THE FEDERAL TAX OMBUDSMAN
ISLAMABAD

COMPLAINT NO.1719/MLN/IT/2025
Dated: 03.02.2025* R.O. Multan

Ms. Ammara Ali,
Medical Superintendent, DHQ Hospital, ... Complainant
Khanewal.

Versus

The Secretary, ... Respondent
Revenue Division,
Islamabad.

Dealing Officer	:	Dr. Khalil Ahmad, Advisor
Appraised by		Mr. Muhammad Tanvir Akhtar, Advisor
Authorized Representative	:	Mr. Raheel Hassan Qadar, Audit Officer
Departmental Representative	:	Mr. Awais Shafqat, ACIR, RTO, Multan

FINDINGS/RECOMMENDATIONS

The above-mentioned complaint has been filed under Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance) against undue delay in issuance Tax Exemption Certificate under Section 159(1) / 153 of the Income Tax Ordinance, 2001 (the Ordinance).

2. Facts of the complaint as stated by the Complainant are as under:

"(i) District Headquarters (DHQ) Hospital Khanewal was registered with the FBR on December 23, 2021, under FTN No. 9022473 as Medical Superintendent DHQ Hospital Khanewal. However, the FBR erroneously categorized the Provincial Government Hospital as a Company instead of a government entity.

(ii) DHQ Hospital Khanewal has been providing medical treatment under an agreement with the State Life Insurance Corporation of Pakistan (SLIC) for patients covered under the Sehat Sahulat Program (SSP) / Universal Health Insurance (UHI). When processing claim payments, SLIC has been withholding advance income tax at 18% under Section 153(1)(b) of the Ordinance. However, as per Section 49 of the Ordinance, provincial government hospitals are exempt from such deductions.

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* Date of registration in FTO Sectt.

(iii) Despite this clear exemption, SLIC has demanded an exemption certificate from FBR. The hospital applied for this certificate on January 26, 2023, but the RTO, Multan has yet to grant it. Furthermore, an audit objection was raised by the Auditor General of Pakistan under Audit Para No. 25 for FY 2023-24, amounting to Rs.13.37 million, stating that the deduction of advance income tax on claims by SLIC was unauthorized and violated Section 49 of the Ordinance.

(iv) During the Departmental Accounts Committee (DAC) meeting held on November 21, 2024, it was decided that the matter should be formally taken up with FBR. Consequently, a letter was sent on November 28, 2024, requesting necessary corrections. However, no response has been received to date.

(v) To date, RTO Multan has neither issued the income tax exemption certificate nor corrected the hospital's tax profile status from "Company" to "Provincial Government Hospital". Due to this misclassification, SLIC has deducted advance income tax amounting to Rs.30,738,247 till 02.01.2024 from claims related to patients treated under SSP/UHI."

The Complainant prayed that FBR may be directed to:

(i) correct the tax profile of DHQ Hospital Khanewal to reflect its status as a Provincial Government Hospital instead of a Company.

(ii) issue the income tax exemption certificate to prevent further unauthorized deductions.

(iii) direct SLIC to reimburse the wrongfully deducted advance income tax and ensure compliance with Section 49 of the Ordinance.

3. The complaint was sent for comments to the Secretary Revenue Division, in terms of Section 10(4) of the FTO Ordinance read with Section 9(1) of the Federal Ombudsmen Institutional Reforms Act, 2013. In response thereto, the Chief Commissioner-IR, RTO, Multan forwarded para-wise comments of the Commissioner-IR, Multan Zone, dated 13.03.2025 vide letter dated 13.03.2025 stating therein that exemption certificate under Section 159(1) / 153 of the Ordinance for generic exemption has been issued vide order dated 13.03.2025.

4. Both the parties have been heard and the facts of the case considered. It is observed that instant complaint has been filed by

Medical Superintendent on behalf of DHQ Hospital, Khanewal against delay in issuance of exemption certificate under Section 159/153 of the Ordinance vide application dated 26.01.2023 addressed to CIR, RTO, Multan for the period Jan, 1, 2023 to June, 30, 2023. The CIR concerned did not bother to entertain this request despite subsequent follow ups by the Complainant. It is pertinent to mention that the MS, DHQ, Khanewal applied for this exemption in order to forestall the deduction of tax under Section 153(1)(b) of the Ordinance made to the hospital by SLIC under SSP. In the absence of the exemption certificate, SLIC deducted tax in terms of Section 153 on the payments made to the hospital which resulted in an audit para raised by the audit authorities for unauthorized tax deduction by SLIC which is pending for settlement.

5. During the course of investigation proceedings the CIR, Multan Zone issued an exemption certificate dated 13.03.2025 under Section 159/153 of the Ordinance for the period 01.01.2023 to 30.06.2023. Though the cause of this complaint has been addressed but the AR has stressed that FBR authorities shall be directed to issue directions to Filed Formations in this context in order to prevent such deductions by SLIC in future. It has been argued that provisions of Section 49 of the Ordinance clearly exempt the Provincial Government from any deductions of advance tax on such receipts. The argument of the AR caries weight. Though the issuance of exemption certificated issued by the CIR concerned has catered the grievance, but it is of no consequential effect with regard to deduction already made by SLIC during the period 01.01.2023 to 30.06.2023.

FINDINGS:

6. Delay in issuance Tax Exemption Certificate under Section

159(1) / 153 of the Ordinance is tantamount to maladministration, in terms of Section 2(3)(ii) of the FTO Ordinance.

RECOMMENDATIONS:

7. FBR to -

   (i) direct the Member (Tax Policy), FBR, Islamabad to issue policy guidelines to all the Field Formations in FBR not to deduct tax on payment made to Government run hospitals by SLIC under Sehat Sahulat Program; and

   (ii) report compliance within 60 days.

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

Dated: 27: 3: 2025
Akif

Approved for reporting