

# THE FEDERAL TAX OMBUDSMAN ISLAMABAD

## COMPLAINT NO. 0144/OM/2023

Dated: 30.11.2023\* HQ, Islamabad

Subject: INVESTIGATION INTO TAX AFFAIRS OF MULTAN  
MEDICAL & DENTAL COLLEGE, MULTAN

The Secretary,  
Revenue Division,  
Islamabad.

... Respondent

Dealing Officer : Dr. Khalil Ahmad, Advisor  
Appraised by : Mr. Muhammad Tanvir Akhtar, Advisor  
Departmental Representatives : (i) Mr. Qaswar Hussain, Addl CIR  
(ii) Mr. Muhammad Samee, IRO  
(iii) Mr. M. Intizar, IRO, RTO, Multan

## FINDINGS / RECOMMENDATIONS

Own Motion investigation was initiated by FTO Secretariat, Islamabad under Section 9(1) of the FTO Ordinance, 2000 based on the multiple news items and reports published in print and social media vide No.0144/OM/2023 into tax affairs of private Medical & Dental Colleges in Pakistan.

### 2. BACKGROUND OF OWN MOTION INVESTIGATION:

The background of above referred OM is detailed as below:

- I. Currently, in addition to Public Sector Medical & Dental Colleges there are around 75 PMDC approved Medical and 43 Dental Colleges in Pakistan. Though PMDC maintains a structured regulatory mechanism yet tax matters of these private colleges have not been appropriately attended by FBR. During the past few years there has been regular reporting in the national press and in various medical related websites about the irregularities and violation of tax laws committed by Private Medical Colleges in Pakistan. Most recently, a report has been published in the '**Business Recorder**' dated 25.07.2023.
- II. The above referred report contains a detailed account of the misappropriations and irregularities by the medical colleges, improper compliance of withholding taxes, and lack of well-structured audit of withholding taxes. The main issues involved in the above referred report are briefly summarized as below;

- a. Private Medical Colleges are not discharging their tax withholding obligations properly.
- b. There is no proper withholding tax audit conducted by FBR field offices.
- c. Fees charged from overseas students are not reflected in accounts for taxation
- d. Allegedly, the Private Medical Colleges Siphon off receipts from overseas students, to unknown accounts, thus depriving the Tax Deptt from due withholding on the same.
- e. The Private Medical Colleges suppress their receipts as declared before the Tax Deptt.
- f. The Private Medical Colleges get heavy donations from affluent parents in the range of 14 Lacs to 40 Lacs but do not declare in accounts subject to audit.

3. In view of above given account, Federal Tax Ombudsman ordered Own Motion Investigation vide No.0144/OM/2023 into tax affairs in the case of **M/s Multan Medical & Dental College, Multan.**

4. Accordingly, the Revenue Division was confronted vide notice 07.12.2023 in terms of 9(1) of the FTO Ordinance, 2000. In response to above referred notice, the Deptt submitted that required documents in piece meal.

5. Subsequent to filing of parawise comments, hearings in this case were conducted on 08.01.2024 & 18.01.2024. During the course of hearing the Deptt further submitted that Multan Medical College is a private limited company established in December 2022 under the name of Al-Noor Health Care & Education Services (Pvt) Ltd. The taxpayer company has filed income tax returns for Tax Years 2021 & 2022. and hard copies of the same has already been furnished to Honorable FTO. Taxpayer company filed blank sheet and audited accounts for Tax Years 2021 & 2022 have not been attached with returns. Audit proceedings under Section 122(5A) of the Ordinance were initiated in Tax Year 2022 and super tax was charged dated 15.06.2023 amounting to Rs.7,743,814. Taxpayer



company filed quarterly withholding statement for Tax Year 2022 under Section 165 of the Ordinance as detail under: -

<b>01.07.2021 to 30.09.2021 (tax deducted)</b>	
Under Section 149	Rs.8,801,337/-
<b>01.10.2021 to 31.12.2021 (tax deducted)</b>	
Under Section 149	Rs.9,069,440/-
<b>01.01.2022 to 31.03.2022 (tax deduction)</b>	
Under Section 149	Rs.9,754,347/-
<b>01.04.2022 to 30.06.2022 (tax deducted)</b>	
Under Section 149	Rs.10,153,077/-
Under Section 150	Rs.2,0625,000/-
Under Section 153(1)(a)	Rs.8,112,577/-
Under Section 155	Rs.415,007/-
Under Section 236I	Rs.4,23,103/-

However, taxpayer failed to furnish withholding statement under Section 165 of the Ordinance for Tax Year 2021. Statutory notices in this regard were issued but no compliance was made and penalty under Sections 182 of the Ordinance was imposed.

### **FINDINGS:**

6. The parawise comments and other related documents provided by the Deptt have been examined. It is observed that even a cursory look at the details & documents filed by RTO Multan reveals some glaring instances of departmental ineptitude and inattention. Following facts substantiate this assertion:

- (i) Private Medical Colleges are part of a well organized and streamlined sector wherein the regulator PMDC/PMC exercises strong controls over **authorized number of seats, annual enrolment, fee structures and admission criterion**. Verifiable fee structures, available on college website, can be cross checked from banks as well because all fee receipts compulsorily route through Banking channels. Thus, in **Five Year Medical programme**, for each Tax Year the department can easily & accurately quantify the annual fee received from students enrolled from 1<sup>st</sup> year to 5<sup>th</sup> year. In the instant case the admitted number of yearly new students enrolled for TY 2021 and 2022 are as under;

Number of Students TY 2021	Number of Students TY 2022
150	149

Authorized number of BDS students is not known to the Deptt.

If the annual fee charged from each student, as displayed at college website is multiplied with the above number of students from 1<sup>st</sup> year to 5<sup>th</sup> year, during each TY the resulting turnover is much higher than the total annual fee declared by MMDC in its tax returns. Department has yet to work out the actual turnover.

- (ii) Similar exercise needs to be conducted for **four-year** Dental programme, which would further increase the actual turnover.
- (iii) In addition to Medical and Dental programmes MMDC is also running other professional degree programmes & Centers with regard to Rehabilitation Sciences, Nursing College, Paramedical School and Pharmacy School etc.

Whether Receipts from the above programmes & centers are being accounted for or not.

- (iv) The details /documents provided by the Deptt relevant to Tax Year 2021 & 2022 reflect that the Deptt has completely failed in monitoring the withholding taxes for these two years which speaks of its inefficiency. A perusal of withholding statements filed by the taxpayer for tax year 2021 shows that no withholding statements have been filed and the Deptt has failed to enforce the same till to date. Show cause notice for imposition of penalty has been issued during the course of investigation proceedings of the instant Own Motion.
- (v) A cursory look at the three quarterly withholding tax statement filed for Tax Year 2022 reflect that the tax withheld under Section 153, 155 and 236I is meager. No analysis of these statements has ever been made by the Deptt by obtaining further details from the withholding agent. No comprehensive withholding audit has been conducted during these two years.
- (vi) During the course of proceedings, the DR was required to explain as to whether receipts from overseas students and any donation from affluent parents is being looked into. The DR could not offer any explanation and relied upon the evidence that the list of students does not provide any breakup of local / foreign students.
- (vii) No effort appears to have been made with regard to matching the taxable salaries received by the consultants in their tax returns vis-à-vis withholding statements to identify the discrepancies because the details of salaries have not been obtained by the Deptt. Such details may help the Deptt to identify new taxpayers as well.

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The above acts of omissions & commission constitute maladministration in terms of section 2(3)(ii) of FTO Ordinance, 2000.

**RECOMMENDATIONS:**

7. In view of above, FBR to direct:

- (i) the concerned Commissioner-IR to attend to the glaring omissions and commissions as discussed in the above Paras, glaringly reflecting departmental inattention and ineptitude while handling this highly streamlined sector;
- (ii) ensure filing of audited accounts for Tax Years 2021 & 2022 to analyze receipts vis-a-viz expenses;
- (iii) review the withholding regime requisitioning and analyzing segregated lists of employees of Multan Medical & Dental College, Multan so as to verify;
  - a. Whether all the faculty members, reflected at college website are being regularly subjected to withholding taxes at source;
  - b. All employees receiving taxable salaries are borne on Tax Roll and in cases of default details be shared with the concerned RTO for BTB purposes.
  - c. The share from private practice at teaching Hospital being paid to specialists is being declared by them and being subjected to withholding tax.
- (iv) year-wise list of students enrolled in the college may be obtained from PMDC with bifurcation of local / foreign students and the status of tax deducted on such receipts; and
- (v) report compliance in 90 days.

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

Dated: 15/02/ 2024  
Akif