

## **UNCLEAR TAX LAWS IRK REALTORS: IMMOVABLE PROPERTY DEALS IN SINDH COME TO NEAR STANDSTILL**

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KARACHI: Real estate sector in Karachi has come to near standstill due to slow implementation of new regulations on; sale and purchase, registration and transfer of properties, introduced in the current year budget, city-based realtors said on Wednesday.

“The federal government has brought changes in the tax rates on transactions of immovable properties, but these were not implemented from July 1, which created confusion,” an official at Clifton Property Registrar Office said.

Through the Finance Act, 2018, the federal government had abolished valuation of immovable properties issued by the Federal Board of Revenue (FBR).

The government has also withdrawn different withholding tax rates on the sale and purchase of immovable properties and introduced one percent to be payable by both buyers and sellers. Further, the purchase of immovable properties above Rs5 million was restricted to only income tax return filers.

The official at the registrar office said, under the new amendments, the FBR has to establish a directorate for immovable properties for monitoring and undertaking examination of fair market value of sale and purchase of immovable properties.

The directorate has not been established yet, and since July 1, the process of property registration and transfer has almost stopped, the official said, adding: “The registrar office only authorises the process on DC values issued by the provincial government and put hold on the FBR taxes.”

Sources in the FBR said the provision of creating directorate for immovable properties was to monitor black money in real estate business.

An official at the Regional Tax Office (RTO) Karachi said, “The directorate is meant for taking over the properties where values have been suppressed.”

Through the Finance Act, 2018, it was clarified that the FBR values and relevant tax rates would be applicable till the establishment of the directorate, the official said, adding that it was notified that non-filers cannot purchase immovable properties above Rs5 million.

Meanwhile, Pakistan Real Estate Investment Forum (PRIF) has written a letter to FBR Chairperson Rukhsana Yasmin to clarify the situation.

“Although it is clear that the FBR valuations will prevail till the establishment of the directorate, but property registrars in Sindh are hesitant in using the existing valuations in the absence of clear direction,” it said.

It also said the registrars are adjourning property transfers, which are leading to disputes. The realtors have urged the FBR chairperson to provide guidelines in this regard.