



**GOVERNMENT OF KHYBER PAKHTUNKHWA  
LOCAL GOVERNMENT & RURAL DEVELOPMENT DEPARTMENT  
LOCAL COUNCIL BOARD**

NO.AO-II/LCB/6-11/2013  
Dated Peshawar, the 14/03/2016

To

- 1- All the Tehsil Municipal Officers,  
Tehsil Municipal Administration in Khyber Pakhtunkhwa.
- 2- All the Town Municipal Officers,  
Town Municipal Administration in Khyber Pakhtunkhwa.

Subject

**POLICY GUIDLINES FOR THE AUCTION OF LOCAL COUNCILS  
CONTRACTS OF CATTLE FAIR, BUS STAND, 2% TAX ON TRANSFER OF  
IMMOVEABLE PROPERTY AND OTHER LOCAL TAXES FOR THE YEAR  
2016-17 IN KHYBER PAKHTUNKHWA.**

I am directed to refer to the subject noted above and to say that the competent authority in line with rule 39 of the Khyber Pakhtunkhwa TMAs rules of business 2015 has approved the following Policy Guidelines for the auction of the contracts of the Local Councils for the year **2016-17**, these shall be followed in letter and spirit:-

**POLICY GUIDLINES OF CONTRACTS**

- 1- The auction process for the contracts shall be started after 31/03/2016 for the year 2016-17 by all local councils in KP in their respective territorial jurisdiction for open and competitive bidding. The concerned heads of the councils shall be personally responsible for disposing off the contracts on due date of auction. Local print, electronic media, Accountability Agencies (NAB), Ehtesab Commission, Anti Corruption Establish and respective auction/finance committee of the council shall be invited for participation in the auction proceedings. Proper video/photograph of the entire auction proceedings shall be made/recorded and the same shall be sent to the Provincial Government at the time of obtaining vetting of the auction proceedings of the contracts from the competent authority/Chairman LCB.
- 2- The Local Councils shall fix different dates in one advertisement for auction of the contract of local taxes. If no reasonable bid is offered then another advertisement be got published in the renowned and widely circulated newspapers through Information Department. The same practice shall continue to achieve the maximum increase or up to minimum of 20% over the last year approved bid/income. The Nazim being head of the TMA and TMO being the Principal Accounting Officer as well as concerned elected council shall ensure competition amongst the bidder to achieve the maximum bid.
- 3- Defaulter Firms, nominee, authority holders shall not be allowed to participate in any auction proceedings. The default includes any outstanding amount of the Local Councils of Khyber Pakhtunkhwa.
- 4- The local office shall provide an attested photo copy of each of the schedule of rates as well as terms and conditions of auction of the contracts to the registered contractors/ Firms on their demand and payment of the prescribed copying fee before participation in the auction proceedings.
- 5- Each contractor/firm shall deposit earnest money @ 5% depending upon last year approved bid/income before participation in the auction proceedings in the local council concerned which will be released to them after auction except the successful bidder. The successful bidder will deposit 5% security which will be released to the contractor/firm after 30.06.2017 if all the dues are cleared. If any amount is found outstanding against the contractor/firm concerned, it will be deducted from the security of the contractor/firm and the balance amount, if any will be paid to the contractor/firm.

- 6- a) The successful bidder shall deposit 15% of the value of the contract in advance while in case of Cattle Fair the successful bidder shall deposit 30% of the value of the contract in advance which will be adjusted by the council in the last/final installment of the contract. The eleven installments shall however be worked out on the full bid amount of the contracts without deduction of the advance from the bid amount. The first installment shall be paid by the end of July 2015 and rest of the installments on last date of the month, to which it relates.  
b) While the successful bidder for the Tax/fee which is paid/collected once in a year shall deposit 50% in advance while the remaining 50% shall deposit in three equal monthly installments from July to September.
- 7- 2% penalty per day will be liable on contractor/Firm for late deposit of the monthly installment. If the contractor/firm fails to clear dues by 10<sup>th</sup> of each month to which monthly installment relates, the contract may be cancelled and his security and advances deposited by the contractor shall be forfeited. Two days grace period shall however be allowed for encashment of call deposit or Bank Draft if the monthly installment is paid on due date. Cheques will not be accepted from the contractor in any case. On the analogy of Provincial Government earlier decision/instruction circulated vide letter No.AOII/LCB/6-11/98 dated 14/04/1998 and 22/06/1998, the Local Councils with the recommendation of its Accounts Committee may waive off penalty on account of late deposit of due installment provided the principal amount of the contract is recovered within the financial year of the contract.
- 8- The Highest bidder after crossing 30% increase will be liable to deposit additional amount equivalent to earnest money during the auction proceedings otherwise the contract shall stand cancelled duly forfeiting the earnest money.
- 9- The contractors who offers a bid exceeding the prescribed limit up to 20% increase over the previous year approved bid/income the possession of the contract, may be handed over to the contractor, but the contractor shall deposit the contractual amount on daily basis @ of his offered bid in the Account of the concerned Local Council. Upon receipt of formal approval of the competent forum, the deposited amount will be adjusted in the monthly installment.
- 10- Any kind of tax already levied during contract/lease period by the Federal Government OR Provincial Government, the contractor shall be bound to comply to pay according to prescribed rates of tax. Any other tax/fee etc; imposed by The Provincial or Federal Government during the contract period will also be applied on the contractor/firm who will be bound to pay the same.
- 11- The schedule of rates shall be exhibited on the notice boards of all the collection point.
- 12- If the contractor/Firm violates any term and condition of the auction, his contract will be cancelled for the breach of the law/rules and he will be black listed and his registration be cancelled by the competent forum .
- 13) The successful bidder shall within seven (07) days of his acceptance of bid shall execute an agreement on the stamped paper shall also produce guarantee of two local notable residents having property equalent to the contract amount duly attested by 1st class Magistrate to the satisfaction of the council in case the contractor/firm does not deposit advances or does not enter in to agreement within the specified period the bid shall be considered as cancelled while the earnest money shall be forfeited in favour of the concerned local councils.
- 14- The receipt of contractual amount shall be normally issued by the employees of the Local Councils and not by employees/agent of the contractor/firm concerned. However, if the local council concerned cannot afford to provide work force required for the job, then only supervisory staff will be given to strictly watch financial transaction and ensure transparency.
- 15- The full record of the contract i.e receipts, refund of each month will remain with the local council however contractor/firm access to record will be allowed.
- 16- If it is proved that the schedule has been violated or excess fee/tax has been charged willfully, then the contractor/firm as well as defaulting staff shall be liable to pay a penalty up to 11-times of the actual taxes being charged.

- 17- In accordance with the Khyber Pakhtunkhwa TMA rules of business, 2015, the concerned elected council shall be empowered for grant of contract or auction of its local own sources revenue through open auction subject to these policy guide lines.
- 18- While forwarding the contracts for vetting of Provincial Government, it must be ensured that the following documents are submitted alongwith the case:-
- a) A copy of the terms and conditions of auction duly signed by all the participating contractors /firms.
  - b) A copy of the draft agreement deed duly vetted from legal advisor.
  - c) Reserved price/Fard-e-Boli as well as press cutting of the advertisement published in the newspapers.
  - d) Video CD and Photographs of the auction proceedings.
  - e) Details of last three years.
- 19- After the completion of auction proceedings, and after the fall of hammer there are usually offers and negotiations with the contractor in the local councils. This practice shall be avoided, however in the genuine cases the Provincial Government through Local Council Board can re-examine the bidding process.
- 20- A penal clause shall be provided in the agreement deed that whenever an item is charged at higher rates than what has been provided/prescribed in the schedule and the malpractice/overcharging etc; if proved against the contractor the concerned head of the council or any other inspecting officer shall be authorized to impose a penalty up to 11-times of the amount charged to be recovered from the contractor and if the excessive amount so recovered is being charged frequently the contract shall be cancelled with the approval of the competent authority and the advance/security deposited by the contractor shall be forfeited.
- 21- A public complaint register shall be maintained and kept in a conspicuous place at the collection points. These registers shall be paged marked; signed and responsible officers must check these registers. On demand by the public for recording a complaint it shall be the duty of concerned officer to provide the same to the complainant.
- 22- No clause for remission shall be provided in the agreement or in the auction notices. Remission could however, be considered in case of extra ordinary wide spread civil disturbance provided it disrupts the normal trade in big way. Small local strikes will not be taken into consideration for remission. No remission on account of rain shall be allowed in any way.
- 23- Contract once awarded to a party shall not be subletted to any other party. If the original Contractor is not interested to continue then contract shall be cancelled and re-auctioned at his risk and cost. The agreement shall have to be entered into with the original highest bidder and not with his partner or agent.
- 24- As already notified vide circular No.AO-II/LCB/6-11/97 KC dated 26.6.1997, no tax on transfer of immovable property shall be charged if.
- a) The transfer of land is in the nature of a gift (TAMLEEK) from parents to children, Grand Children and one spouse to another and if
  - b) The transfer is in an exchange of agriculture land for consolidation purpose.
- 25- At the time of execution of agreement with the contractors the name and designation of the staff, be clearly mentioned. The contractor shall be bound to pay all the expenses of such employee/employees. The official staff shall use the prescribed uniform. The contractor shall be bound to provide list of Pakistani Nationality agent/staff to local council for record.
- 26- The Government has allowed 48 days earned leave to every employee, therefore 48 days leave salary shall be deducted from the present contractor irrespective of the fact whether official has availed the leave or otherwise. The substitute if appointed against the leave vacancy will also be paid by the contractor.

- 27- The contractor shall also pay leave salary, pension contribution to the employees, along with other valid charges and stationery/forms.
- 28- The pension contribution will be payable by the contractor each month for all the staff working with (contractor) and the same be worked out at 33% of the minimum and maximum of the pay scale of the post held by the employee concerned plus other emoluments which are included for calculation of pension.
- 29- In case of any dispute arising between the contractor and Local Councils regarding contract or any other matter arising out of contract, the contractor and the local council shall have a right to resolve the dispute through arbitration under the arbitration act 1940. The Secretary, LG & RDD/Chairman LCB shall decide the dispute as an arbitrator. The decision of the arbitrator shall be final and binding on the parties concerned. The dispute between the public and the contractor shall be settled by the Local Council/LG&RDD.
- 30- The local council shall be entitled to recover all dues from the contractors and guarantors in case of default on the part of contractor due to any reason whatsoever. All cost and consequential costs of legal proceedings shall also be recoverable from them.
- 31- Before cancellation of contract, the local council shall provide an opportunity of being heard to the contractor by the concerned local council. On cancellation of contract, the local council may choose to re-auction the contract for the remaining period or may make departmental collection and in any case if the income so received is found less than the contractual amount, the loss occurred shall be recovered from the contractor as arrears of land revenue.
- 32- The contract shall neither be granted beyond one year on any ground whatsoever except those by the Provincial Government for the interest of Local Council or large public interest.
- 33- The above instructions shall be followed in letter and spirit and must be provided in "TERMS AND CONDITIONS" of auction of the contracts. The head of Local Councils will ensure that the auctions are being conducted in accordance with the above instructions.
- 34- Violation of the above instructions on the part of the Nazim, Tehsil Municipal Officer, head of the Local Councils /TORs, Tax Superintendent etc: shall be considered as misconduct for which disciplinary action will be initiated against them under the Khyber Pakhtukhwa Local Govt: Act, 2013 and Local Council Servants (E&D) Rules 1980.

**(MUHAMMAD KHALIQ)**  
**DEPUTY SECRETARY-III (LCB)**

Copy forwarded to:

- 1) All the Deputy Commissioners in Khyber Pakhtunkhwa.
- 2) All the District/Tehsil Nazims in Khyber Pakhtunkhwa.
- 3) PS to Senior Minister for LG&RDD Khyber Pakhtunkhwa, Peshawar.
- 4) PS to Secretary, LG&RDD Khyber Pakhtunkhwa, Peshawar.
- 5) All the Deputy Secretaries LCB Khyber Pakhtunkhwa, Peshawar.
- 6) The Director, Local Fund Audit Khyber Pakhtunkhwa, Peshawar.
- 7) All District Finance Officers in Khyber Pakhtunkhwa.
- 8) All Secretaries District Councils in Khyber Pakhtunkhwa.

**DEPUTY SECRETARY-III (LCB)**