaysia to investigate factors associated with intention to use tax e-filing services and found perceived usefulness and attitude to be significant predictors. Njuguna (2023) concluded in his study that perceived usefulness, perceived ease-of-use, facilitating conditions, and users' own ability to use tax e-filing system were significantly related with e-filing system adoption in Kenya. Maji & Pal (2017) concluded in their study that perceived ease of operation, e-filing website service quality, perceived utility, cost-effectiveness, and social influence were the contributing factors in determining e-filing adoption in Indian context. According to Haryani et al. (2015), the simplicity of tax e-filing system and perceived ease of use were positive predictors of tax e-filing adoption in India. Lu & Ting (2013) conducted a study on tax e-filing in Taiwan and reported that the factors from both TAM and TPB significantly predict tax e-filing usage intention. Chaouali et al. (2016) found out in their study that performance expectancy, effort expectancy, social influence, and trust are positive predictors of tax e-filing services in Tunisia. Inasius (2019) reports that the probability of audit, perceived fairness and equity, social circle, and tax awareness are important contributing factors in tax compliance among Indonesian citizens. Oktaviania et al. (2020) conducted a study in Indonesia and suggested that knowledge about taxation, awareness of penalties, and tax socialization positively impacts tax compliance. Similarly, Wahdi et al. (2022) also studied determining factors in taxpayers' usage/adoption of tax e-filing in Indonesia. They found that taxpayers' knowledge as well as the perceptions about security and confidentiality positively affect intention to use tax e-filing services. Husain (2020) conducted a study of tax e-filing adoption in three developing economies i.e. Pakistan, India, and Oman. The results of the study suggested that system quality is an important factor in

explaining not just the intention of citizens to use tax e-filing services but also their trust in the service and their perception about its functional benefits. Akram et al. (2019) tested the IS success model to explain intention to use tax e-filing system in Pakistan and found that perceived functional benefits, and confirmation of expectation were the significant factors.

2.1 Theoretical Framework

This study has its theoretical foundation based on the widely accepted theory i.e. the updated IS Success Model (DeLone & McLean, 2003) which is used to gauge the success of an information system. The present study particularly adopts the three quality dimensions i.e. information quality, system quality, and service quality from the IS Success Model to explain the barriers to adoption of FBR's tax e-filing service in Pakistan as identified by the users of the system (i.e. respondents of the study). This practice has also been done in the past by Wicaksono et al. (2021) in Indonesian context. As per IS Success Model, the quality dimensions can subsequently influence citizens' satisfaction with the system, their usage intention which can ultimately lead to net benefits of these services to the citizens (Urbach & Muller, 2012). While IS Success Model has been widely used in the past in various fields, its utilization in the context of e-government services like tax e-filing is still scarce with only a few studies employing the model to explain success of e-filing system (Stefanovic et al., 2016; Akram et al., 2019; Wicaksono et al., 2021). Some of these studies also extended the original model by adding additional relevant constructs such as website design quality, trust, and facilitating conditions. Since tax filing requires no physical interaction of citizens with government, having high quality website/app is of paramount importance. The citizens can evaluate the quality of the e-filing system by means of its efficiency and effectiveness. Efficiency in this context means cost-saving, time-saving, and clear communication. While the effectiveness entails easy and quick retrieval of information, convenience, and personalized services (Akram et al., 2019). The quality perception of citizens regarding e-filing system ultimately leads to their perception about its benefits. Figure 1 below presents the updated IS Success Model. The three dimensions of quality are explained in detail below.

Figure 1: DeLone and McLean's updated IS success model
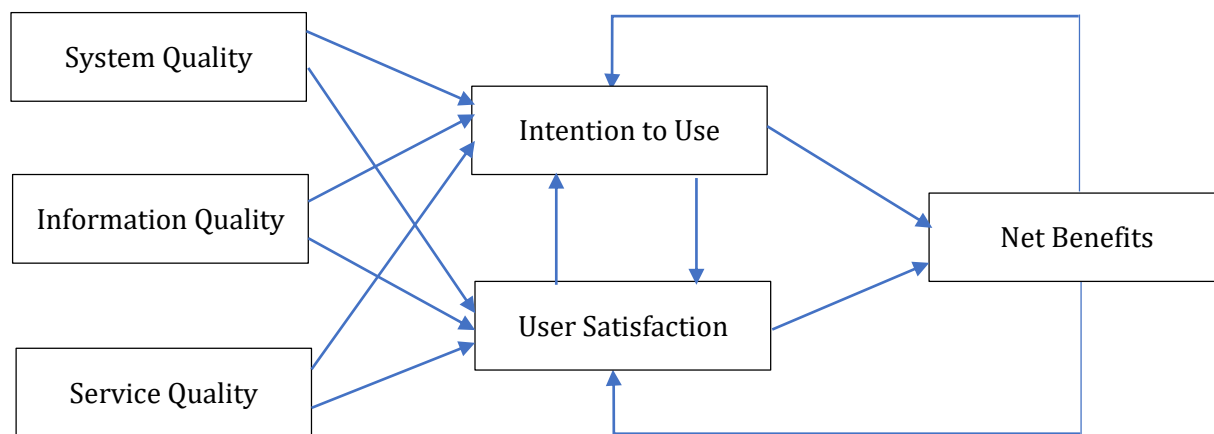
Source: DeLone & McLean 2003.

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2.1.1 System Quality

System quality is concerned with the performance of the information system itself. It basically refers to "the necessary characteristics of IS itself, such as flexibility of the system, stability, reliability, user-friendly interface, ease of use, response time, and security" (Akram et al., 2019, p. 242). A commonly used measure for assessing system quality is perceived ease-of-use (Urbach & Muller, 2012). A user perceived a system to be easy to use if he/she can easily and effectively operate the system without exerting excessive physical and mental efforts (Singh & Srivastava, 2018). In short, a technology which is simple and easy to use is more widely adopted by users than a complicated one (Hubert et al., 2019). The system quality measures relevant to e-government websites can include availability, access, convenience, response time, user-friendliness, usability, reliability, and ease of navigation (DeLone & McLean, 2003). These measures are also applicable to tax e-filing systems where citizens expect the system to be easily accessible, easy to use, offering a range of important features, and with the least technical issues (Sijabat, 2020). A few previous studies from various contexts have confirmed the positive influence of tax e-filing system quality with perceived usefulness of the system and overall user satisfaction (Tjen et al., 2019; Veeramootoo et al., 2018). Therefore, FBR should provide a high-quality tax e-filing system to meet the needs of taxpayers, to maximize their usage of the system which can lead to increased tax compliance.

2.1.2 Information Quality

Information quality is concerned with the ability of an information system to provide high quality outputs such as the content, reports, and dashboard. The information quality can be assessed in terms of its accuracy, relevance, timeliness, and completeness (DeLone & McLean, 2003). With regards to an e-government website such as tax e-filing system, the high quality of information means that it is complete, reliable, up-to-date, accurate, concise, precise, and relevant (Akram et al., 2019; Valaei & Baroto, 2017). Therefore, FBR must take steps to ensure that the information provided by the tax e-filing system meets the desired quality standards and attributes.

2.1.3 Service Quality

Service quality basically refers to "the overall expectation of consumers regarding various services, such as availability and readiness of services, safety of transactions, and individual attention" (Akram et al., 2019, p. 242). In the context of tax e-filing services, service quality means the quality of the support services provided by FBR to assist taxpayers in using the system and fulfilling their tax compliance obligations. These support services can include helpline, help desk, training, etc. Previous studies have shown the positive impact of service quality perceptions on the perceived usefulness of the e-government services and user satisfaction (Chen et al., 2015; Veeramotoo et al., 2018). Therefore, FBR should work on ensuring high-quality tax e-filing support services so that taxpayers can be adequately and sufficiently assisted.

RESEARCH METHODOLOGY

To achieve the purpose of the study qualitative data was collected by means of face-to-face semi-structured interviews. An interview guide was developed based on the research questions in order to give some structure to the interviews (attached in Appendix-1). Purposive sampling technique was used to collect interview data from a sample of 20 respondents including FBR officers, existing tax filers, and non-filers. Out of 20 respondents 12 were male and 8 were female. The interviews were audio recorded after seeking consent from the respondents. The collected data was then analyzed by means of thematic analysis in which the transcribed data was coded and then categorized into themes.

FINDINGS AND DISCUSSION

4.1 Thematic Analysis

4.1.1 Brief History of Tax E-filing in Pakistan

As an introductory question, the respondents, particularly FBR officers, were asked to share the brief history of tax e-filing in Pakistan. They shared that FBR's automation process started in 1980s which was initially outsourced, but it did not turn out to be efficient and therefore remained unsuccessful and so the returns filing was solely paper based. As one of the officers mentioned, "individuals could not do paper-based filing themselves at all". Later in 2003, there was a realization on part of FBR that there were excessive errors in the tax data and so the return filing process must be digitized for the purpose of retrieval and to minimize errors. After years of backend working, the electronic tax filing started in 2007 which was initially only available for the corporate sector. It became operational in its full swing from 2009 onwards. "…there were so many issues and errors with manual filing, but now online filing cannot go wrong" mentioned by one of the officers. IRIS in its first form was introduced in 2014 with the aim of maximum facilitation to taxpayers. However, as one of the officers mentioned, "in order to use the system, basic legal knowledge should be there". In 2017, electronic filing totally replaced manual filing i.e. the option to file manually was no longer available. As commented by one of the officers, "the shift from manual to electronic was not abrupt". Another officer commented that, "IRIS's primary purpose was to acquire healthy data for analytics. Facilitating taxpayers was a secondary purpose". While talking about the present version of IRIS i.e. IRIS 2.0, an officer shared that "the user experience is improved in IRIS 2.0 and system efficiency is enhanced. Now the workload is better managed by the system during tax filing season. The system does not hang anymore".

4.1.2 Barriers to Adoption

During the interviews, the respondents including the FBR officers, tax filers and non-tax filers were asked about the barriers which hinder the widespread adoption of FBR's tax e-filing services among the citizens of Pakistan. Majority of the respondents identified barriers including complexity of the system, the general reluctance of citizens to comply, insufficient tax training and education, lack of taxpayer awareness about education and support through Taxpayer Facilitation Centers (TFCs), the lack of awareness as well as limited functionality of Tax Asaan app, cost of complying through agents, confidence on agents, and awareness of penalties. The barriers relevant to the three quality dimensions of IS Success Model are classified accordingly. All of these barriers are discussed one by one below in the light of the responses given by the interviewees of the study. Table 1 provides a general overview of the themes of the study.

	Table 1: Overview of themes

System quality	Complexity of the system
	Limited functionality of Tax Asaan app
Information quality	Insufficient training/education through tutorials
	Language barrier
	Lack of awareness about penalties
Service quality	Lack of taxpayer awareness about education and support through TFCs and helpline.
Other issues	General reluctance of citizens to comply
	Cost of complying through agents
	Lack of confidence on agents filing returns (accuracy, privacy)

4.1.3 System Quality

The responses in which the study respondents shared the issues related to technical aspects of tax e-filing system are placed under the head of system quality. Based on the responses, the problems related to system quality of FBR's tax e-filing service include the complexity of the system and limited functionality of Tax Asaan app.

4.1.3.1 Complexity of the System

The complexity of the income tax e-filing system was a major theme emerging out of the responses given by all of the respondents of the study. Although the shift from manual filing to electronic filing has been beneficial with regards to an increase in the number of tax filers over the years as taxpayers now are more comfortable using digital means than doing the paperwork to file their returns. However, the majority of respondents were of the view that tax e-filing is still a complex process as it involves understanding of tax laws and concepts. Moreover, it requires a taxpayer to provide accurate financial information which entails having the knowledge and availability of all of the supporting documents while filing income tax returns. Also, it is a lengthy process which requires an individual to take out ample time to perform this task. Apart from all of these formalities, the tax e-filing system/ website i.e. IRIS 2.0 itself is not user-friendly or easy to understand or navigate for a taxpayer as it is loaded with confusing content and too many forms without sufficient guidance regarding the relevance of each form to a particular taxpayer. It is extremely difficult to know which different categories/heads/fields (assets/liabilities/expenses/taxes) are applicable to a particular person on different tabs/tiles/menus of the website for filing income tax returns. As one of the respondents mentioned about IRIS system, "I once tried but found it too complex and feared would cause problem". When asked about the contents of the website, one of the respondents mentioned that the IRIS 2.0 website is "heavily loaded with irrelevant material". Similarly, another respondent commented on the same question that the "contents are confusing like Fixed Tax regime & Normal Tax regime etc.". Consequently, a taxpayer finds it easier to get help from a tax expert/agent such as a consultant or a lawyer to file income tax returns on his/her behalf to avoid getting stuck in the complexities of the system as well as to save time. As mentioned by one of the respondents, "Multiple type of taxes i.e. turnover tax, minimum tax, final tax, tax on gain on sale of property and last but not the least tax levied under Section 7E of ITO, 2001 confuse the taxpayer how to file tax return without help of a tax expert". Another respondent commented on the same lines, "A simplified tax scheme may be introduced for individual taxpayers as their share in tax returns filed for a tax year exceed other categories of taxpayers. Most of the taxpayers are willing to contribute to the national kitty but

the complexity of tax system compelled them to consult with tax experts who guide them how to save the tax". Some of the respondents also mentioned that they take help from an agent and observe him/her while filing tax returns, the complexity of the system demotivates them to try to learn the tax filing system. On the other hand, some of the respondents were also of the view that there is no problem if someone takes help/guidance from a peer or an agent to file their return as long as they are filing. "It is easier for people to ask someone else to do it as takes time and reconciliation", mentioned by one of the respondents. The same respondent further commented that "Tax filing is not easy anywhere in the world, even in the US so why do people expect our system to be that simple". Another respondent who also did not see any problem with taking help from an agent to file tax return mentioned that, "There is misconception that everyone should file themselves", he further mentioned that, "people can go to consultant [to file income tax returns], there is no problem in it" Therefore, the analysis of the responses given by interviewees suggests that system complexity is one of the major factors which requires attention of the FBR in order to make it easy and user-friendly for a taxpayer to file his/her income tax returns on their own and to improve and promote tax culture in the country.

4.1.3.2 Limited Functionality of Tax Asaan App

Tax Asaan app was introduced with a purpose of simplifying the tax filing procedure for taxpayers particularly those belonging to salaried class. However, when the respondents were asked if they used Tax Asaan app for filing their income tax returns, majority of them replied that they never use this app. As one respondent mentioned, "I did not use the FBR Tax Assan app I file my return through classic view". Another respondent who had viewed the app commented that, "it is very difficult to file from tax Asaan there is no button of reconciliation". The respondents also mentioned that there is a limited functionality of Tax Asaan app as it is only there for filing basic returns. Moreover, the respondents also mentioned that they have not received any training and are not aware of any tutorials for the usage of the app. While discussing the usability of Tax Asaan app with FBR officers, one of them commented that, "... right now, the app has not affected the number of filers" He further commented that, "[as of now] the app is made for the sake of making an app". He further commented that, "the app is being redesigned and will be heavily publicized through campaigns". The officers also mentioned that they are working on making the app registration process as simple as possible. "If your phone number is in your name, you will be able to easily register" He continued that "[then the people] would not need assistance". Similarly, another officer also pointed towards the ongoing work for the improvement of app by saying that, "Tax Asaan app is made for people with basic understanding". She further continued, "apps are improved with customer feedback... we are trying to make the app user-friendly, and we are also adding help feature wherever necessary". Therefore, right now the functionality and usability of the app is limited which is why it is not being used by the taxpayers as much. If the improvements are made as promised, the citizens might find it easier to file their income tax returns through Tax Asaan app than through IRIS 2.0.

4.1.4 Information Quality

The responses in which the study respondents shared issues related to completeness, timeliness, accuracy, reliability, consistency, sufficiency, understandability, and relevance of information provided by FBR's tax e-filing system are classified under the head of information quality. Based on the responses, the problems related to information quality of FBR's tax e-filing service include

insufficient training/education through tutorials, language barrier, and lack of awareness about penalties in case of non-compliance.

4.1.4.1 Insufficient Training/Education through Tutorials

Another barrier which emerged out of the interview data provided by the respondents was the insufficient awareness about the availability of training/education through tutorials on FBR website as well as the poor quality/ineffectiveness of the content in those existing tutorials. A few respondents knew about the availability of tax filing tutorials on FBR's website who mainly got to know about them through social media or their own social contacts. However, even though these respondents accessed tutorials available on FBR's website for filing their returns, they did not find those tutorials very helpful as they were not easy to follow, shared very basic steps for filing income tax return without going into the details of categories and their sub-categories, missed important steps, and shared incomplete information regarding tax e-filing. Majority of the respondents also agreed that the tutorials provided insufficient information/explanation about all section/sub-sections such as Wealth Statement, Personal Expenditures, Assets, Liabilities which are applicable to taxpayers filing income tax returns and the information provided is also irrelevant. Moreover, the respondents also highlighted the need to have tutorials to explain/educate about the list of supporting documents needed for filing income tax returns so that the return filer would not have any confusion about the required documents and the content/sections within those documents that they should focus on. As one of the respondents mentioned, "the existing tutorials lack this aspect, there is only one document which is focused on list of supporting documents and that too is not very clear" Also, there are many people who do not understand or are not aware of the basic concepts of taxation like assets, liabilities, Incomes, Expenditures, Wealth, Re-Conciliation or Adjustment of Un-Reconciled amount, etc. The respondents agreed that there should be a comprehensive tutorial on FBR's website which aims to educate the taxpayers about these basic concepts. When the same questions were asked from the FBR officers, most of them were also not aware of the availability of tutorials on FBR website and those who knew about them agreed that tutorials need improvements. One of the respondents suggested that in the absence of effective tutorials, "people should seek peer help. They can discuss the issues with their peers who are more knowledgeable about tax e-filing". A few officers emphasized the limitations on their end regarding the use of simple language or explanation of details in tutorials. They mentioned that going into details or using layman language can cause litigation issues i.e. everyone can perceive the information as per their understanding which can lead to further problems and therefore FBR has to use legal language in their tutorials. As mentioned by one of the officers, "adding normal language may lead to misperception so we have to use legal language". Another respondent mentioned that "adding explanation in tutorials would facilitate people but it would create litigation issues as people can perceive differently. Legal matters require neutrality". As for the solution to this issue, FBR officers suggested that people can search for the available tutorials over the internet especially on YouTube which are created by independent individuals. As commented by one of the officers, "citizens can use alternate sources like videos of different consultants on YouTube". As for the training about basic concepts of tax, the officers commented that they regularly arrange seminars/training sessions on campuses of different universities etc. upon request. As mentioned by one of the respondents, "The PR department of FBR can provide tax training. If universities invite, we conduct seminars for them".

4.1.4.2 Language Barrier

Another barrier which is faced by some people while filing their income tax returns is the use of English language on the website, forms, and in all kinds of communication and correspondence of FBR with citizens. A common taxpayer in Pakistan with limited education might not be able to understand the contents written in English language which might discourage him/her to file their taxes altogether as taking help/support through agents will incur them an additional cost. When asked if the introduction of Urdu language in the system and in communication can increase the number of tax filers, one of the officers mentioned that "…the number of taxpayers will only increase marginally". Another officer commented that, "the tutorials are available in Urdu language as well". He further continued that, "if someone does not understand a legal document in English, he can take help from a tax lawyer". While talking about Tax Asaan app, an FBR officer mentioned that they are already working towards the addition of Urdu language option in the app to facilitate the taxpayers. Therefore, the addition of Urdu language in the system and communication can make it more inclusive and can encourage/motivate more people to use the system/file their income tax returns.

4.1.4.3 Lack of Awareness about Penalties

The majority of the respondents said that it is important for them to file correct income tax returns but since they are not confident that their agent files their income tax returns correctly, they fear the consequences of wrong tax filing. However, they are not aware of the exact penalties which are applicable in case of wrong income tax filing. The respondents were also aware that they can be selected for audit for their completed income tax returns. A few of the respondents had experience of income tax return audit and they generally commented that it was not a good experience for them. As one of the respondents commented, "Fought them for 6 years and proved I was right". Another one also commented that, "Worst experience. Inspector black mailed me and asked for a huge amount to close the audit". Similarly, another respondent who was selected for audit said that "I submitted the reply via iris and no other response was received and direct order was passed against me". One of the respondents shared their bad experience by saying that he was "Very much uncomfortable by nonprofessional attitude of incompetent and non-technical officers (Drs, Engineers and simple graduates) hired by the FBR to perform a more technical function of Audit based on thorough knowledge of accounting, taxation IT and law". Therefore, there is a general lack of awareness about the penalties associated with wrong tax filing. Moreover, in case of audit of mistakes in tax filing done through agents or on their own, the taxpayers are treated in a disrespectful/unprofessional manner which further demotivates/discourages citizens to become a part of the tax system.

4.1.5 Service Quality

The responses in which the respondents of the study commented about the support services provided by FBR to assist taxpayers in e-filing their income tax returns is classified under the head of service quality. Based on the responses, the problems related to information quality of FBR's tax e-filing service include lack of taxpayer awareness about education and support through TFCs and helpline.

4.1.5.1 Lack of Taxpayer Awareness about Education and Support through TFCs and Helpline.

Some of the respondents were aware of tax e-filing support facilities provided by FBR through their helpline and they also used that service while filing their income tax returns. When asked about their experience with the helpline there were mixed responses where some respondents were satisfied with the service while others mentioned that the service was "pathetic, [the staff had] very poor knowledge and unfriendly attitude". When asked about taxpayer facilitation centers (TFCs), the majority of the respondents were not aware of the availability of such centers nor about the services/support these centers can provide. As one of the FBR officers mentioned, "taxpayers are not really aware of these centers". She further commented that, "the infrastructure of these centers is not appropriate and there is a need to manage human resources". Another officer commented that, "During the tax filing season, the employees are there to assist taxpayers and they even do late sittings to accommodate maximum people. Taxpayers can file their taxes free of cost with assistance from an employee in TFCs". When talking about the same issue, another FBR officer commented that "the employees in TFCs may ask for some money for their services as tax filing is a laborious task". Therefore, there is a need for improvement and better promotion of the services/support provided by FBR helpline and TFCs so that taxpayers can take help in case of any issues that they face while filing their income tax returns.

4.1.6 Other Issues

The respondents also highlighted other issues related to tax e-filing such as the general reluctance/unwillingness among citizens to comply and the issue related to tax e-filing through third party agents. The need for assistance from agents arises because the taxpayers do not find FBR's tax e-filing system easy to use and because sufficient support services are not provided by FBR.

4.1.6.1 General Reluctance of Citizens to Comply

When asked about the barriers to adoption of e-filing of income tax returns, some of the respondents highlighted that there is a general unwillingness or reluctance among the citizens of Pakistan to pay or file their taxes which curtails the promotion of tax culture in the country. The respondents, particularly the FBR officers stated that the citizens are being facilitated as much as possible by means of shifting from manual to electronic filing and by bringing continuous improvements in the e-filing system. However, some people are still reluctant to become a part of the stream and to use the system as they simply do not want to comply. While talking about the income tax e-filing system, one of the respondents mentioned that "as for the use of tax e-filing system by a standard taxpayer, it basically depends on the willingness". Another respondent also commented that, "people cannot be convinced by simplifying form or app because they do not want to comply". He further commented that, "the ultimate facilitation for citizens would be to eliminate taxes entirely". Another issue which instigates reluctance among citizens is the lack of trust with regards to sharing their personal financial information. As mentioned by one of the respondents, "there is unwillingness to file taxes as some people are scared to share their financial information". When asked about the reluctance of people to file their income tax returns on their own the respondents were of the view that the shift from manual to electronic filing has undoubtedly increased the number of filers as the people who used to file their return manually was far less than those who file online. However, the compliance rate is still very low. As one of the respondents mentioned, "nobody wants to pay taxes and the worst

part is that the cost of non-compliance is zero. There has to be repercussions/penalties in order to make [tax e-filing] a necessity/utility for people". In the absence of consequences, there is little to no motivation among citizens to pay taxes let alone filing income tax returns on their own.

4.1.6.2 Cost of Complying through Agents

Another issue which is a potential barrier in the way of tax e-filing is the unnecessary cost that people have to bear in the form of payments to the agents/tax lawyers for filing tax returns on their behalf. When asked about the average cost/amount of money that taxpayers had to pay to the agents every year, the respondents revealed that they had to pay the amount ranging from Rs. 5000 to Rs. 50,000 to a tax filing agent every year. The majority of the respondents also said that since the cost is high, it motivates them to learn to file their income tax returns on their own, but the complexity of the system does not allow them to do so. Some of the respondents were of the view that the cost was justified since the system is so complex that they do not think that they can ever file their own tax returns. Therefore, a taxpayer who does not afford to bear this additional cost (payment to tax agents) may decide not to file income tax returns altogether i.e. they decide not to comply since the cost of non-compliance is zero.

4.1.6.3 Lack of Confidence on Agents Filing Returns (Accuracy, Privacy)

When filing through an agent, a taxpayer has to share confidential financial information and supporting documents in order for that agent to file correct income tax returns on their behalf. However, the respondents revealed that they are always concerned about the safety/privacy of their personal financial documents when shared with an agent. As one of the officers mentioned, "taxpayers are not confident about correct filing of their tax". While majority of the respondents said that they are not usually present when their agent files their income tax returns, even the ones that said that they are always present were not confident that their agent had filed correct income tax returns on their behalf. The respondents who are present with their agent while filing income tax returns also said that their agent sometimes ask for clarifications/information which they provide. However, when the taxpayers try to learn or ask questions from agents, they are not answered by the agent sufficiently which makes the tax e-filing system seem even more complicated.

CONCLUSION

This study was conducted to examine the barriers to adoption of FBR's tax e-filing service by taxpayers in Pakistan. To achieve the objective of the study the data was collected by means of interviews with relevant stakeholders including existing tax filers, non-filers, and FBR officers. The analysis of the data revealed some useful insights regarding the major barriers facing the adoption of FBR's tax e-filing system. The primary issue turned out to be the complexity of the website (IRIS 2.0) i.e. the website is not easy to navigate and contains too much unexplained content which complicates the process of tax e-filing for a taxpayer. Secondly, there is general unwillingness or reluctance among the citizens of Pakistan to pay or file their taxes. This is because of the lack of trust among citizens when it comes to sharing personal financial information as well as citizens think they can easily get away with non-compliance without any consequences. Thirdly, there is insufficient awareness about the availability of tutorials on FBR website as well as the poor quality/ineffectiveness of the content in those existing tutorials. Furthermore, taxpayers are not generally aware of the support facilities such as TFCs/helpline which raises the need for improvement and better promotion of these services/support provided by FBR. Also, there is lack of awareness about Tax Asaan app which was made to simplify tax filing for taxpayers, and it also lacks full functionality which restricts its usability. Additionally, there is a language barrier as a common taxpayer in Pakistan with limited education is not able to understand the contents written in English language which is primarily being used on website as well as all kinds of communication of FBR with citizens. Also, when citizens cannot file their tax returns due to the issues highlighted above, they have to get help from agents which incurs taxpayers an extraneous annual cost. Taxpayers also have concerns about the safety/privacy of their personal financial documents when shared with an agent. Lastly, the majority of the citizens are unaware of the exact penalties which are applicable in case of wrong income tax filing. These are some of the major barriers identified by this study which requires attention of FBR to improve and promote tax culture in the country.

RECOMMENDATIONS / POLICY IMPLICATIONS

The findings of this study have shed light on various issues faced by taxpayers in Pakistan in terms of filing their income tax returns online through FBR's website i.e. IRIS 2.0 as well as Tax Asaan app. Based on the study findings, the researchers have proposed a few recommendations for improvement which can be implemented by FBR to make the process of tax e-filing easier and simpler for taxpayers.

6.1 User-Friendliness of System

First of all, there is a dire need to simplify the tax e-filing system (website as well as app) by making the interface user-friendly and easy to navigate. There should be a tab where sources of income appear so that a taxpayer can easily identify his/her relevant selection. Also, a list with checkboxes should be provided to allow taxpayers to select the taxes they have already paid as at the time of filing taxpayers sometimes find it difficult to recall all forms/types of taxes they have paid in the previous year. A taxpayer/user of the system should be guided during the entire process by means of a help section or small pop-ups with definitions and relevance of different terminologies/concepts stated in the form. An improved and comprehensive FAQ section should be added to the FBR website which provides answers to the most common queries of citizens. Moreover, there should be an option to view the website as well as the app in Urdu language to make it more inclusive so that those taxpayers who cannot read or understand English language can also file their tax returns. This can enable a common taxpayer to file their income tax returns on their own without the help/assistance from an agent leading to elimination of the concern about privacy of financial information as well as the doubts about accuracy of tax filing by the agents. The assistance from agents also incurs taxpayers an extraneous annual cost. Therefore, if implemented properly, the simplification and improvement of the tax e-filing system (i.e. website and app) has the potential to bring more people into the system and thus increase the number of tax filers in the country.

6.2 Taxpayer Education

It is recommended that better, and more effective tutorials can be designed by FBR for taxpayer education and assistance. As of now, the existing tutorials share very basic information, miss important steps, lack sufficient information/guidance about various sections and sub-sections and are not easy to follow. FBR should work on the improvement of tutorials by providing comprehensive information about sections, sub-sections as well as the relevant data to be entered in those sections and sub-sections. They should also include a clear and detailed explanation of each and every step involved in the tax e-filing process. The tutorials should also be created for taxpayer education with regards to the basic concepts of taxation including but not limited to categories of assets/liabilities/incomes/wealth/expenditures/re-conciliation or adjustment of un-reconciled amount in easy (not legal) language. There is also a need to design and create tutorials in order to educate taxpayers about the list of supporting documents as well as the content within those documents which are required for filing tax returns. FBR can work on designing a few comprehensive tutorials which can explain the entire process of tax e-filing step-by-step for the most common categories which applies to the majority of taxpayers in Pakistan. FBR can also create their own YouTube channel to upload these tutorials which will make it easy for taxpayers to access them at their convenience. FBR should try and make use of layman language wherever possible in their

communication with the taxpayers through emails or SMS alerts, etc. The tutorials should also use layman language to ensure maximum clarity among taxpayers. The tutorials should be available in both English and Urdu language to maximize their audience and reach. Taxpayers should also be educated about the penalties/consequences applicable in the case of non-compliance through different mediums such as TV ads, social media, website, etc.

6.3 Awareness and Redesigning of Facilities Provided by TFCs

Presently, the majority of taxpayers are not aware of the facilities provided by TFCs which makes the utility of these centers questionable and even those who know or have visited these centers are unimpressed by their offered services. FBR should make efforts to redesign and improve the services/facilities provided by TFCs and properly develop their infrastructure. Relevant officers should be there who can assist taxpayers in the case of any issues that they might face during the tax e-filing process. There should be a separate section/department or a designated person/desk in TFCs which is aimed to educate the taxpayers about taxation, provide physical training about tax filing, and answer all queries a taxpayer may have about the taxation concepts, tax e-filing process, supporting documents, explanation of legal notice, etc. Furthermore, FBR should raise awareness about the existence of TFCs by advertising through websites, local channels, or social media. FBR can highlight the facilities provided by TFCs while communicating the tax e-filing deadline to the taxpayers. Properly developed TFCs with helpful staff/officers can eliminate the need to get assistance from third party agents and can enable taxpayers to file their own tax returns.

6.4 Data integration with Other Departments

FBR should also put efforts into integrating taxpayer data on their website with other relevant departments like NADRA, FIA, etc. This will automate the data entry process for taxpayers to some extent as the system will be able to pull data automatically from the integrated sources thus making it easier and less time taking for citizens to file their income tax returns. It will also eradicate the possibility of entering wrong data therefore ensuring accuracy of tax e-filing as well.

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APPENDICES: INTERVIEW GUIDE

APPENDIX I: Interview Guide for Taxpayers

1) When filing yourself, have you received any form of training to file your income tax returns?
2) If training received, from whom/where?
3) If training received, are you satisfied with the training you received to file your income tax returns?
4) When filing yourself, are you fully aware of the type/number of documents needed to file your income tax returns?
5) Do you find collection of these supporting documents easy to file your income tax returns?
6) Are you confident about the authenticity of collected supporting documents needed to file your income tax returns?
7) Are you confident about the relevance of collected supporting documents needed to file your income tax returns?
8) Do you understand the contents of the collected supporting documents needed to file your income tax returns?
9) If filing yourself, are you confident that you are filing the correct income tax return?
10) Are you aware of the penalties applicable in case of wrong income tax filing?
11) Is it important for you to file correct income tax returns or just fulfilling the requirement of filing tax returns is enough?
12) Are you aware that you can be selected for audit for your completed income tax returns?
13) Have you ever been selected for audit over you completed income tax returns?
14) If selected, please share your experience of income tax return audit.
15) While filing, do you find the income tax filing system complicated?
16) If yes, how can the complexity of the income tax filing system be improved?
17) Overall, how can the income tax filing system be improved for taxpayers filing themselves?
18) When filing yourself through FBR Website (IRIS 2.0) what do you think about the contents of FBR website?
19) Do you find the website layout user-friendly?
20) Do you find the website easy to navigate?
21) Do you sufficiently understand the different tabs/sections/menus of the website?
22) Do you know which different categories/heads/fields (assets/liabilities/expenses/taxes) are applicable to you on different tabs/tiles/menus of the website for filing income tax returns?
23) If not sure or confused how do you seek help or resolve such queries?
24) Have you received any training for using the website?
25) If training received, from whom?
26) Did you know that the tutorials are available to facilitate return filing on FBR website?
27) Have you ever accessed tutorials for return filing available on FBR website?
28) How did you come to know about the availability of tutorials for return filing?
29) Do you think existing tutorials share very basic steps for filing income tax return?
30) Do you think existing tutorials miss important steps for filing income tax returns?
31) Do you think existing tutorials share incomplete information for filing income tax returns?
32) Do you think existing tutorials do not share sufficient information/explanation about all section/sub-sections (Wealth Statement, Personal Expenditures, Assets, Liabilities) applicable to taxpayers filing income tax returns?
33) Do you think existing tutorials do not share relevant information/explanation (types, categories) to be added in all sections/sub-sections (Wealth Statement, Personal Expenditures, Assets, Liabilities) applicable to taxpayers filing income tax returns?
34) Do you think existing tutorials are not easy to follow for filing income tax returns?

35) Do these tutorials provide a list of documents needed to file income tax returns?
36) Do you think that tutorials should also be developed to educate taxpayers about list of supporting documents needed for filing income tax returns?
37) Do you know about relevant concepts of taxation (Categories of Assets/Liabilities/Incomes/Expenditures/Wealth/Re-Conciliation or Adjustment of Un-Reconciled amount) for filing income tax returns?
38) Do you think that tutorials should also be developed to educate taxpayers about relevant concepts of taxation (Categories of Assets/Liabilities/Incomes/Expenditures/Wealth/Re-Conciliation or Adjustment of Un-Reconciled amount) for filing income tax returns?
39) Do you find these tutorials effective for learning?
40) Do you use the website through wizard based interface or standard menu?
41) How do you think the FBR Website (IRIS 2.0) can be improved?
42) When filing yourself, do you file your income tax returns yourself through FBR Tax Asaan app?
43) If filing yourself through FBR Tax Asaan app, what do you think about the contents of FBR Tax Asaan app?
44) Do you find the app layout user-friendly?
45) Do you find the app easy to navigate?
46) Do you sufficiently understand the different tabs/sections/menus of the app?
47) Do you know which different categories/heads/fields (assets/liabilities/expenses/taxes) are applicable to you on different tabs/tiles/menus of the app for filing income tax returns?
48) If not sure or confused how do you seek help or resolve such queries?
49) Have you received any training for using the app?
50) If training received, from whom?
51) Did you know that the tutorials are available to facilitate return filing for taxpayers?
52) Have you ever accessed tutorials for return filing available on website?
53) How did you come to know about the availability of tutorials for return filing?
54) Do you think existing tutorials share very basic steps for filing income tax return?
55) Do you think existing tutorials miss important steps for filing income tax returns?
56) Do you think existing tutorials share incomplete information for filing income tax returns?
57) Do you think existing tutorials do not share sufficient information/explanation about all section/sub-sections (Wealth Statement, Personal Expenditures, Assets, Liabilities) applicable to taxpayers filing income tax returns?
58) Do you think existing tutorials do not share relevant information/explanation (types, categories) to be added in all sections/sub-sections (Wealth Statement, Personal Expenditures, Assets, Liabilities) applicable to taxpayers filing income tax returns?
59) Do you think existing tutorials are not easy to follow for filing income tax returns?
60) Do these tutorials provide a list of documents needed to file income tax returns?
61) Do you think that tutorials should also be developed to educate taxpayers about list of supporting documents needed for filing income tax returns?
62) Do you know about relevant concepts of taxation (Categories of Assets/Liabilities/Incomes/Expenditures/Wealth/Re-Conciliation or Adjustment of Un-Reconciled amount) for filing income tax returns?
63) Do you think that tutorials should also be developed to educate taxpayers about relevant concepts of taxation (Categories of Assets/Liabilities/Incomes/Expenditures/Wealth/Re-Conciliation or Adjustment of Un-Reconciled amount) for filing income tax returns?
64) Do you find these tutorials effective for learning?
65) Do you think Tax Asaan app provides complete functionality/features for filing income tax returns?
66) How do you think the FBR Tax Asaan app can be improved?
67) Are you aware that you can use FBR helpline for e-filing related queries? 051-111772772.

68) Have you ever used FBR helpline for any tax e-filing queries?
69) Is yes, please share your experience?
70) Are you aware of availability of taxpayer facilitation centers for filing income tax returns?
71) Do you know that individual taxpayers can get help for filing income tax returns at such centers?
72) Was the shift from manual tax filing to electronic tax filing abrupt for taxpayers?
73) In your opinion how the shift from manual to electronic tax filing has affected you?

APPENDIX II: Interview Guide for Non-Taxpayers

1) If not filing yourself, who files your income tax returns on your behalf?
2) Do you spend money on filing income tax returns every year through agents?
3) If spent, please share the amount?
4) If spent, do you think this cost is high/low?
5) If the cost is high, do you think it motivates you for trying to learn the tax filing system yourself?
6) If the cost is low, do you think it demotivates you from trying to learn the tax filing system yourself?
7) Do you think the cost is justified?
8) Do you think this cost is reasonable for the service provided by the agent?
9) If not filing yourself, do you find collection of these supporting documents for agent easy for filing your income tax returns every year?
10) Once forwarded, do you get concerned about the safety/privacy of your personal financial documents with the agent?
11) Are you present while your income tax return is being filed on your behalf by your agent?
12) If present, does your agent seek any clarifications/information from you while filing your income tax return on your behalf?
13) If yes, are you able to provide such clarifications/information?
14) Do you understand or try to understand how your agent is filing your income tax return on FBR website?
15) Do you try to learn or ask questions from your agent about filing income tax return on FBR website?
16) If yes, are those questions answered by the agent filing your income tax return on FBR website?
17) While observing your agent filing for you, do you find the income tax filing system complicated?
18) If yes, does this perception of complexity demotivate you from trying to learn the tax filing system.
19) After income tax filing in your presence are you confident that your agent has filed the correct income tax return on your behalf?
20) If no, do you fear any consequences of the wrong income tax filing?
21) After income tax filing in your absence are you confident that your agent has filed the correct income tax return on your behalf?
22) If no, do you fear any consequences of the wrong tax filing?
23) Are you aware of the penalties applicable in case of wrong income tax filing?
24) Is it important for you to file correct income tax returns or just fulfilling the requirement of filing tax returns is enough?
25) Are you aware that you can be selected for audit for your completed income tax returns?
26) Have you ever been selected for an audit over you completed income tax returns?
27) If selected, please share your experience of income tax return audit.
28) Do you feel any need/want/motivation to learn how to file income tax return yourself?
29) Do you think that you can learn how to file income tax return for yourself?
30) Have you ever tried to learn how to file income tax return?

31) If tried, what were the major barriers to your learning?
32) If not tried, what were the major reasons for deciding not to learn how to file income tax return?
33) Are you aware of the availability of taxpayer facilitation centers for filing income tax returns?
34) Do you know that individual taxpayers can get help for filing income tax returns at such centers?

Appendix III: Interview Schedule for FBR Officers

1) Please share brief history of FBR income tax filing system.
2) Is manual income tax filing still possible?
3) Was the shift from manual tax filing to electronic tax filing abrupt for taxpayers?
4) In your opinion how the shift from manual to electronic tax filing has affected taxpayers?
5) Please share about recent improvements/reforms in FBR income tax filing system (IRIS 2.0 e-filing software).
6) Have such improvements resulted in increase in number of income tax filers? Yes/No
7) If Yes, How much?
8) If No, why?
9) In your opinion how FBR's income tax filing system (IRIS e-filing software) be improved?
10) Please share about recent improvements/reforms in FBR Tax Asaan app.
11) Have such improvements resulted in increase in number of income tax filers? Yes/No
12) If Yes, How much?
13) If No, why?
14) In your opinion how FBR Tax Asaan app be improved?
15) How the existing tutorials to facilitate taxpayers filing income tax returns be improved?
16) How would you respond that existing tutorials share very basic steps for filing income tax return?
17) How would you respond that existing tutorials miss important steps for filing income tax returns?
18) How would you respond that existing tutorials share incomplete information for filing income tax returns?
19) How would you respond that existing tutorials do not share sufficient information/explanation about all section/sub-sections (Wealth Statement, Personal Expenditures, Assets, Liabilities) applicable to taxpayers filing income tax returns?
20) How would you respond that existing tutorials do not share relevant information/explanation (types, categories) to be added in all sections/sub-sections (Wealth Statement, Personal Expenditures, Assets, Liabilities) applicable to taxpayers filing income tax returns?
21) How would you respond that existing tutorials are not easy to follow for filing income tax returns?
22) Do you think that taxpayers know about the list of supporting documents needed for filing income tax returns?
23) Do you think that tutorials should also be developed to educate taxpayers about list of supporting documents needed for filing income tax returns?
24) Do you think that taxpayers know about relevant concepts of taxation (categories of Assets/Liabilities/Incomes/Expenditures/Wealth/Re-Conciliation or Adjustment of Un-Reconciled amount) for filing income tax returns?
25) Do you think that tutorials should also be developed to educate taxpayers about relevant concepts of taxation (categories of Assets/Liabilities/Incomes/Expenditures/Wealth/Re-Conciliation or Adjustment of Un-Reconciled amount) for filing income tax returns?
26) Please share information (improvements/reforms) about availability of taxpayer facilitation centers for filing income tax returns.

27) Can individual taxpayers get help for filing income tax returns at such centers?
28) Do you think most taxpayers are aware of the availability of taxpayer facilitation centers for filing income tax returns?
29) If no, what steps have been taken to improve awareness about availability of taxpayer facilitation centers for filing income tax returns?