



**TRANSPARENCY
INTERNATIONAL-PAKISTAN**

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8th December 2012,

Mr. Ali Arshad Hakeem,
Chairman,
Federal Board of Revenue,
Government of Pakistan,
Islamabad.

Sub: Recovery of Rs 119.6203 Billion from Mr. Malik Riaz, Dr Arsalan Iftikhar and Mr. Ahmed Khalil on account of tax evasion determined by FTO.

Dear Sir,

Transparency International Pakistan refers to its letter dated 4th September 2010, (**Annex-A**), on the news published on 1st September 2010, with following request;

" TIP request the Chairman FBR to provide information to TIP on the total value of assets of Malik Riaz as assessed by FBR in accordance with Income Tax Ordinance 2001, including the Income tax and Capital Value Tax paid in 2009 on assets worth over Rs 225 Billion (US 3 Billion). In case these assets have not been declared to the FBR in 2009-2010 returns of Mr. Malik Riaz, TIP request FBR to take action according to the law. TI Pakistan is working for FBR to become a "Zero Tolerance against Corruption" organization

Even after 7 reminders sent to the Chairman FBR, TIP was not informed about the tax collected on the publically declared assets of Rs 225 billion by Mr. Malik Riaz.

According to the FTO inquiry commission report submitted in the Supreme Court of Pakistan on 6th December 2012, in the matter of Malik Riaz Hussain, Dr. Arsalan Iftikhar and others, Tax Evasion of Rs 119.6203 Billion has been determined.

Following is the extracts from news paper report.

It is left for the competent forums to investigate and decide as the court order did not pass any direction with regard to the commission's following allegations of serious nature:

- 1- Tax evasion of Rs51.3 million by Dr Arsalan Iftikhar.*
- 2- Tax evasion of Rs119.4 billion by Malik Riaz Hussain.*
- 8- Detection of undeclared bank accounts in the name of Ahmed Khalil showing deposits of Rs306m. Without any declared income, Ahmed Khalil has been found owner of assets worth Rs677m. Income tax implications on these assets come to Rs169m.*



The Chairman FBR is requested to take immediate measures in accordance with the rules and regulations to recover Rs 119.6203_Billion from Mr. Malik Riaz, Dr Arsalan Iftikhar and Mr. Ahmed Khalil on account of tax evasion determined by FTO.

It is also requested that action may be taken against the officers who did not act under the FBR rules, and caused loss to the exchequer by not recovering the amount even after TIP had in right time informed FBR in September 2010 about this major tax evasion.

TI Pakistan is striving to have transparency in procedures and Rule of Law in Pakistan, which is the only way to eliminate corruption and have good governance in country.

Yours Sincerely,

Syed Adil Ghani
Adviser

Copy forwarded for action under the rules regulations to

1. Chairman Public Accounts Committee, Islamabad
2. Federal Tax Ombudsman, Islamabad
3. Dr Abdul Hafeez Shaikh, Federal Minister of Finance, Islamabad
4. Auditor General Pakistan, Islamabad
5. Registrar, Supreme Court of Pakistan, Islamabad



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4th September 2010

Mr. Sohail Ahmed
Chairman,
Federal Board of Revenue,
Islamabad

Sub: Income Tax Notice to Mr. Malik Riaz on admission of assets worth US \$ 3 Billion

Dear Sir,

Transparency International Pakistan refers to the following news published in The Nation of 1st September 2010.

"Bahria Town Chairman Malik Riaz Hussain has announced the donation of 75pc of all his assets for the relief and rehabilitation of flood victims. In an exclusive interview with CNN, Malik Riaz Hussain announced the unprecedented amount of \$2 billion to the cause of helping the victims and elaborated the severity of the calamity damaging the agriculture and economy of the country throughout impacting business and trading activities by up to 60pc. When the anchor person at CNN reconfirmed whether Malik Riaz Hussain would donate \$2 billion, he reaffirmed that he would contribute much more than that amount."

I refer to the Seminar on "Measures to enhance transparency in tax collection and role of federal tax ombudsman" held by TI Pakistan in association with Federal Tax Ombudsman and Federal Board of Revenue on 5th August 2010, where it was said

The Rampant corruption and a lack of trust in the revenue collection institutions and other relevant departments are some of the major reasons behind the trend of tax evasion in the country. In the Seminar it said that had corruption been eliminated in the revenue collection process, Pakistan would not have to seek heavy loans from foreign donors. He stressed that rule of law must be felt in the FBR with action against unscrupulous elements to be taken without any discrimination.

Transparency International Pakistan therefore request the Chairman FBR to provide information to TIP on the total value of assets of Malik Riaz as assessed by FBR in accordance with Income Tax Ordinance 2001, including the Income tax and Capital Value Tax paid in 2009 on assets worth over Rs 225 Billion (US 3 Billion). In case these assets have not been declared to the FBR in 2009-2010 returns of Mr. Malik Riaz, TIP request FBR to take action according to the law. TI Pakistan is working for FBR to become a "Zero Tolerance against Corruption" organization. The copy of news is enclosed.

Yours Sincerely,


Syed Adil Gilani
Chairman
Ecl: News Reports

Copy forwarded to

1. Chairman Public Accounts Committee, Islamabad
2. Dr Abdul Hafeez Shaikh, Federal Minister of Finance, Islamabad
3. Auditor General Pakistan, Islamabad
4. Registrar, Supreme Court of Pakistan, Islamabad

TI asks FBR to provide tax details of Malik Riaz's Rs 225b

PAKISTAN TODAY

Source: **Staff Report**

December 25, 2011 on 2:24 AM

The Transparency International (TI) has sought details from the Federal Board of Revenue (FBR) about whether Rs 225 billion internationally declared by Malik Riaz of Bahria Town were included in tax returns of fiscal year 2009-10 and what amount of due taxes was collected.

A letter addressed to FBR Chairman Salman Siddique by TI Adviser Syed Adil Gilani sent on December 24, 2011 said Malik Riaz, in an interview with CNN on August 31, 2010, had admitted having assets of Rs 225 billion or \$3 billion.

The TI had earlier requested the FBR chairman through a letter on September 4, 2010 to provide the information with regard to payment of government revenue against Rs 225 billion in assets admitted to be owned by Riaz.

The information requested was on the total value of assets of Malik Riaz, as assessed by FBR in accordance with Income Tax Ordinance 2001, and tax collected. The letter also asked that in case the assets of Rs 225 billion were not declared to the FBR in tax returns of fiscal year 2009-2010, had FBR taken action according to law to recover the revenue and charged penalty, if any, for evasion of taxes.

The FBR did not respond to TI request for eight months, therefore, on April 29, 2011, a complaint was sent to Federal Tax Ombudsman against the FBR, requesting FTO to take action under the FTO Law. Consequently a reply from FBR was received on June 17, 2011 saying "This is to inform you that the information sought in respect of Malik Riaz Hussain of Bahria Town cannot be provided in view of Section 216 of the Income Tax Ordinance, 2011."

The TI letter said it did not understand why FBR was reluctant to perform its mandatory duty and avoiding collecting due taxes on the declared assets of Malik Riaz.

The copies of the letter have been forwarded to the public accounts committee chairman, federal tax ombudsman, NAB chairman, Supreme Court registrar and the auditor general.

PAKISTAN TODAY

<http://www.pakistantoday.com.pk/?p=148029>

"Dedicated to the legacy of the late Hameed Nizami"
Arif Nizami (Editor)

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Saturday, December 08, 2012

Who won and who lost?...The taxman set free

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Ansar Abbasi

ISLAMABAD: Malik Riaz is happy, Dr Arsalan says that his position stands vindicated and Dr Shoaib Suddle has now the freedom to proceed against the tax evaders after the Supreme Court accepted and made his report public.

Many say what has the Supreme Court done? Some are expressing sympathy and unknowingly feeling sorry for Dr Suddle, who had burnt midnight oil for months to produce his preliminary report as he was in possession of a lot more explosive stuff to do what has been considered impossible in the past, because his commission has been dissolved halfway.

In fact the commission was not required and mandated to take any action against tax evaders. It will now be done by the relevant authorities, the most pertinent being the Federal Tax Ombudsman, who is Dr Suddle himself.

In a way the taxman has been set free by the SC to proceed in whatever way he thinks is right and many have been reminded of the famous tax evasion case of Al-Capone, the Godfather, who was not jailed because of his other activities but was nailed for evading taxes.

Many feel that Dr Suddle was allowed by the apex court to probe the matter but when he was set to conclusively move towards the completion of his job, he was told to leave the work. The court ordered to make public the preliminary report of the commission, containing serious allegations against the duo. Dr Suddle wanted to do more but his commission had reached a dead-end after Malik Riaz refused to cooperate with it. Therefore, it was the right thing to wind it up and allow the other authorities to pursue whatever loose ends they wanted to pick up.

There is no direction from the apex court in respect to the allegations which surfaced against Malik Riaz and Arsalan in the commission report but by making it public without any objections by any side, it has been endorsed by the SC.

When approached, Malik Riaz sounded jubilant and said, "I am happy with the Supreme Court's decision." He said that he had got relief after six months, and added that he has complete faith in the Supreme Court of Pakistan. Malik Riaz informed that he is now considering taking Arsalan to a London court.

Dr Arsalan Iftikhar, when contacted, told this correspondent that his position has been vindicated. He also resolved to file a defamation suit against Malik Riaz.

It has also been established that the allegations and counter allegations was an affair between the two individuals and there has been no involvement of the Supreme Court or any of its judge including the Chief Justice of Pakistan in what has been traded between Malik Riaz and Arsalan.

On this point, the Supreme Court rightly stated this was an issue between two individuals and that they could take up their matter before any forum and this is the point where all other agencies and authorities, including the Federal Tax Ombudsman, have been authorised to take up the matter. The Federal Board of Revenue (FBR) might not do it but the Tax Ombudsman would certainly do it.

It is left for the competent forums to investigate and decide as the court order did not pass any direction with regard to the commission's following allegations of serious nature:

- 1- Tax evasion of Rs51.3 million by Dr Arsalan Iftikhar.
- 2- Tax evasion of Rs119.4 billion by Malik Riaz Hussain.
- 3- Alleged land grabbing of over 1,100 kanals of forest land in Rawalpindi and Murree by Bahria.
- 4- The discovery of secret bank accounts of Malik Riaz.
- 5- Controversial receipt of advance money from customers of plots in violation of rules.
- 6- CDA's claim in a court of law saying that Bahria Town has illegally occupied over 1,200 kanals of CDA land for construction of road to its newly launched project "Bahria Enclave".
- 7- Non filing of tax returns by Ahmed Khalil.
- 8- Detection of undeclared bank accounts in the name of Ahmed Khalil showing deposits of Rs306m. Without any declared income, Ahmed Khalil has been found owner of assets worth Rs677m. Income tax implications on these assets come to Rs169m.
- 9- Non-cooperation of relevant departments under the Ministry of Interior with the commission. They

virtually defied every order issued by the commission. Even routine attachment orders of two FIA officials whose services were requisitioned by the commission in early September were unduly referred to the Law Division for "opinion".

10- Minister of Interior rather than acting in support of the commission was blatantly and persistently continuing to act in aid of one party.

The report containing all such serious allegations is an official document now. If the present government ignores it, the next government can take it up against any party.

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