

Investments in real estate: FBR documents assets worth Rs223bln under tax immunity in 18 months

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The money was whitened between December 2016 and June 2018. The government on December 2, 2016 through an act of the parliament approved the immunity and allowed investments in immovable property to document money at the rate of three percent. Those declaring concealed income were also granted immunity from disclosing source of that income.

As a result of this immunity, the declaration of concealed income amounted to Rs78 billion during December 2016-June 30, 2017. Further, an amount of Rs145 billion was whitened under the scheme during July 1, 2017-June 30, 2018.

The Federal Board of Revenue (FBR) collected Rs6.74 billion as tax revenue at the rate of three percent of the declared amount. The breakup of tax revenue shows, it collected Rs2.38 billion in the first year and Rs4.36 billion in the next year.

Sources in the FBR said the immunity was only allowed on the investment, which was the difference between provincial value and valuation table issued by the revenue authority. However, where the provincial value is greater than the FBR valuation, the immunity was applicable.

In the budget 2018/2019, the parliament withdrew the scheme and introduced a new mechanism for property valuation and announced setting up a directorate of immovable properties in the FBR. The directorate has been mandated to takeover properties, in case of suppressed values, by paying higher amount against the declared amount from the buyer.

The new mechanism has to be implemented from July 1, 2018 but FBR failed to set the directorate. Therefore, the immunity from declaring concealed income will continue till the establishment of the directorate.

The FBR also collected huge amounts through the withholding tax on sale and purchase of immovable properties during fiscal year 2017/18.

On sale or transfer of immovable property, the FBR collected Rs5.2 billion during 2017/18 as compared with Rs4.48 billion in the preceding fiscal year, showing growth of 16.07 percent. The FBR collects withholding tax from both filers at one percent and two percent from non-filers.

Similarly, on purchase of properties, the FBR collected Rs13.23 billion during the last fiscal year, showing 18 percent growth when compared with Rs11.22 billion in the preceding fiscal year. As per prevailing law during tax year 2018, the purchaser is

exempted from withholding tax if property value is not higher than Rs4 million. In other cases, the FBR collected two percent from filers and four percent from filers on the declared value.