



PAKISTAN – February 2019

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Kharkhano market: traders agree to payout property tax, outstanding dues

The traders of Kharkhano market Peshawar and provincial department of Excise, Taxation and Narcotic Control government of Khyber Pakhtunkhwa on Monday agreed to payout property tax and gave assurance for immediate paying of property tax dues.

According to official of the excise department said that the property tax, amounting Rs 250 million didn't payout by Kharkhano traders since last 16 years. In this connection, a delegation of traders led by Kharkhano market president, Barkat Afridi, visited the provincial Excise department, held negotiation with Secretary Excise, Taxation and National Narcotics Control, Riaz Mehsud and other high officials.

Secretary Riaz Mehsud assured the visiting delegation to extend full cooperation to traders. On the occasion, the traders have assured to payout property tax as well as remaining property tax dues immediately.

About the negotiation, Riaz Mehsud said that the department will bring easiness for people and assured that the government will extend every possible support to the trader's community. He said it is welcoming that the traders of Kharkhano market agreed to payout property tax. He said that his office doors will remain open for them.

Barkat Afridi has thanked the secretary excise, Riaz Mehsud and assured the traders will immediate payout all dues of property tax with cooperation of the department. He also said the property tax will be regularly payout in future.

Aftab Ahmad, an excise and taxation officer while talking on the occasion said that the property tax dues, amounting Rs 250 million property taxes are outstanding against the Kharkhano traders for last 16 years.

He said that property tax of Rs 25 million had so far recovered from traders of the Kharkhano market after taking action by department. He said the moral of officials have become up after today assurance of Kharkhano traders to payout property tax and all outstanding dues immediately.

Property tax collection rises 31pc in July-Jan

KARACHI: Property tax collection by provinces surged 31.34 percent to Rs7.38 billion during the first half of the current fiscal year of 2018/19, official data showed on Friday.

Finance ministry's data showed property tax collection amounted to Rs5.624 billion during the corresponding period of the last fiscal year. Sources in the ministry said the revenue grew due to regularisation of immovable property rates and monitoring of transactions for tax collection.

International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.

Provincial governments have jurisdiction over collection of property taxes and this contributed towards the total revenue collection after enhanced monitoring by the Federal Board of Revenue (FBR).

In August 2016, the FBR notified table of valuations for around 20 cities in order to monitoring open market values of immovable properties. Valuations were meant for increasing withholding tax collection from buyers and sellers of immovable properties. However, the valuations also created deterrence against mis-declaration of property values. The previous government last year announced to abolish FBR valuation and in the budget 2018/19 established a new directorate of immovable properties in addition to abolish the valuation table.

The government also notified that the FBR valuations would be abolished from the date of notification issued by the federal government regarding functioning of the directorate. Nonetheless, the FBR valuations have so far been prevailed. In fact, the FBR recently increased valuation by 20 percent in order to collect withholding tax.

The directorate general immovable properties was set up under a new section (230F) introduced into the Income Tax Ordinance 2001 through the Finance Act 2018.

The tax authorities assigned jurisdictions to the relevant officials in the unit to perform vigilance. They, however, could not undertake any action without the availability of all the prerequisites, including uniformity in provincial and federal valuation, tribunal for redressal of complaints in consultation with ministry of law and creation of fund with seed money in consultation with the ministry of finance to procure land.

Tax experts said the establishment of the directorate created a fear and people preferred to declare property values near to the fair market values. They said the valuations notified by the provinces are very low but due to transactions at the higher rates the property tax collection increased significantly.

In terms of volume, the Punjab took lead by collecting Rs5.02 billion during first half of the current fiscal year. The collection was Rs4.09 billion in the corresponding period of the last fiscal year, showing a 22.64 percent increase.

Sindh posted sharp 73.83 percent growth in collection of property taxes. The province collected Rs1.83 billion during July-December compared with Rs1.05 billion in the same period of the last fiscal year.

The collections by Khyber Pakhtunkhwa and Balochistan were Rs450 million and Rs83 million, respectively.

The sources said the ongoing drive against black money and undeclared assets would result in growing declarations and it would subsequently increase the property tax collection besides revenue collection from rental income.

Prepare to pay more tax on plots as govt revises its property values

The official prices of property have been increased an average of 20% in 21 cities in Pakistan as the government tries to counter tax evasion.

These prices are called valuation rates by the FBR. They are the rates for property set by the District Commissioner offices across the country. They are much lower than the market rates for land.

So, when you buy land, for example, you usually pay the market rate. But you pay taxes on it, which are determined by the official government price of the land. The government is fixing this anomaly in order to get people to pay what should be closer to a realistic tax.

On Friday night, the FBR announced the new rates for major cities: Abbottabad, Bahawalpur, Faisalabad, Gujrat, Hyderabad, Islamabad, Jhang, Jhelum, Karachi, Lahore, Mardan, Multan, Peshawar, Quetta, Rawalpindi, Sahiwal, Sargodha, Sialkot, Gujranwala, and Sukkur.

Whenever a person buys land, the government charges the buyer withholding tax and the seller capital gain tax. In reality, however, what usually happens is that the buyer and seller give a lower price for the property so they can pay less tax each. This is called undervaluing property.

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For instance, take the case of a person buying a house for Rs5 million, which is its market value. The buyer asks the seller to make a sale deed for only Rs3 million. This undervalued price tag allows the buyer to save on withholding tax and the seller save on paying capital gains tax.

The government is trying to bring federal valuation rates and provincial valuation rates closer to the market values of property so sellers and buyers are not able to evade paying tax.

The government has also increased the number of categories of property by their value slabs.

In Karachi, for example, the categories for properties have been increased from nine to 11.

The A1 category is for Defence, Clifton, Civil Lines, Bath Island, Garden East, Gulshan Iqbal, KDA, Abdullah Haroon Road, Burns Road, and Fatima Jinnah Colony among other expensive neighbourhoods. In these areas, residential open plots now cost Rs42,000 per square yard. The price was fixed at Rs35,000 per square yard previously.

The residential built-up property now costs Rs48,000 per square yard, which was Rs40,000 per square yard before.

In Islamabad, Sector E7 has been identified as the most expensive area with residential property costing Rs68,580 per square yard. It used to cost Rs57, 150 per square yard. The price of residential plots in Sectors F6 and F7 has been increased from Rs48,5000 to Rs58, 260 per square yard. In Sector F10, the price has been increased from Rs42, 050 to Rs50,460 per square yard.

FBR increases valuation by 20pc for Karachi immovable properties

Federal Board of Revenue (FBR) has increased valuation by around 20 percent for immovable properties located in Karachi.

The FBR issued SRO 120(I)/2019 on Friday to revise upward the valuation of immovable properties located in Karachi city.

Previously, the FBR issued SRO 662(I)/2016 dated August 02, 2016.

Following the valuations issued under SRO 120(I)/2019

KARACHI							
Category	Residential open plot per square yard	Residential Built up Property per square yard	Commercial open plot per square yard	Commercial Built up Property per square yard	Industrial open plot per square yard	Industrial Built up Property per square foot	Flats/Apartments per square foot
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A-I	42,000	48,000	120,000	81,000	-	-	6,000
I	30,000	38,400	90,000	64,800	11,524	2,300	5,400
II	14,400	24,000	72,000	42,000	9,600	2,300	3,000
III	7,200	13,200	30,000	21,600	-	-	1,800
IV	6,000	7,200	22,800	12,000	-	-	1,200
V	2,160	4,800	4,800	7,560	-	-	720
VI	1,080	3,600	2,400	5,400	-	-	360
VII	24,000	33,600	84,000	48,000	-	-	6,000
VIII	7,200	13,200	30,000	21,600	-	-	1,800
IX	9,000	10,058	45,600	-	-	-	3,060
X	10,200	12,000	45,600	-	-	-	3,600

Following are the old valuations issued under 662(I)/2016

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KARACHI

Category	Residential open plot per square yard	Residential Built up Property per square yard	Commercial open plot per square yard	Commercial Built up Property per square yard	Industrial open plot per square yard	Industrial Built up Property per square foot	Flats/Apartments per square foot
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A-I	35,000	40,000	100,000	67,500	---	---	5,000
I	25,000	32,000	75,000	54,000	12,000	3,000	4,500
II	12,000	20,000	60,000	35,000	8,000	3,000	2,500
III	6,000	11,000	25,000	18,000	---	---	1,500
IV	5,000	6,000	19,000	10,000	---	---	1,000
V	1,800	4,000	4,000	6,300	---	---	600
VI	900	3,000	2,000	4,500	---	---	300
VII	20,000	28,000	70,000	40,000	---	---	5,000
VIII	6,000	11,000	25,000	18,000	---	---	1,500

(i) Values in the above Table are in rupees;

(ii) value is per square yard of the covered area of ground floor plus covered area for the additional floor;

(iii) commercial property built up value is per square yard of the covered area of the ground floor plus covered area of the additional floor, if any; (iv) built up industrial property value is per square yard of the plot area per square foot;

v) the value in respect of a residential building consisting of more than one storey shall be increased by 25% for each additional storey i.e. value of each storey other than ground floor shall be calculated @ 25% of the value of the ground floor;

(vi) a property which does not appear to fall in any of the categories shown in the Appendix below shall be deemed to fall in the adjacent lowest category of the Appendix;

vii) whether the land has been granted for more than one purpose. viz residential, commercial and industrial, the valuation in such a case shall be the mean/average prescribed rate;

(viii) a flat means the covered residential tenement having separate property unit number/subproperty unit number;

(ix) in residential, multi storey building, additional storey shall be charged if it consists of bed room and bath room;

(x) the rates for basements of built in commercial property in categories I, II, III and IV shall be Rs. 13,500 per square yard;

(xi) area-wise categories are in the following Appendix.

The FBR issued valuation of immovable properties for 196 different areas in Karachi city.

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