

**THE FEDERAL TAX OMBUDSMAN
ISLAMABAD**

COMPLAINT No.0072/OM/2023

Dated: 22.08.2023* 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 1264(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 06.09.2023 which is reproduced hereunder.

Sr#	Allegations						Reply / Comments	
1	The Hon'ble Federal Tax Ombudsman, exercising OWN MOTION jurisdiction/powers under section 9(1) of the Federal Tax Ombudsman Ordinance, 2000 has taken cognizance of various inconsistencies, infirmities and deficiencies contained in SRO 1264(1)12022 dated 1st August 2022 for district Bahawalnagar. The SRO reflects the following glaring discrepancies:						Admitted to the extent that at some places, the rate is notified as per Acre of agricultural, while at other place the rate is determined on Marla basis. However, it is pertinent to mention here that this discrepancy is due to the difference of purely agriculture land as well as agriculture land presently the status of which is residential colonies as reported by Halqa patwari of the concerned area.	
	i. The instant SRO doesn't reflect consistency in relation to the unit of measurement for agriculture category. At some places, the rate is notified @ per Acre, while at other places, the rate is determined on Marla basis. The relevant portion of table the SRO is as below.							
	S. No.	Tehsil	Revenue Circle	Area	Land Classification	Location		Rate Unit
	1726	Haroon Abad	Patwari Halqa 53/4R	Chak No. 53/4R Near Chak 18/1R Road	Agricultural	Link Road		Acre
	1727	Haroon Abad	Patwari Halqa 53/4R	Chak No. 53/4R Near Chak 18/1R	Agricultural	Off Road		Acre
	1728	Haroon Abad	Patwari Halqa 55/4R	Chak No. 55/4R - Agricultural Land on Link Road	Agricultural	Link Road		Marla
	2321	Haroon Abad	Chak No. 49/3R	Agricultural Land on Main Road	Agricultural	Main Road		Marla
2322	Haroon Abad	Chak No. 49/3R	Agricultural Land on Main Road	Agricultural	Link Road	Marla		

<p>ii. Similarly, this inconsistency in unit of measurement valuation of commercial areas is also visible. Mostly, the commercial area is valued on Sarsahi basis, however, it is also valued @Marla at S. No. 656, 3390, 3393, 3487, 3490, 3493 and 3496 of the instant SRO. No reason whatsoever is provided for this deviation.</p>	<p>Partially admitted. It is worthwhile mentioned here that usually commercial premises are much smaller than residential premises. The sarsahi, Karam and marla are the units of length use for sale of commercial properties. The detail relation between Sarsahi, Karam & Marla is as follows.</p> <ul style="list-style-type: none"> • 01 Karam = 5.5 feet • 01 Sarsahi = 01 Square Karam • 01 Sq Karam = 5.5 x 5.5 = 30.25 Sqf • 01 Sarsahi = 0.11 Marla <p>The above units of length do not affect the specified rate in nature However letter has been issued to DC/ADCR Bahawalnagar</p>
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		vide this office letter No.94 Dated 31.08.203 to remove anomaly.
	<p>iii. The patterns of valuation adopted through the aforesaid SRO are unique in the sense that no other SRO reflects such modes. For instance, valuation of lands in an urban area known as Amar Singh Nizam Pura New Abadi West and New Abadi Farooq Abad West is worth looking into: (SNOs 1-4 of the valuation table).</p> <p>a. House Constructed (Residential) on Link Road per Marla value is Rs. 380,000/-</p> <p>b. House Constructed (Residential) on Main Road per Marla value is Rs. 1,058,000/-</p> <p>c. Open Residential Plot on Link Road per Marla value is 253,000/-</p> <p>d. Open Residential Plot on Main Road per Marla is Rs. 396,000/-</p> <p>a. The above chart shows that while cost of construction per Marla on Link Road is Rs. 127,000/- (380,000-253,000=127,000/-), the cost of construction per Marla on Main Road, in the same locality has been adopted at Rs. 662,000/- (Rs.1,058,000/- Rs.396,000/-= Rs. 662,000/-). Apparently, difference in cost of construction is un-explainable. This trend runs into the whole SRO.</p> <p>The above chart shows that while cost of construction per Marla on Link Road is Rs.</p>	<p>Partially Admitted. This discrepancy will be weed out while issuing of New SRO for 2023-24. It is pertinent to mentioned here that value of commercial properties or residential properties is always lower on link road and high on main road in the concerned territory whether commercial/residential constructed or open plot. It is further clarify here that FBR filed formation choose rates on the basis of DC valuation table and Fair Market value or open market rates read with section 68 of the ITO 2001, nor on the basis of constructed cost basis, where actual sale or purchase were done & public did not declare open market rate in their mutation or registry or Intiqal at the time of sale and purchase of said properties. To bridge this gap between FBR rate, DC rate or open/fair market rate this exercise start by FBR through field formation, after consultation with District Administration, field formation purposed said rates which is nearest to open market rates as well as DC rate of the concerned area to safe the revenue of Govt Exchequer. Further, it is mentioned here again that constructed cost were maybe same at the time of construction in any territory but when sell or purchase said commercial or residential property in the market, the rates is always excessively high on main road whether commercial/residential open plot or constructed house or shop, and same nature of properties rate goes on lower side when its situated on link/off road of concerned area as per market trend or open market practice & rate always excessively high on main road properties as compare to link road properties. This is the main reason to purpose said rates as per area or current market rates. It is humble request to Worthy FTO that objection may be removed or withdraw on the basis of said submission. However, a request has been made to DC/ADCR Bahawalnagar vide this office letter No.94 Dated 31.08.2023 to remove anomaly.</p>

<p>127,000/- (Rs.380,000/- Rs.253,000/-=Rs.127,000/-), the cost of construction per Marla on Main Road, in the same locality has been adopted at Rs. 662,000/- (Rs.1,058,000/- Rs.396,000/- = Rs. 662,000/-). Apparently. The difference in cost of construction is unexplainable. This trend runs into the whole SRO.</p>	
<p>iv. Similarly, the patterns of valuation adopted through the aforesaid SRO are unique in the sense that no other SRO reflects such modes. For instance, valuation of lands and constructed properties in a commercial location known as Radio Market Bahawalnagar, Sharqi/Gharbi are quite intriguing:</p> <p>a. Value of open commercial Plot on Link Road is Rs. 346,000 per Sarsahi.e. Rs 3,114,000 per Marla.</p> <p>b. Value of commercial Plot on Main Road is per Sarsahi Rs. 430,000 i.e. Rs. 3,870,000 per Marla.</p> <p>c. Value of Constructed shops On Link Road is per Sarsahi Rs. 859,000 i.e. 7,731,000 per marla.</p> <p>d. Value of Shops Constructed on Main Road per Sarsahi Rs. 1,270,500 i.e. Rs. 11,434,500 per Maria.</p> <p>The above chart shows that per Marla construction cost of a shop on Link Road is Rs. 4,617,000 (7,731,000-3,114,000= 4,617,000). Similarly, per Marla construction cost of a shop on Main Road of the same locality is Rs. 7,564,500</p>	<p>Partially Admitted. As discussed in para-No. iii above. However, a request has been made to DC/ADCR Bahawalnagar vide this office letter No.94 Dated 31.08.2023 to remove anomaly.</p>

	(11,434,500-387,000= Rs. 7,564,500). Once again, the rationale for such figures is completely un-understandable.	
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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 of valuation 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 tables of immovable properties. It is an ongoing process and is to be visited periodically by the respective RTOs. Board notified SRO1264(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 revise 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 on allegations / observation is commented as under.

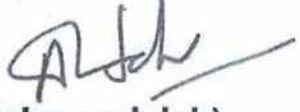
- The agriculture land used for residential purpose in villages, the rates are applied on Marla basis while the agriculture land used for cultivation is valued in acres.
- In Bahawalnagar District standard unit of measurement is used as Sarsahi for commercial property being a

small unit of land measurement still being used in remote areas. In next financial year RTO will remove this anomaly.

- Anomalies pointed out in valuation of constructed commercial properties located on main / link roads have been admitted. It has been admitted that same will be taken care of in the proposed rates for this year.

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.


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

Dated: 21-9-2023

Approved for reporting.


Director
FTO Secretariat
Islamabad