

**THE FEDERAL TAX OMBUDSMAN
ISLAMABAD**

Complaint No.5234/QTA/IT/2022

Dated: 28.11.2022*R.O Quetta

Mr. Muhammad Ikram,
Office No. 4-5, Al Rehman Center,
Model Town, Quetta.

... Complainant

Versus

The Secretary,
Revenue Division,
Islamabad.

... Respondent

Dealing Officer : Mr. Tausif Ahmad Qureshi, Advisor
Appraisal Officer : Mr. Muhammad Tanvir Akhtar, Advisor
Authorized Representative : Complainant in person
Departmental Representatives : Mr. Shoaib Hashmi, ACIR, RTO, Quetta

FINDINGS/RECOMMENDATIONS

The above-mentioned complaint has been filed under Section 10(1) of the FTO Ordinance, 2000 against the Regional Tax Office, Quetta on account of hardship caused by the process of the verification of tax challans in terms of withholding tax on the transfer of property.

2. Briefly, the Complainant states that the general public is facing extreme inconvenience with regard to tax challans paid in terms of withholding tax charged on the transfer of property. They have to undergo a lengthy process for getting PSIDs and making deposit in bank and then obtaining challans and conveying it to FBR Office at Spiny Road for getting it endorsed and verified. The property registering authorities hold the opinion that they have been compelled by the FBR Authorities not to entertain the registration of transfer without getting the tax challans verified from the FBR Office. Further added that the FBR Authorities have delegated powers to withholding Authorities and they are confined to audit but to the

* Date of registration in FTO Secretariat

contrary, the FBR has pre-conditioned the registration of transfer with the verification of tax challans by FBR Authorities. Further contended that there is no legal mandate with the FBR Authorities to verify the tax challans and no tax law binds the Withholding Authorities to get tax challans verified by FBR offices. In this regard, the public have to face a lot of issues in Registrar/Tehsil offices, while getting their transfer deeds registered. The Complainant has requested that the FBR Authorities may introduce one window operation at the office premises of property registering Authorities to steer the public out of vicious circles.

3. The complaint was referred for comments to the Secretary, Revenue Division, Islamabad 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 Commissioner, RTO, Quetta submitted reply stating therein that the Regional Tax Office has left no stone unturned in extending full-fledged facilitation and easing PSIDs making and tax payment process for general taxpayers. A colossal amount of short deductions and non-deductions in taxes charged on transfer of property was revealed during audit. It was maintained by the concerned withholding authorities that they were not conversant with the FBR taxes and their staff was not efficient in this regard. The assistance was sought by the Withholding Authorities to avert such malpractices. Consequently, the pre-audit mechanism was introduced by Regional Tax Office, Quetta. It was contended that the verification of CPRs was pre-conditioned on persistent demand of the property registering authorities, as they were not well conversant with the proper application of rates, generation of PSIDs and authentication of tax challans. As the property and vehicle registering authorities have not embarked on the drill of automation, the constraints were being confronted in post-audit. While making field audit, they used to resort to the pretext of bulkiness of record.


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Whenever, the record was sought from them, they have avoided producing the required record and filing of withholding statement by making excuses of huge volume of registering deeds. Moreover, RTO office has no legal mandate to introduce one window operation at the office premises of the property registering authorities. Likewise, RTO can't intervene in the affairs of withholding authorities by deploying RTO's staff at their office premises and establishing booth of NBP or any other bank. The Department has opined that in order to ensure proper monitoring and enforcement of withholding taxes, the practice of verification was introduced.

4. AR and DR appeared for personal hearing and averred to the same stance given in their respective statements.

FINDINGS:

5. From perusal of record and arguments, it has transpired as under.

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- i. It is a hard fact that this RTO Quetta specific administrative intervention in monitoring of withholding taxes on properties is alien to the rest of IR formations across the country. Notwithstanding the reasons put forwarded by RTO Quetta, an extra forum created without FBR's formal approval is apparently uncalled for.
 - ii. There is no denying the fact that there is huge under-assessment of withholding tax on sale and purchase of immovable properties because of connivance between the taxpayers and the registration authorities. Misclassification is quite common i.e. treating properties located on main roads (which have a higher value) as properties located on off-roads (which have a much lower value).
 - iii. Though FBR has the authority to pre-audit withholding taxes, yet FBR also has the responsibility to facilitate the taxpayers which can be conveniently ensured by use of technology.
 - iv. Ideally, the FBR should conduct, post audit on the basis of CPRs available in its database.

RECOMMENDATIONS:

6. FBR is directed to:
- (i) develop some transparent and hassle-free IT solution, helping Withholding agents on one hand and facilitating taxpayers at the other;
 - (ii) install suitable operational software in the offices of all withholding agents, responsible for transfer of properties, minimizing human discretion in application of valuation rates and calculation of taxes. In most parts of the country all transfer transactions are now IT based;
 - (iii) evolve & enforce foolproof mechanism for timely Post audit of CPRs across the country; and
 - (iv) compliance be reported within 90 days.


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

Dated: 6:2: 2023

Approved for reporting