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HIGH PROPERTY TAX RATES HINDERING GROWTH: LCCI..... 1
PROPERTY TAX COLLECTION INCREASES 82 PERCENT 1

High property tax rates hindering growth: LCCI

The Lahore Chamber of Commerce and Industry (LCCI) has demanded downward revision in the rates of property tax, saying the existing levels are too high and hampering growth of businesses.

In a statement on Wednesday, LCCI President Abdul Basit, Senior Vice President Amjad Ali Jawa and Vice President Muhammad Nasir Hameed Khan said the high property tax worked against business interests and the chamber of commerce had received scores of complaints from its members about the mounting tax burden.

They pointed out that industrial units in rural areas were receiving tax notices with area measurement from the Town Municipal Officers. "Wherever the industry is situated, it is considered an industrial area. The industry in rural area must not be treated as that in an urban area," they said.

They believed such actions were bound to cause damage to the socio-economic structure, which would ultimately hit the present government. The government must initiate public-private dialogue to address the challenges being faced by business-doing people who were the backbone of the economy, they suggested.

Citing examples, the LCCI office-bearers pointed out that Davis Road and MM Alam Road in Lahore had been put in the 'A' category, though commercial value of the property at MM Alam Road was many times higher than that at Davis Road.

Moreover, the excise department determines property tax on the basis of the rent charged at MM Alam Road while rental value at Davis Road is only one-third of that at MM Alam Road.

"Such discrepancies should be addressed to make the system more transparent," they said. The LCCI office-bearers suggested 50% increase in the property tax rate spread over a period of three years under the formula (20, 20 and 10%) and relief for the people who deposited the tax by adjusting remaining amount in coming years.

They revealed that the Excise and Taxation Department had served notices in various markets, which were then replaced with new notices with a 50% increase. "This process of serving notices should be revised."

They were of the view that the business community was not ready to accept even 1% increase in commercial property tax rates because of the current economic conditions. They suggested bringing down the commercial rates to 0%.

Property tax collection increases 82 percent

KARACHI: The property tax collection has increased sharply by 82 percent during the fiscal year 2016/2017, owing to upward revision of valuation and enhanced efforts against black money, sources in the ministry of finance said on Saturday.

The collection of property tax was at Rs7.03 billion in 2016/17 as compared to Rs3.86 billion during the preceding fiscal year.

International Property Tax Institute

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The sources said the provinces had benefitted from the measures taken by the federal authorities by fixing higher valuation of immovable properties for the purpose of collecting withholding taxes at the time of sales and purchase.

The federal government in the budget 2016/17 introduced higher valuations for immovable properties for the collection of withholding taxes. Subsequently, the FBR in August 2016 issued valuation tables for 20 major cities.

Provinces, including Punjab and Sindh, had recorded significant growth in the collection, the sources said.

Punjab registered phenomenal growth of 124 percent to Rs4.66 billion during 2016/17 as compared to Rs2.07 billion during the preceding fiscal year.

Similarly, Sindh collected Rs2 billion during the period under review as compared to Rs1.39 billion a year ago, depicting an increase of 43 percent. The combined collection of KP and Balochistan stands at Rs375 million during the last fiscal year.

The overall collection of provincial taxes posted 13.6 percent growth to Rs321.77 billion during the fiscal year 2016/17 as compared to Rs283.27 billion.

The sales tax on services remained major contributor in total revenue collection by the provinces. All the provinces jointly collected Rs170.79 billion during the last fiscal year as against Rs129.75 billion over the preceding fiscal year, depicting a growth of 31.63 percent.

The sources said Punjab and Sindh had taken several measures during the budget 2016/17 for bringing many new services into the tax net and monitoring of registered taxpayers resulted in significant collection growth.

During the year 2016/17, Sindh collected Rs78.63 billion as sales tax on services and to become the leading collecting provincial agency. Punjab, KP and Balochistan collected Rs77.73 billion, Rs10.27 billion and Rs4.14 billion, respectively.

Stamp duty is another major contributor of provincial taxes, which was increased to Rs38.16 billion as compared to Rs35.48 billion.

Meanwhile, the collection of motor vehicle tax by provinces increased to Rs21.82 billion from Rs19.77 billion.

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