

Immovable properties: FBR appears feckless to enforce new withholding tax rates

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Federal Board of Revenue (FBR) appears feckless to enforce new withholding tax rates on immovable properties as provinces are said to be reluctant to withdraw its levy on property transactions; it was learnt.

The federal government through the Finance Act, 2018 made amendments related to property transactions to broaden the tax base. The major amendment was the documentation of property transactions at fair market value with the imposition of withholding tax rate at one percent payable on both buyer and seller. Another amendment (Section 227C) was made to restrict non-filers for the purchase of immovable properties above Rs 5 million.

Sources said that amendment to record transactions at fair market value and subsequently collect withholding tax rate at one percent from both buyer and seller was subject to the establishment of Directorate General Immovable Property.

They said that the Directorate may appoint any property expert for the purpose of determination of valuation including fair market value of immovable property to collect withholding tax on the transactions of immovable properties (one percent from filer and two percent from non-filer in case of seller; and on value of immovable property above Rs 4 million, the rate of 2 percent for filer and 4 percent for non-filer in case of buyer).

The board had enhanced the declared value of properties for around 20 major cities of the country through valuations in 2016 but this initiative remained unsuccessful to meet the requirement, due to the low provincial levy commonly known as deputy collector rates.

Keeping this in view, the federal government after having amendments in Finance Act 2018 took the provinces on board in order to convince them for withdrawing deputy collector rates but the efforts went in vain due to the reservation of the provinces.

Therefore, the directorate general immovable properties, which was supposed to be operational from July 2018, was not notified by the board, sources said and hoped that new governments - federal and provincial may show positive attitude on the matter.

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