

FBR unveils up to 60pc increase in valuations of properties

KARACHI: The Federal Board of Revenue (FBR) on Tuesday notified fresh increases in valuation of properties across the country for the purpose of collecting taxes and to bring rates closer to fair market values.

The FBR announced enhanced valuation of properties for 20 major cities of the country. The FBR issued 20 statutory regulatory orders to implement the new valuation of properties for cities, including Islamabad, Lahore and Karachi and Gwadar.

The FBR last month had issued proposed valuation tables for properties for 20 cities. The new tables were published after backlash to the revenue body's previous proposal of significant increase in property price list. The FBR had proposed phenomenal increase in valuation of properties in order to bring the prices near to fair market values and to boost revenue collection. The proposed valuation was to be implemented from July 1, 2019 but it postponed the implementation after severe criticism to the changes into the tax laws made through the Finance Act 2019.

The FBR reissued the fresh valuation for 20 cities and the new valuation tables will be implemented from July 24, 2019.

The increase in valuations is variable on the basis of location of properties. The valuation of properties in case of Karachi has been increased in the range of 50 to 60 percent. The FBR earlier proposed up to 200 percent increase in valuation of properties located in the metropolis. The total increase in properties has now reached around 60 to 70 percent this year as the revenue body has already increased the valuation of properties by 20 percent in February this year.

The FBR increased the valuation of properties for the purpose of collecting withholding tax only.

Sources said the FBR would get a substantial increase in revenue collection following the new valuation tables despite lowering the withholding tax rates for the tax year 2019/20.

The FBR has issued withholding tax rates on sales and purchase of properties for active and non-active taxpayers. Under the new taxation system, a real estate seller has to pay one percent of the gross amount of the value in case he is an active taxpayer. The rate will be two percent in case the individual is not on the active taxpayers list. Likewise, at the time of purchase of properties the withholding tax rate will be one percent for active taxpayers and two percent for non-filers of tax returns.

The FBR also established a directorate of immovable properties for determination of fair market values of real estate. The sources said the directorate would initiate proceedings against individuals who falsely declare or suppress the actual value of properties.

The directorate, set up through Finance Act 2018, also brought to an end a tax amnesty announced to document billions of rupees wealth in the real estate sector.

In December 2016, the government announced the amnesty through Income Tax (Fourth Amendment) Act 2016 by inserting a section 236W into the Income Tax Ordinance 2001. Under the section, the purchaser of property was allowed to pay withholding tax at three percent.

The FBR documented Rs75 billion worth of properties during the first nine months of the last fiscal year of 2018/19 under the tax amnesty scheme, while it managed to collect only Rs2.25 billion on documentation of properties during the period.

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