

**THE FEDERAL TAX OMBUDSMAN  
ISLAMABAD**

**COMPLAINT No.0078/OM/2023**

Dated: 31.08.2023\* HQ, Islamabad

The Secretary,  
Revenue Division,  
Islamabad.

... Respondent

Dealing Officer	: Mr. Tausif Ahmad Qureshi, Advisor
Appraisal Officer	: Mr. Muhammad Tanvir Akhtar, Advisor
Departmental Representative	: Mr. Rehmatullah Khan Durrani, CIR, Zone-II, RTO, Quetta

**FINDINGS/RECOMMENDATIONS**

Own Motion investigation was initiated by FTO Secretariat, Islamabad under Section 9(1) of the FTO Ordinance, 2000 with regard to discrepancies and deficiencies in SRO 1271(1)/2022 dated 01.08.2022 being lopsided, flawed and deficient and consequently obstructing transparent, coherent and 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 and wishes of provincial and FBR's field staff.

2. Certain specific anomalies identified in the said SRO for District Gwadar were conveyed to the Chief Commissioner-IR, RTO, Quetta vide letter dated 10.11.2023 elaborating following glaring discrepancies: -

- "i. *The first table of SRO determines value of immovable property on the basis of zones, however, there is ambiguity as to whether these rates are for open plot or built-up property. There is also no clue about whether these rates are for residential, commercial, or industrial category. The detail is given in table 1.*

Table 1: **LIST OF VALUATION TABLE/RATES OF IMMOVEABLE  
PROPERTY OF TEHSIL GWADAR (GDA MASTER  
PLAN)**

\* Date of registration with FTO Secretariat

(Rates are in Per Acre unless specified)

S.No.	Zone	Rate
1	Sarawan to Zahoor Shah Chowk	3000/- per sq ft
2	Zahoor Shah Chowk to Boat Basin	2500/- per sq ft
3	Boat Basin to Mullah Moosa Chowk	2000/- per sq ft
4	Mullah Moosa Chwk to Port	2000/- per sq ft
5	Zahoor Shah Chowk to Javid Complex	1500/- per sq ft
6	Fazal Chowk to Javid Complex	3500/- per sq ft
7	Javid Complex to Coast Guard	2500/- per sq ft
8	Coast Gurad to Dhore Chowk	1700/- per sq ft
9	Dhore Chowk to Airport	5001/- per sq ft
10	Jinnah Avenue (Commercial)	2 Crore per acres
11	Jinnah Avenue (Commercial)	2 Crore per acres
12	Jinnah Avenue Washin Dhore	7500000/-

- (i) Unlike all other SROs issued for property valuation in Punjab, Sindh and KPK, the instant SRO determines fair market value based on usage of land. There should be uniformity in SROs issued under the same provisions of Income Tax Ordinance (sub-Section 4 of Section 68). The SRO in question divides land usage into eleven (11) categories as depicted in table 2.

Table 2: Land Usage

S.NO.	Type of Land Usage
1	Transport Land
2	White Land
3	Ecological Corridor
4	Warehouse
5	Industrial M1
6	Industrial MO
7	Residential
8	Residential Services
9	Education Facilities Land (A3)
10	Medical Facilities(A5)
11	Commercial + B&R

- (ii) The SRO is inconsistent as compared to other SROs issued under Section 68(4) of the Income Tax Ordinance, 2001. This SRO is unique in the sense that fair market value of residential category is determined on per Acre basis, while normal practice to determine value of residential property is on Marla/Square Yards/Square foot basis.
- (iii) A new term for land usage namely, "Residential Services" is introduced in the SRO in question. However, no definition is provided for this usage. The value of property based on land usage for "residential" and "residential services" have the same value.
- (iv) It is worth mentioning that the rates for real estate as mentioned in table 3 are determined for various areas of Gwadar City each having distinct characteristics and location, but same value is



determined for each property type such as residential, commercial, plot, flat or apartment. No valuation method is provided as to how, similar rate is applied to properties located in vast area mentioned in table 1 (residential) and table 2 (Commercial).

- (v) The SRO is completely silent about the valuation of built-up property. Apparently, the values determined in the SRO are for land only.
- (vi) Gwadar is a popular home to a number of private housing schemes. Few of the prominent are listed below:
- Naval Anchorage Gwadar
  - Canadian City
  - New Town Housing Scheme
  - Coast way Residency
  - Gwadar Central
  - Green Palms Gwadar.
  - Sangar Housing Scheme.
  - Gwadar Golf city.
  - Kings Park Gwadar.
  - Al Ghani Housing Scheme Gwadar.
  - Golden palms Gwadar.
  - Globiz Avenue Gwadar.
  - Palm City Gwadar.
  - Green Palms Gwadar

Valuation pattern in private housing schemes is bit different from adjoining areas. There is always a minimum price threshold fixed, displayed and charged by the sponsors. No valuation must be lower than the one projected by sponsors.

- (vii) Gwadar is also hub of some of the best government projects; including the Sangar Housing Project, the Newtown Housing Scheme, the Gwadar Industrial Estate Development Authority, and the Maanbar Housing Scheme Pishukan Gwadar. The Valuation of properties in these projects need to be aligned with the rates charged by government.
- (viii) Gwadar having a huge sea front is becoming hub of recreational facilities. Valuation of such properties is entirely different from routine categories of Residential, Commercial etc.

The real estate sector of Pakistan is full of new ideas and concepts which attract investors for investing in such projects.

*Farmhouses is another category of real estate and is pitting popular across Pakistan including district Gwadar. Now almost every housing society besides offering residential and commercial plots is also offering farmhouses which have larger area. These farmhouses can be 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. It is the need of the hour to check for valuation of farmhouses and their category."*

2 3. The matter was referred for comments to the Secretary, Revenue Division, Islamabad in terms of Section 10(4) of the FTO Ordinance, 2000 read with Section 9(1) of the Federal Ombudsmen Institutional Reforms Act, 2013. In response to, the Commissioner-IR, Zone-II, RTO, Quetta submitted reply stating therein that the SRO 1271(1)/2022 dated 1st August, 2022 is not explained holistically and in proper perspective vis-e-viz other SROs and Geographic peculiarities of Balochistan. The SRO was issued in consultation with stakeholder, Government Agencies keeping in view the Sale-Purchase method and the construction patterns of Buildings. Further added that the SRO is neither discriminatory, lopsided and non-transparent nor infested with anomalies. The SRO consist of 24 pages and provides for the valuation of all areas, mouzas, housing schemes, Housing Projects, Co-operative housing societies, agricultural land, commercial properties, non-commercial properties and residential properties. The SRO also caters to GDA proposed roads, coastal highways and Sea front covering all the properties and land located in the areas. The valuation of the areas of Balochistan especially the far-flung areas is different from the thickly populated and congested areas of the other provinces and cities. It will be a false analogy to compare the thickly populated



areas of KLI (Karachi, Lahore and Islamabad) with the far-flung areas of Balochistan. Keeping this aspect in mind, the second NFC award increased the share of Balochistan on the basis of Adverse Density Population (ADP). The SRO provides for per square foot valuation wherever and whenever needed, that the same can be viewed on page one (1) of the SRO which provides the valuation of residential and commercial properties in per square foot. The SRO also provided for coastal highway and sea front as mentioned on page 6,7 and 8. The SRO caters to all properties located in the area as per the construction pattern and specific sale-purchase of commercial, industrial and agriculture land. Further contended that there are no discrepancies and deficiencies rendering the SRO lopsided and deficient. The SRO is drafted with full attention with any infirmity leaving filed open to the whims and wishes of the provincial and FBR field staff. The Commissioner-IR prayed that the own motion proceedings may be dropped in limine.

4. The comments offered by Commissioner-IR, Zone-II, RTO, Quetta have been considered. The inconsistencies/anomalies conveyed were discussed with the concerned Commissioner. He stated that the revision exercise of the SRO takes place every year in consultation with the stakeholders. He assured to address the discrepancies pointed out in the notice during the forthcoming revision exercise of the SRO.

#### **FINDINGS:**

5. From perusal of record and stance of the Department, the following has emerged:


As regards the "land use" criteria adopted in SRO 1271(I)/2022 dated 1<sup>st</sup> August 2022, legally, the FBR can adopt any criteria it deems fit. Since, Gwadar is a planned town, where each area is classified for a particular use such as agricultural, residential, commercial, industrial, etc., In order to form a good basis for determining the value of land, FBR may introduce fair market

value of immovable property in District Gwadar like various cities or towns on the same pattern.

- i. As regards the omission of valuation of certain housing societies in SRO 1271(I)/2022 dated 1<sup>st</sup> August 2022, although the same stand covered in the broader areas defined in the SRO, but it would be better if rates for major housing societies are specifically notified. Thus, the FBR may review the said SRO on this account.
- ii. The DR was time and again asked about the **method of property valuation** followed by the department while determining market value of the property. (There are three main approaches through which the value of real estate can be determined namely, **Cost-based approach, Comparison approach and Income capitalization approach.**) The FBR authorities failed to disclose valuation method used for determining fair market value. In addition, universally accepted valuation methods of property valuation can be followed which are generally grouped into;
  - market price-based methods,
  - encompassing valuation based on rental values or capital (market) values, and
  - area-based methods.

In the light of the above core principles, the following methods of valuations can be developed and followed.

- (i) Comparable methods
- (ii) Cost plus (replacement value)
- (iii) Profit/Income method
- (iv) Residual method

 If properties consist of plots or sites, the best method to estimate value is comparable vacant land sales or auction price. For valuation of constructed property necessary adjustments can be made keeping in view the factors that influence value of property such as; location, property condition, curve appeal, availability of facilities, security, credibility of developer, brand name and size of property. These methods are not exhaustive as the department can follow any method that suits its requirements. **However, what is essential is there should be some method for valuation of various categories of properties to bring in uniformity, consistence and credibility to the valuation tables made by the FBR.** However, the



careful analysis of the SRO revealed that the determined rates are inconsistent with the best practices and procedures.

- iii. Besides, the department was also asked to provide any **standard operating procedure (SOP)** issued by FBR for the guidance of the field formations. DR admitted that no such written SOPs are available. The process of valuing a large number of properties without using basics, standardized procedures and best practices is of no avail. Since no SOPs for determination of fair market value have been laid down by FBR, hence guidance can be drawn from International Valuation Standards (IVS) formulated by International Valuation Standards Council (IVSC). These standards are generally accepted, reliable and fundamental part of Valuation Systems. The IVS consists of mandatory requirements with the following core principles;
- a. Valuation Standards should be principles based and adequately address nature of the immovable property. Standards are to be created and revised, when necessary, by way of a transparent process after appropriate exposure.
  - b. Besides, valuers must follow principles of integrity, objectivity, impartiality, confidentiality, competence and professionalism while determining valuation of properties.
  - c. In addition, valuers must have the technical skills and knowledge required to appropriately complete the valuation assignment. Valuers must disclose or report the published valuation standards used for the assignment and comply with those standards.
  - d. Valuers must select the basis (or bases) of value appropriate for the assignment and follow all applicable requirements.
  - e. Valuers must disclose significant assumptions and conditions specific to the assignment that may affect the assignment result. Valuers must use appropriate information and data inputs in a clear and transparent manner so as to provide a credible valuation. Valuers must use the appropriate valuation methodology to develop a credible valuation.
- v. It is pertinent to mention here that through the Finance Act, 2018 a new Directorate General under the name & style of '**Directorate General of Immoveable Property**' was created u/s 230 F of the Income Tax Ordinance, 2001. This taxation authority was exclusively meant to evolve a complete frame-work for valuation of property, appointment of valuers, enforcement and appellate procedures. In terms of section 230F(2), FBR, vide Office Order F.NO.1(01)/18-DG(BTB)/2018-19 dated 29<sup>th</sup> November, 2018 had formally notified the **Establishment of Directorate General: Immoveable Properties (DG-IMP)**. The said Office Order exhaustively describes the *Organizational Structure, Legal functions, Job Description and Operations* of this new organization

(Annex-I). In furtherance of said Office Order on 29<sup>th</sup> November, 2018, FBR vide Notification No.2215-IR-I-2018 had activated this newly created organization (Annex-II). However, it is strange that since 2019 on one hand FBR's reliance on Real Estate related transfer taxes has substantially increased but unfortunately this much need **Directorate General-IMP** has been shelved. Ineptitude of FBR can be judged from the simple fact that under the law (230F(5) and FBR's Office Order dated 29<sup>th</sup> November, 2018, the valuation of immovable properties falls in the domain of DG-IMP. Relevant legal provision(230F(5) reads as under;

**"The Directorate-General may appoint any valuer or expert as it considers necessary for the purposes of determination of valuation including fair market value of immovable property."**

Thus far this valuation forum has not been activated.

The above investigation shows that thus far;

- *No such effort has been made by the FBR nor has the field formation developed any method which could be followed by the valuation committees within their jurisdiction.*
- *Besides, there is no standing anomaly committee formed at any level to address concerns of the stakeholders in case inconsistencies are found or wrong valuation is made by the committees.*
- *Besides, the relevant Directorate General couldn't add any value as it remained non-functional.*

2 The above omissions breeding from lack of uniform methods of valuation, streamlined SOPs resulted in inconsistency, inappropriate valuation, undervaluation/overvaluation, and arbitrary exercise of powers. All these lapses constitute maladministration in terms of section 2(3)(i)(b) and (ii) of the FTO Ordinance, 2000. Therefore, corrective measures are required by FBR in the next revised valuation table for which the following recommendations are made.

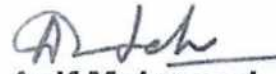
### **RECOMMENDATIONS:**

6. FBR to:

- (i) forthwith functionalize the 'Directorate General of Immovable Property' established u/s 230F through Finance Act, 2018 as the same is non-functional since



- its establishment. This would provide an appropriate framework for proper valuation of immovable property;
- (ii) direct the Member (Policy Wing) to develop SOPs containing suitable methods of valuation of immovable property;
  - (iii) direct Member (Policy) to constitute standing anomaly committee at appropriate levels to address grievances of the stakeholders on issues of valuation;
  - (iv) direct the concerned Member (Policy) to hire competent and experienced valuers for valuation of properties for transparency and accuracy;
  - (v) direct Member (Policy Wing) to formulate schedule for periodic revision of the valuation tables; and
  - (vi) report compliance within 90 days.

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

Dated: 21/12/2023  
Akif

*Approved for reporting*

  
Director  
FTO Secretariat  
Islamabad

GOVERNMENT OF PAKISTAN  
(REVENUE DIVISION)  
**FEDERAL BOARD OF REVENUE**

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F.No.1(01)/18-DG(BTB)/2018-19

Islamabad, the 29<sup>th</sup> November, 2018

**OFFICE ORDER**

**(Establishment of Directorate General Immoveable Properties-IR)**

In pursuance of section 230F of Income Tax Ordinance, 2001 (inserted through Finance Act 2018) a new IR field formation namely DG IMP has been raised. The said section also provides definitions for all implied terms & expressions, the scope, operational mechanics and procedural parameters of this newly created tax authority and above all contains clearly spelled grievance readdressal mechanism for the aggrieved taxpayers.

2. While sub section (22) of the said section clearly provides that *"The provisions of this section shall come into force on such date as the Federal Government may, by notification in official Gazette, appoint;"* pending said notification and prior to formal launching, FBR vide this order is initiating the establishment of a formal filed structure of Directorate General IMP-IR, following the administrative steps detailed hereunder.

**I. Organizational Structure: Directorate General IMP-IR**

- i. The Directorate General IMP-IR shall comprise of;
  - DG IMP based at Islamabad and 03 Directors IMP-IR i.e.;
  - Director IMP-IR North, based at Islamabad, covering KPK, ICT and Civil Division of Rawalpindi, Punjab province
  - Director IMP-IR Central, based at Lahore, covering the whole province of Punjab except civil Division of Rawalpindi
  - Director IMP-IR south based at Karachi covering the provinces of Sindh and Baluchistan.
- ii. For the time being DG BTB and Commissioners BTB Islamabad, Lahore and Karachi shall be assigned the additional charges of these newly established offices and each Regional Directorate shall be housed at existing BTB Zones at Karachi, Lahore and Islamabad.



- iii. DG IMP and each Regional Director shall be assisted by one or more dedicated units headed by ACIR/DCIR.

**II. Legal Functions: Directorate General IMP-IR**

Legal functions shall be notified later, in the light of sub-section (2) of section 230F which says **"The Board may, by notification in the official Gazette, specify the functions and jurisdiction of the Directorate-General and its officers"**. "Formal legal operations shall start in the light of 230 F(22) which reads, ***"The provisions of this section shall come into force on such date as the Federal Government may, by notification in official Gazette, appoint;"***

**III. Job Description: DG and Directors IMP-IR**

In addition to the mandate assigned through section 230F of Income Tax Ordinance, 2001 Directorate General IMP-IR shall act as FBR's specialized agency on all matters relating to Real Estate/Immoveable properties i.e.;

- i. Open plots, Constructed properties both Residential, Commercial & Industrial, Agricultural lands, Housing Schemes/Projects/Societies/Towers/Chains of luxury apartments and other related similar assets.
- ii. Real Estate classification in respective jurisdictions;
  - Office Building: Urban and suburban, Skyscrapers, high rise buildings, single tenanted/multi tenanted.
  - Retail: properties that house the retailers and restaurants and food outlets-multi-tenanted/standalone buildings.
  - Industrial: Industrial buildings house industrial operations i.e. Heavy Manufacturing, Light Assembly, Bulk warehouse, Flex Industrial (both industry and offices) and Research & Development. Mostly located outside of urban areas, especially along major transportation routes.
  - Multifamily: covers apartments, condos, co-ops, and townhomes, High Rise, Mid Rise, Garden Style and special purpose housing (particular population segment, including

student housing, seniors housing, and subsidized (either low income or special need) housing)

- Hotels: This sector covers;
    - ✓ Establishments providing accommodations, meals, and other services for travelers and tourists. It includes independent (boutique) or flagged—(part of a major hotel chain, such as a Marriott or Sheraton)
    - ✓ **Extended-stay:** Limited-service with fully equipped kitchens in guest rooms and larger rooms for long stays.
    - ✓ **Resort:** Full-service, large amount of land, in a typical resort location and has an attached golf course, water park, or amusement facility
  - Special Purpose Special purpose real estate may be owned by commercial real estate investor i.e. amusement parks, self-storage, and Conference Rooms etc.
- iii. Real Estate Builders, Marketing entities, Brokers, Architects, Consultants, Interior Designers and all other related services providers.
- iv. Geo mapping of immovable properties:
- Digitized property mapping and Geo-referencing based on digitized survey
  - Photogrammetric, a method of mapping based on aerial information.
- v. Valuation of immovable properties: Roping in private valuers, periodic indexing of valuation, up-dation based on market survey
- vi. Tracking online marketing of immovable properties
- vii. Mapping of rented properties (all kinds) at major urban centers, industrial estates, Zones and areas.
- viii. Tracking operations of foreign real estate concerns in Pakistan
- ix. Real Estate metrics to gauge the health of the real estate sector.
- x. Real Estate Investment Trusts: ***“portfolios of properties whose stock prices investors frequently use to determine and analyze industry trends.”***
- xi. Liaison with provincial Excise & Taxation and Land Revenue authorities for coordinated operations
- xii. Input to IR Policy and Operations wings with reference to real estate sector




- xiii. Survey and market analysis of real estate Market Segments i.e. Geography, Property Type, Ownership Type and Occupier/ Tenant Type.
- xiv. Real Estate financing and insurance: tools & documentation with special reference to taxation regime.
- xv. Forensic analysis of Tax evasion prone areas in Real estate, especially pilferages in withholding tax collection in real estate related transactions

#### **IV. Directorate General IMP: Operations**

In the light of aforesaid JDs Directorate General IMP shall start its following operations immediately after its launch;

- i. Identification of high end properties on sale and Rent: Through internet navigation focusing real estate specific websites.
- ii. Discreet Video Surveys of new & upcoming real estate projects.
- iii. Linkages with provincial Revenue & Excise authorities.
- iv. Development of SOPs for different segments of JDs.
- v. Generation of Discrepancy Reports in the cases of registered as well as un-registered cases



**(Riaz Muhammad)**  
Secretary (Mgt-IR-I)

#### **Distribution:-**

- 1. SA to Chairman, FBR
- 2. All Members, FBR
- 3. Director General, Directorate General of I&I-IR, Islamabad
- 4. Director General, Immovable Property.
- 5. All Chief Commissioner-IR/DGs
- 6. Chief (Management/Admn), FBR
- 7. SS (SSM/Automation), FBR
- 8. AGPR Office, Islamabad
- 9. AGPR, Sub-Offices, Lahore/Karachi/Peshawar/Quetta

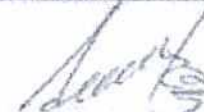
GOVERNMENT OF PAKISTAN  
(REVENUE DIVISION)  
FEDERAL BOARD OF REVENUE  
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Islamabad, the 29<sup>th</sup> November, 2018

**NOTIFICATION**  
**(Additional Charge)**

**No. 2215-IR-I/2018** The following officers of IRS BS-20-21 are assigned the additional charge of the posts mentioned against each:-

Sr #	Name of Officer	Present Place of Posting	Additional Charge of Post
1	Mr. Muhammad Tanvir Akhtar (IRS/BS-21)	Director General (BTB), Federal Board of Revenue (HQ), Islamabad	He is assigned the additional charge of the post of Director General, Immovable property.
2	Dr. Khalid Mahmood Lodhi (IRS/BS-20)	Commissioner-IR (BTB), Islamabad	He is assigned the additional charge of the post of Director (North) Immovable property.
3	Ms. Yasmeen Fatima (IRS/BS-20)	Commissioner-IR (BTB), Lahore	She is assigned the additional charge of the post of Director (Central) Immovable property.
4	Mr. Rafique-ur-Rehman Memon (IRS/BS-20)	Commissioner-IR (BTB), Karachi	He is assigned the additional charge of the post of Director (South) Immovable property.


  
**(Riaz Muhammad)**  
Secretary (Mgt-IR-I)

**The Manager,**  
Printing Corporation of Pakistan Press,  
**Karachi.**

**F.No.2(1)S.MIR/2018**

**Copy to:-**

1. SA to Chairman, FBR.
2. All Members, FBR, Islamabad.
3. All DGs/Chief Commissioners-IR
4. Chief (Mgt/Admin), FBR, Islamabad.
5. AGPR Office, Islamabad
6. Officer Concerned.
7. Personal File / Notification Folder

  
**(Riaz Muhammad)**  
Secretary (Mgt-IR-I)