

**THE FEDERAL TAX OMBUDSMAN
ISLAMABAD**

COMPLAINT No.0074/OM/2023

Dated: 24.08.2023* HQ, Islamabad

The Secretary,
Revenue Division,
Islamabad.

... Respondent

Dealing Officer	:	Dr. Khalil Ahmad, Advisor
Appraised by	:	Mr. Muhammad Tanvir Akhtar, Advisor
Departmental Representative	:	Mr. Akhtar Suraj, Addl CIR RTO, Bahawalpur

FINDINGS / RECOMMENDATIONS

Own Motion investigation was initiated by FTO Secretariat, Islamabad under Section 9(1) of the FTO Ordinance, 2000 on discrepancies and deficiencies in SRO 1262(I)/2022 dated 01.08.2022 being lopsided and deficient and consequently creating hurdles in transparent; across the board smooth implementation of tax laws in the real estate sector. Apart from considerable loss of revenue, FBR's inattention and ineptitude on this account leave the field wide open to the whims & wishes of provincial and FBR's field staff.

2. Certain specific anomalies identified in the said SRO were conveyed to CCIR, RTO, Bahawalpur.
3. Report was called for from CCIR, RTO, Bahawalpur vide letter dated 23.08.2023. In response thereto, the Chief Commissioner-IR, RTO Bahawalpur submitted annotated reply vide letter dated 07.09.2023 which is reproduced hereunder.

Sr.#	Discrepancies	Reply / Comments																														
(i)	<p>Valuation tables reflects some unexplainable dichotomies: For instance, having the same Tehsil, (Rahim Yar Khan), same Revenue Circle (Bindoor), same Area, (Ethiad Housing Scheme) same Land Classification (Commercial) and same Location (MC RY Khan) per Marla rate at SN 11 is Rs.105000/- whereas with the same specifications, rate at SN 13 is Rs.210000. Similar un-understandable situation appears at SNOs 12,15,17 etc and so on so forth. Without providing any rationale for different valuation rates for identical pieces of land, the valuation table is rendered deficient and open to misuse by revenue as well as FBR staff.</p>	<p>Admitted to the extent that at some places, the rate is notified as per different nominations like off road, on road, off side commercial, on side commercial. Besides this there are (2) two phases of Etihad Housing Scheme, Kacha Sadiqabad Road, Rahim Yar Khan. Phase-I is partially/reasonable area while phase-II is backward (barren) area and SN 11 relates to backward (barren) area of Phase-II (Etihad Housing Scheme) which is Rs.105,000/- per marla while SN 13 relates to Phase-I (Etihad Housing Scheme) and rate is Rs.210,000/- per marla. SN 12 of the said SRO relates to backward area of (Liaqat Garden Manthar Road, Rahim Yar Khan) and rate Rs.105,000/- per marla while SN 15 relates to some reasonable area of the (Liaqat Garden, Manthar Road, Rahim Yar Khan) and rate is Rs.315,000/- per marla. It is further added that the SN 17 relates to main commercial area of the (Liaqat Garden, Rahim Yar Khan) and rate is Rs.420,000/- per marla. However, this anomaly will be weed out in the forth coming FBR SRO-2023</p>																														
(ii)	<p>With a contribution of 17.6%, the real estate sector is one of the major areas of economic activity in Rahim Yar Khan. (Punjab Development Census, 2018-19). This share owes to the development of various housing societies, the majority of which are not approved by the concerned authorities. The detail is as under: -</p> <table><tr><th>S.No.</th><th>Name of Tehsil</th><th>Total No. of Housing Societies</th><th>No. of Illegal Housing Societies</th><th>No. of Housing Societies Waiting Approval.</th></tr><tr><td>1</td><td>Rahim Yar Khan</td><td>28</td><td>07</td><td>20</td></tr><tr><td>2</td><td>Khanpur</td><td>14</td><td>09</td><td>05</td></tr><tr><td>3</td><td>Liaqatpur</td><td>15</td><td>04</td><td>11</td></tr><tr><td>4</td><td>Sadiqabad</td><td>08</td><td>05</td><td>03</td></tr><tr><td></td><td>Total</td><td>65</td><td>25</td><td>39</td></tr></table>	S.No.	Name of Tehsil	Total No. of Housing Societies	No. of Illegal Housing Societies	No. of Housing Societies Waiting Approval.	1	Rahim Yar Khan	28	07	20	2	Khanpur	14	09	05	3	Liaqatpur	15	04	11	4	Sadiqabad	08	05	03		Total	65	25	39	<p>The approval of the housing societies is domain of Deputy Commissioner/Municipal Committee/District Council Rahim Yar Khan, the Focal Person of Rahim Yar Khan Zone has issued letter to Additional Deputy Commissioner (Revenue), Rahim Yar Khan vide No.33 dated 06.09.2023 (copy enclosed) for reply/comments.</p>
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(iii)	<p>Although the SRO has notified rates of various housing schemes but apparently the notified rates are lower than the actual rates offered by the sponsors of private housing societies themselves. For instance, New Gulberg Garden, Rahim Yar Khan is valued @Rs. 420,000/- per Marla for commercial category and Rs. 262,500/- per Marla for residential category. However, the rates prescribed by the developers are much higher. The rate offered in the Gulberg Executive, Rahim Yar Khan is Rs. 620,000/- per</p>	<p>Admitted. Rates are finalized in consultation with Deputy Commissioner, Rahim Yar Khan. However, the Focal Person of Rahim Yar Khan Zone has issued a letter to Additional Deputy Commissioner (Revenue), Rahim Yar Khan vide No.33 dated 06.09.2023 (copy enclosed) for reply/comments.</p>																														

	Marla in the residential category. FBR while determining value, apparently ignored comparison of rates offered by developers.			
(iv)	The SRO completely misses out valuation of some renowned newly developed housing societies. The detail of some of renowned housing schemes being developed in Rahim Yar Khan is as under:			Admitted. As these societies have still not been approved by the Deputy Commissioner/Municipal Committee/District Council, Rahim Yar Khan. However, the Focal Person of Rahim Yar Khan Zone has issued letter to Additional Deputy Commissioner (Revenue) , Rahim Yar Khan vide No.33 dated 06.09.2023 (copy enclosed) for reply/comments.
	S. No.	Name of Housing Scheme	Address	Name of Developer
	1	Gulberg Executive	Rahim Yar Khan	
	2	Garden Avenue Housing Scheme	Rahim Yar Khan	
	3	Indus Housing Society	Rahim Yar Khan	M/s. Indus Housing (Pvt) Ltd
	4	Indus Smart City	Rahim Yar Khan	M/s. Indus Housing (Pvt) Ltd
	4	Ittefaq Housing Society	Rahim Yar Khan	M/s. Ittehad Builders & Developers, RYK
(v)	The valuation of multi-story buildings and commercial plazas is altogether different from the valuation of plots and homes. The SRO is completely silent about valuation of built-up area, despite of the fact that real estate sector has seen considerable growth in Rahim Yar Khan.			Partially admitted. This Zone has determined rates with the stack holders as per directions of Board. However, all the said anomalies have been rectified and valuation of built-up structures at multi-story buildings and commercial plazas has been proposed to the Federal Board of Revenue (HQS) in the forthcoming SRO.
(vi)	The real estate sector of Pakistan is full of new ideas and concepts which attract investors for investing in such projects. Farm houses are another category of real estate and is getting popular across Pakistan including district Rahim Yar Khan. Almost every housing society besides offering residential and commercial plots is also offering Farmhouses which have larger area. These farmhouses are being used for both residential and commercial purposes. Usually, private housing societies offer farmhouses for sale by marketing them in residential category, but it is also a fact that farmhouses are being used for commercial purposes like marriage functions, parties etc. It is the need of the hour to check for valuation of farmhouses and their category.			Not admitted. It is submitted that there is no area specified for Farm Houses in any housing scheme within the jurisdiction of Rahim Yar Khan.

(vii)	<p>Real Estate Websites provide an exhaustive and useful insight into the dynamics, current trends and valuation patterns of different urban, rural, (Residential as well as Commercial lands and properties) agricultural and industrial lands & plots. A cursory comparison of rates being displayed at public domain and the ones adopted by the department through SRO under discussion reflects a huge difference. While the former segment picks the currency, the later reflects sheer redundancy.</p>	<p>Not Admitted. The Federal Board of Revenue is presently pursuing the agenda of taxation reforms namely Pakistan Raises Revenue Projects (PRRP) under the auspices of World Bank. One of the most significant components of the project aim at valuation of immoveable property according to the category that is acceptable to the FBR as well as the provincial Government of the Districts. Needless to highlight that FBR has notified its own property rates in respect of various areas across the country that are at variance with the immoveable property rates notified by the Deputy Commissioner of the District for stamp duty purposes. In this it becomes an anomalous situation creating problems for purchasers and sellers (Relying upon Revenue Division Letter No. 1(121) R&S/201 Dated 07.12.2020).</p> <p>The FBR has directed vide its letter C.No.1(2)R&S/2022 dated 23.06.2022 that there should be no difference in the valuation tables of FBR and relevant Deputy Commissioner. FBR would notify the same and that would subsequently be adopted by province of Punjab. In this context, RTO has determined properties rates after comprehensive survey and with the consultation of all stakeholders. However, chance of limitation and human error remains.</p>
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4. Comments offered by the CCIR, RTO, Bahawalpur have been considered. The allegations / observations conveyed were discussed with the Addl. CIR and the team of officers who were engaged with the valuation process with District Revenue Authorities.

5. It is observed that the current valuation process of immoveable property is being carried out by the tax functionaries under the agenda of taxation reform namely Pakistan Raises Revenue Projects (PRRO) on the instructions of World Bank to develop uniform valuation table of immovable properties. It is an ongoing process and is to be visited periodically by the respective RTOs. Board notified SRO1262(I)/2022 dated 1st August 2022 on the basis of recommendations made by the respective RTO. The said rates


were proposed by RTO Bahawalpur in consultation with relevant District Revenue Authorities to rationalise valuation table with the prevailing market rates. It has been argued that the District Revenue Authorities in certain instances expressed their constraint not to revised valuation of certain properties beyond a certain percentage because the Punjab Revenue Board does not allow the increase beyond a certain percentage.

6. Serial-wise reply of RTO, Bahawalpur allegations / observations has been considered. While most of the observations communicated by this office were, admitted, partially conceded yet RTO Bahawalpur has denied the existence of FARM HOUSES, whereas real estate related websites reflect dozens of such Farm Houses for sale. RTO has admitted certain deficiencies, with a commitment to correct these deficiencies.

RECOMMENDATIONS:

7. FBR is directed to ensure that;

- (i) The CCIR, RTO, Bahawalpur remains vigilant with regard to prevailing market rates in real estate sector and periodically revisits all the proposed rates of immovable properties through continuous exercise of making them compatible with the existing market rates.
- (ii) FBR Policy wing (IR) timely notifies the additions & amendments, proposed by RTO Bahawalpur, as discussed above.


Director
FTO Secretariat
Islamabad


(Dr. Asif Mahmood Jah)
(Hilal-i-Imtiaz)(Sitara-i-Imtiaz)
Federal Tax Ombudsman

Dated: 21.09.2023
Akif

Approved for reporting