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FBR REVISES DOWN VALUATIONS OF PROPERTIES IN SIX CITIES..... 1

FBR revises down valuations of properties in six cities

The Federal Board of Revenue (FBR) on Thursday brought down its valuation of properties in six major cities by more than a half.

FBR issued six notifications to cut the valuation of properties by up to 55 percent in Islamabad, Rawalpindi, Karachi, Lahore, Faisalabad and Peshawar.

In August 2016, FBR issued valuation tables for 20 major cities for the first time to bring black money invested in the property business into the documented economy.

Tax experts said the FBR issued valuation tables after consultations with all the stakeholders with a pledge that the notified values would gradually be enhanced in the years to come.

Sources in FBR said business community urged the tax authorities to revise downward the valuation of industrial open and constructed plots.

“The valuation tables were revised downward for mostly posh residential areas,” a source said.

FBR, in a latest move, reduced the valuation of industrial plot to Rs9,603/square yard from previous valuation of Rs12,000/square yard in Karachi.

The valuation was cut to Rs7,500 from Rs9,100 for residential plots located in DHA Phase-9, Karachi.

The FBR sources said the revenue body is likely to face major blow to its tax revenue collection from properties following the reduction.

FBR collects withholding tax, under Section 236C of the Income Tax Ordinance, 2001, from sellers and, under Section 236K, from purchasers of properties in line with its valuation tables.

Withholding tax collection on sales and purchase of properties registered a robust growth of 45.26 percent to Rs6.71 billion during the July-November 2017 period over the corresponding period a year earlier.

The apex tax authority also collects a flat three percent on the differential amount between FBR’s and provincial valuation tables for properties under an amnesty scheme announced two years back. The

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scheme was announced to encourage documentation and bring undocumented transactions into the tax net.

In 2016, a new section 236W was incorporated to Income Tax Ordinance, 2001 under which investment in property transactions to the extent of FBR value could be whitened after payment of three percent additional tax. All property registration from December 2, 2016 attracted three percent additional tax from buyers irrespective of filers or non-filers of income tax returns.

An estimate said investors managed to get Rs138 billion of property transactions documented till November 2017.

Tax experts said the FBR has softened the valuation to please industrial sector ahead of general elections.

"It is illogical to revise the valuation rates downward and it would only promote black money and affect revenue collection," an expert said. "It is open secret that there is huge difference between fair market and FBR values and deputy collector rates notified by the provincial governments."

The expert said there is a need to bring uniformity in the proper valuations to increase documentation.

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