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REVENUE FROM LAND TRANSACTIONS SOARS 1

Revenue from land transactions soars

Revenue collection from real estate transactions overshot the target after the government jacked up land registration fees.

The government had set an annual collection target of Rs14.04 billion, but revenues reached Rs19 billion in the first 11 months of the fiscal year, according to the data of Department of Land Reforms and Management (DoLRM).

Land Revenue Offices (LRO) across the country raised Rs17.58 billion in property registration fees alone in the first 11 months. The figure is 76.32 percent higher compared to the same period in fiscal 2015-16.

Incomes at LROs dried up in 2015-16 due to a slowdown in the property business. While the government had aimed to collect Rs12 billion in taxes on land transactions during the year, collection totalled Rs11.9 billion.

Right after the beginning of the fiscal year, the DoLRM increased the tax on land transactions in metropolitan cities to 5 percent from 4.5 percent, and to 4.5 percent from 4 percent in sub-metropolitan cities. Likewise, taxes in municipalities and village councils have been jacked up to 4 percent from 2 percent.

“A hike in the tax rate has made a huge impact on revenue collection,” said Bachchu Ram Rimal, officer at the planning division of the DoLRM, adding that the department had also become proactive to curb undervaluation of property for tax purposes. “Though it isn’t our duty to keep a tab on capital gains tax on the sale and purchase of real estate, we have been conducting market research and monitoring to ensure that the government receives taxes.”

Buyers and sellers of real estate usually undervalued their properties to save on capital gains tax. The DoLRM recently found out that a plot in the prime location of New Road had been valued at Rs5 million per anna while the actual price was Rs50-60 million to avoid paying a large amount in capital gains tax.

Suspecting massive undervaluation, the Dorm filed a case in court. The court ruled in favour of the department and the appropriate amount in capital gains tax was collected.

Officials said that the property market had been on a steady rebound since hitting a low after the 2015 Gorkha Earthquake and subsequent Indian economic blockade, leading to a rise in revenue collection. According to the department, the Kathmandu Valley accounts for 50-55 percent of the total revenue collection.

International Property Tax Institute

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