

VALUATION OF PROPERTIES & FAIR MARKET VALUE



ABID H. SHABAN



*"Income tax returns are the most imaginative fiction being written today." –**Herman Wouk***

Definitions and Laws



→ **Immoveable Property** has been defined in section 3(25) of the **General Clauses Act 1897** as:

"immoveable property shall include land, benefits to arise out of land, and things attached to the earth, or permanently Fastenal to anything attached to the earth."

→ Section 54 of the **Transfer of Property Act 1882**, defines **sale of immoveable property** as:

SALE DEFINED:

"Sales is a transfer of ownership in exchange for a price paid or promised or part paid and part promised."

SALE HOW MADE:

"Such transfer, **in the case of tangible immoveable property of the value of one hundred rupees and upwards**, or in the case of a reversion or other intangible thing, **can be made only by a registered instrument.**"

Some History



Post the enactment of the Income Tax Ordinance 1979(R), there were basically THREE main issues which were favorites of the tax officials:

- (i) Estimation of Sales
- (ii) Enhancing GP rates
- (iii) Estimating the values of immoveable properties

(there were other sector specific favorite issues also)

History contd...



- In respect of valuation of immoveable property; till 1986, the provincial Government (Sind) used to levy CAPITAL GAIN TAX and from 1987 onwards STAMP DUTY was levied and valuation rates for purpose of levy of Stamp Duty was notified from time to time by the provincial Government under section 27-A of the Stamp Act 1899.
- (i) Central Board of Revenue (CBR) realising the unbridled powers of the tax officers in valuating the immoveable properties (*and the "ills" that went with it*) through various circulars issued in 1993/1994 put check on these powers (Circular 11 of 1993, Circular 11 of 1994) and prescribed the Collector Rates be adopted for purpose of valuation.
- (ii) Through SRO 550(I)/97 dated 25-07-1997 Rule 207-A to the Income Tax Rules 1982(R) was introduced, and the valuation of open plots was formalized to be the Rates notified by the District Collector etc. for purpose of valuation of un-explained asset u/s 13 of Income Tax Ordinance 1979(R).
- (iii) "Capital Gain" / "Adventure in nature of trade"

History contd...



When Income Tax Ordinance 2001 and Income Tax Rules 2002 were enacted the position slightly changed:

- (i) The powers to determine "Fair Market Value" (FMV) were explicitly given to the Commissioner.(sec 68)
- (ii) For the purpose of determining the value of unexplained investment (section 111) the Commissioner was authorized to determine the value but as per sub-section (5) to the section 111 the Board was empowered to make Rules for the purpose this section.
- The Board notified Rule 228 of the Income Tax Rules 2002 which inter alia laid down mechanism for valuation of assets and in respect of 'open plot' [District Officer (Revenue)] Collector rates for purpose of stamp duty were to be adopted or value determined by development authority/government agency.
- This Rule was modified vide SRO 392(I)/2009 dated 19-05-2009 and in respect of constructed immoveable property higher of FMV as per section 68 or the value fixed by District Officer (Revenue) was to be adopted.
- Hence the valuation rates notified by the District Officer (Revenue) in respect of open plots was adopted by Tax Officer.

Rule 228

Rule 228: Valuation of assets

- (1) The valuation of immovable property for the purposes of section 111 of the Income Tax Ordinance 2001, shall be taken to be-
 - a) in the case of open plot, the value determined by the development authority or government agency on the basis of the auction price in respect of similar plots in the area where the plot in question is situated;
 - b) in the case of properties given on rent, the value equal to ten years capitalized value assessed on the annual rental value;
 - c) in the case of agricultural land, the value equal to the average sale price of the sales recorded in the revenue record of the estate in which the land is situated for the relevant period/time; or
 - d) in any other case, the value determined by the District Officer (Revenue) or provincial authority authorised in this behalf for the purposes of stamp duty.

Rule 228 as modified vide SRO 392(I)/2009 dated 19-05-2009

- (1) The valuation of immovable property for the purposes of section 111 shall be taken to be-
 - a) in the case of open plot, the value determined by the development authority or government agency on the basis of the auction price in respect of similar plots in the area where the plot in question is situated or in case where such value is not determined, the value fixed by the District Officer Revenue or provincial authority authorized in this behalf for the purposes of stamp duty;
 - b) in the case of agricultural land, the value equal to the average sale price of the sales recorded in the revenue record of the estate in which the land is situated for the relevant period or time; or
 - c) in the case of **constructed immovable property**, value shall be determined at the fair market value as defined in section 68 or the value fixed by the District Officer (Revenue) **whichever is higher**.

Aftermath of Rule 228



Then serious issues started emerging:

- The valuation rates of the District Officers (Revenue) were far below the market rates (factor of 3 to 8+)
- The valuation rates at times were not revised by District Officers (Revenue) for 5-6 years.

AND REAL ESTATE investment became a favorite place to park UN-TAXED/BLACK MONEY.

Valuation mechanism.....cause of concern



- In 2014/2015, there was a serious attempt by FBR, that under valued properties be “acquired” by Government by paying 15-20% more than declared rate. This proposal was rejected during high level discussions.
- In December 2015, draft SRO was floated for internal discussions wanting to amend Rule 228 and giving powers to Commissioner to determine FMV u/s 68. And higher of the DC value or FMV u/s 68 was to be adopted. This was seriously objected to and the idea was dropped.
- During the present budget cycle, once again this idea was seriously floated within FBR to give powers to Commissioner to determine FMV of immovable property u/s 68.
- Some of us opposed this and a via media of valuation by Bank approved valuers was floated as an alternate.

Valuation mechanism.....cause of concern



- There was on-going massive under-declaration in the values of immovable properties especially plots.
- During Period 2015-16 total tax collected as:

Capital Gains Tax	:	Rs. 750 Million
u/s 236C	:	Rs. 2164 Million
u/s 236K	:	Rs. 6222 Million

And on cash withdrawal: Rs. 28,619 Million.

- There is no exact data in FBR about quantum of property investment, but a common number that is estimated is **Rs. 7 Trillion**.
- Size of Pakistan economy (GDP) is about Rs. 30-32 Trillion hence the number of investment in immovable property is staggering.

Constitutional Position Of Jurisdiction Over Taxing Immoveable Property



ENTRY 50 Federal Legislative List to the Constitution of Pakistan

PRE EIGHTEENTH AMENDMENT (pre April 2010)

“Taxes on the capital value of assets, not including taxes **on capital gains** on immoveable property”

POST EIGHTEENTH AMENDMENT (post April 2010)

“Taxes on the capital value of assets, not including taxes on immoveable property”

Capital Gains- Section 37 of the Income Tax Ord. 2001



(1) Subject to this Ordinance, a gain arising on the disposal of a capital asset by a person in a tax year, other than a gain that is exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head "Capital Gains".

(1A) Notwithstanding anything contained in sub-sections (1) and (3) gain arising on the disposal of immovable property by a person in a tax year, shall be chargeable to tax in that year under the head Capital Gains at the rates specified in Division VIII of Part I of the First Schedule.

(2) Subject to sub-sections (3) and (4), the gain arising on the disposal of a capital asset by a person shall be computed in accordance with the following formula, namely: **A – B** where —

A is the consideration received by the person on disposal of the asset; and

B is the cost of the asset.

(3) Where a capital asset has been held by a person for more than one year, [other than shares of public companies including the vouchers of Pakistan Telecommunication Corporation, modaraba certificates or any instrument of redeemable capital as defined in the Companies Ordinance, 1984 (XLVII of 1984),] the amount of any gain arising on disposal of the asset shall be computed in accordance with the following formula: **A x 3/4**

where **A** is the amount of the gain determined under sub-section (2).

Capital Gains- Section 37 of the Income Tax Ord. 2001 contd



- (4) For the purposes of determining component **B** of the formula in sub-section (2), no amount shall be included in the cost of a capital asset for any expenditure incurred by a person —
- (a) that is or may be deducted under another provision of this Chapter; or
 - (b) that is referred to in section 21.
- (4A) Where the capital asset becomes the property of the person —
- (a) under a gift, bequest or will;
 - (b) by succession, inheritance or devolution;
 - (c) a distribution of assets on dissolution of an association of persons; or
 - (d) on distribution of assets on liquidation of a company, the fair market value of the asset, on the date of its transfer or acquisition by the person shall be treated to be the cost of the asset.
- (5) In this section, “capital asset” means property of any kind held by a person, whether or not connected with a business, but does not include —
- (a) any stock-in-trade, consumable stores or raw materials held for the purpose of business;
 - (b) any property with respect to which the person is entitled to a depreciation deduction under section 22 or amortisation deduction under section 24; [or]
 - (d) any movable property [excluding capital assets specified in sub-section (5) of section 38] held for personal use by the person or any member of the person’s family dependent on the person.

Sec 236C. Advance Tax On Sale Or Transfer Of Immovable Property

[as amended vide Income Tax (Amendment) Ord 2016]



- (1) Any person responsible for registering or attesting transfer of any immovable property shall at the time of registering or attesting the transfer shall collect from the seller or transferor advance tax at the rate specified in Division X of Part IV of the First Schedule.
- (2) The Advance tax collected under sub-section (1) shall be adjustable.
- (3) Advance tax under sub-section (1) shall not be collected if the immovable property is held for a period exceeding three years.
- (4) Sub-section (1) shall not apply to:-
- (a) a seller, if the seller is dependent of:
 - (i) A Shaheed belonging of Pakistan Armed Forces; or
 - (ii) A person who dies while in the service of the Pakistan Armed Forces or the Federal and Provincial Governments; and
 - (iii) To the first sale of immovable property which has been acquired or allotted as an original allottee, duly certified by the official allotment authority.]

Sec 236K. Advance Tax On Purchase Or Transfer Of Immovable Property.



- (1) Any person responsible for registering or attesting transfer of any immovable property shall at the time of registering or attesting the transfer shall collect from the purchaser or transferee advance tax at the rate specified in Division XVIII of Part IV of the First Schedule.
- (2) The advance tax collected under sub-section (1) shall be adjustable.
- (4) Nothing contained in this section shall apply to a scheme introduced by the Federal Government, or Provincial Government or an Authority established under a Federal or Provincial law for expatriate Pakistanis; provided that the mode of payment by the expatriate Pakistanis in the said scheme or schemes shall be in the foreign exchange remitted from outside Pakistan through normal banking channels.

Rates Of Capital Gain (U/S 37(1A) & Division VIII Of Part I Of First Schedule) On Immovable Property Acquired



Where holding period of immovable property is	Rates as notified vide FA 2016	Before 01-07-2016	From 01-07-2016 and onward (applicable now)
Upto 1 year	10%	5%	10%
Upto 2 years	10%	5%	7.5%
Upto 3 years	10%	5%	5%
Upto 5 years	10%	0%	0%
More than 5 years	0%	0%	0%

Rate of tax to be paid u/s 37(1A) to be reduced by 50% on the first sale of immovable property

Sec 68. Fair market value_(as amended vide Finance Act 2016)



- (1) For the purposes of this Ordinance, the fair market value of any property or rent, asset, service, benefit or perquisite at a particular time shall be the price which the property or rent, asset, service, benefit or perquisite would ordinarily fetch on sale or supply in the open market at that time.
- (2) The fair market value of any property or rent, asset, service, benefit or perquisite shall be determined without regard to any restriction on transfer or to the fact that it is not otherwise convertible to cash.
- (3) Where the price other than the price of immovable property referred to in sub-section (1) is not ordinarily ascertainable, such price may be determined by the Commissioner.
- (4) Notwithstanding anything contained in sub-sections (1) and (3), the fair market value of immovable property shall be determined on the basis of **valuation made by a panel of approved valuers of the State Bank of Pakistan.**

Sec 68. Fair market value^{(as amended vide Income Tax (Amendment) Ord 2016)}



- (1) For the purposes of this Ordinance, the fair market value of any property or rent, asset, service, benefit or perquisite at a particular time shall be the price which the property or rent, asset, service, benefit or perquisite would ordinarily fetch on sale or supply in the open market at that time.
- (2) The fair market value of any property or rent, asset, service, benefit or perquisite shall be determined without regard to any restriction on transfer or to the fact that it is not otherwise convertible to cash.
- (3) Where the price other than the price of immovable property referred to in sub-section (1) is not ordinarily ascertainable, such price may be determined by the Commissioner.
- (4) Notwithstanding anything contained in sub-sections (1) and (3), the Board may, from time to time, by notification in the official Gazette, determine the fair market value of immovable property of the area or areas as may be specified in the notification.
- (5) Where the fair market value of any immovable property of an area or areas has not been determined by the Board in the notification referred to in sub-section (4), the fair market value of such immovable property shall be deemed to be the value fixed by the District Officer (Revenue) or provincial or any other authority authorized in this behalf for the purposes of stamp duty.
- (6) In respect of immovable property - component A of the formula in sub-section (2) of section 37; "consideration received" as mentioned in Division X of Part IV of First Schedule; "value of immovable property" as mentioned in Division XVIII of Part IV of the First Schedule; and valuation for the purposes of section 111, shall not be less than the fair market value as determined under sub-section (4) or (5).

Explanation.

- (1) For the removal of doubt, it is clarified that the fair market value as determined under sub-section (4) or (5) shall be for carrying out the purposes of this Ordinance only.
- (2) It is further clarified that for the purposes of clauses (i) to (iv) of this sub-section if the fair market value determined under sub-section (4) or (5) is different than the auction price the applicable price shall be the higher of the two.

Government Of Sindh, Board Of Revenue

NOTIFICATION dated 02-07-2010= **BLACK**; and Dated 28-06-2016= **BLUE**



Urban Areas (minimum value per Sq. Yard)	A-I RS.	I RS.	II RS.	III RS.	IV RS.	V RS.	VI RS.	VII RS.	VIII RS.	IX RS.	X RS.
Open Plot Residential	14850 17820	9625 11550	5500 6600	2475 2970	1650 1980	990 1188	495 594				
Open Plot Commercial	34500 41400	21563 25876	10350 12420	5175 6210	2760 3312	1725 2070	863 1036				
Open Plot Industrial		2200 2640	1100 1320								
Built-up residential property	23100 27720	12375 14850	7700 9240	3300 3960	2475 2970	1650 1980	1155 1386				
Built-up Commercial	41400 49680	28750 34500	14950 17940	6900 8280	4658 5590	3105 3726	2070 2484				
Built-up Industrial		386 463	386 463								
Built-up Flats <i>Minimum Value per sq.foot of the covered area</i>	2475 2970	1788 2146	990 1188	495 594	413 496	248 293	125 150				

Government Of Pakistan, Revenue Division, Federal Board Of Revenue VALUATION RATES

(NOTIFICATION) S.R.O.662(I)/2016 AND SRO 682(I)/2016 DATED 02-08-2016, SRO 734(I)/2016 DATED 09-08-2016



Urban Areas (minimum value per Sq. Yard)	A-I RS.	I RS.	II RS.	III RS.	IV RS.	V RS.	VI RS.	VII RS.	VIII RS.	IX (DHA CITY) RS.	X (BAHRIA TOWN) RS.
Open Plot Residential	35000	25000	12000	6000	5000	1800	900	20000	6000	9100	8500
Open Plot Commercial	100000	75000	60000	25000	19000	4000	2000	70000	25000	38000	38000
Open Plot Industrial		12000	8000								
Built-up residential property	40000	32000	20000	11000	6000	4000	3000	28000	11000		10000
Built-up Commercial	67500	54000	35000	18000	10000	6300	4500	40000	18000		
Built-up Industrial		3000	3000								
Built-up Flats <i>Minimum Value per sq.foot of the covered area</i>	5000	4500	2500	1500	1000	600	300	5000	1500		3000

Valuation Rates: Notified by FBR and DC

Rates dated 28-06-2016



FBR (NOTIFICATION) S.R.O.662(I)/2016 AND SRO 682(I)/2016 DATED 02-08-2016, SRO 734(I)/2016 DATED 09-08-2016 & Sind Government Rates (DC Rate) dated 28-06-2016 = BLUE

Urban Areas (minimum value per Sq. Yard)	A-I RS.	I RS.	II RS.	III RS.	IV RS.	V RS.	VI RS.	VII RS.	VIII RS.	IX (DHA CITY) RS.	X (BAHRI A TOWN) RS.
Open Plot Residential	35000 17820	25000 11550	12000 6600	6000 2970	5000 1980	1800 1188	900 594	20000	6000	9100	8500
Open Plot Commercial	100000 41400	75000 25876	60000 12420	25000 6210	19000 3312	4000 2070	2000 1036	70000	25000	38000	38000
Open Plot Industrial		12000 2640	8000 1320								
Built-up residential property	40000 27720	32000 14850	20000 9240	11000 3960	6000 2970	4000 1980	3000 1386	28000	11000		10000
Built-up Commercial	67500 49680	54000 34500	35000 17940	18000 8280	10000 5590	6300 3726	4500 2484	40000	18000		
Built-up Industrial		3000 463	3000 463								
Built-up Flats <i>Minimum Value per sq.foot of the covered area</i>	5000 2970	4500 2146	2500 1188	1500 594	1000 496	600 293	300 150	5000	1500		3000

Section 27-A of the Stamp Act 1899 (Sind Amendment)



Section 27-A. Valuation of Urban Land. – Where any instrument is chargeable with *ad valorem duty* under Article 16 or Article 18 of Schedule I, the value of the property involved shall be calculated according to the valuation table notified by the Collector in respect of properties situated in a particular area or locality.

Provided that where the value given in the valuation table, when applied to any property, appears to be excessive, the Commissioner may, on application made to him by the aggrieved person, determine its correct value and for that purpose the provisions of section 31 and section 32 shall apply *mutatis matandis*.

GOVERNMENT OF SINDH, BOARD OF REVENUE (RS&EP) WING 79-SINDH SECT: KARACHI.

NOTIFICATION

Karachi, the _____ 2010.

NO.CIS/SW/BOR/2010-

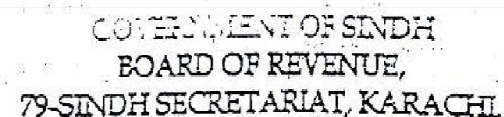
In exercise of the Powers conferred by Section 27-A of the Stamp Act 1899, and in supersession of this Department's Notification NO.CIS/SW-397/BOR/2006-1109, dated 18-11-2006, the Chief Inspector of Stamps is pleased to notify the following Valuation in respect of urban properties located within Province of Sindh with effect, from 1st July 2010.

URBAN AREA	Open Plot Residential Minimum Value Per Sq. Yard							Open Plot Commercial Minimum Value Per Sq. Yard						Open Plot Industrial Minimum Value Per Sq. Yard		Built-Up Residential Property Minimum Value Per Sq. Yard						Built-Up Commercial Property Minimum Value Per Sq. Yard of the Covered area of the ground floor plus covered area for the additional floors, if any						Built-up Industrial Property Minimum Value Per Sq. Yard of the Plot area Per Sq. Ft		Built-Up Flats Minimum Value per Sq. Foot of the covered area								
	A-I	I	II	III	IV	V	VI	A-I	I	II	III	IV	V	VI	I	II	A-I	I	II	III	IV	V	VI	A-I	I	II	III	IV	V	VI	I&II	A-I	I	II	III	IV	V	VI
KARACHI	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
	1485 0	96 25	55 00	24 75	16 50	99 0	49 5	34 50	21 56	10 35	51 75	27 60	17 25	86 3	2200	1100	23 10	12 37	77 00	33 00	24 75	16 50	11 55	41 40	28 75	14 95	69 00	46 58	31 05	20 70	286	2475	178 8	99 0	49 5	41 3	24 8	12 5

NOTE:-

- The duty shall be charged on the value according to the Valuation Table or the value shown in the document, whichever is higher.
- The value in respect of residential buildings consisting of more than one storey shall be increase by 25% for each additional storey i.e value of each storey other than the ground floor shall be calculated @ 25% value of the ground floor.
- A property which does not appear to fall in any of the categories shown in the said annexure shall be deemed to fall in the adjacent lowest category of the annexure.
- Total area of the plot, built-up area of the plot, storey constructed and the nature of property whether Residential, Commercial or Industrial shall be indicated in the document.
- Where 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 of the valuations prescribed therefore for the purpose of charging stamp duty.
- A flat mean the covered residential tenement having separate property unit number/sub-property unit number.
- In residential multi storey building, additional storey shall be charge if it consists of a bed and bath room.
- In case of built-up commercial properties the stamp duty shall be charged on the value of entire plot of land or on the value of built-up portion, whichever is higher.
- Details as per categories.

**CHIEF INSPECTOR OF STAMPS,
BOARD OF REVENUE SINDH, KARACHI.**



Dated, the 28-06-2016

NO.CIS/SW/BOR/2016-796 :- In exercise of the power conferred by section 27-A of the Stamp Act-1899 and in supersession of this Department's Notification No.CIS/SW/BOR/2010-1216, dated 02.07.2010, the Chief Inspector of Stamps is pleased to notify the following Valuation in respect of urban properties located within Province of Sindh with effect from 01.07.2016.

URBAN AREA	Open plot residential	Open plot commercial	Open plot industrial	Built-up residential property	Built-up Commercial property	Built-up Industrial property	Built-up Flats
	Minimum value per sq. yard	Minimum value per sq. yard	Minimum value per sq. yard	Minimum value per sq. yard	Minimum value per sq. yard of the covered area of the ground floor plus covered area for the additional floors, if any	Maximum value per sq. yard of the plot plus covered area per sq. foot	Minimum value per sq. foot of the covered area
	1	2	3	4	5	6	7
KARACHI	A-I : I : II : III : IV : V : VI Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. 17320 11850 9600 3970 1980 1183 594 41400 25876 12420 6210 3312 3070 1036	A-I : I : II : III : IV : V : VI Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. 2640 1320	C : II : Rs. Rs. 2720 14850	A-I : I : II : III : IV : V : VI Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. 9240 3960 2970 1980 1386	A-I : I : II : III : IV : V : VI Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. 49680 34500 17940 8280 5590 3726 2484	A-I : I : II : III : IV : V : VI Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. 2720 2146 1183 594 406 293 150	A-I : I : II : III : IV : V : VI Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. Rs. 2720 2146 1183 594 406 293 150

Chief Inspector of Stamps
Board of Revenue
Sindh Karachi



GOVERNMENT OF SINDH
REVENUE DEPARTMENT
79 – Pak. Secretariat, Karachi.
Dated the 28th June, 2016

NOTIFICATION

No. SECY (RS & EP)/BOR/2016 - **125** In exercise of powers conferred by Section 78 of the Registration Act, 1908, and in partial modification of this Department's Notification No II-67-31-Bud (I) dated the 1st July, 1981 and Notification No. SECY (RS & EP) BOR/86/220 dated 30.06.1986, Government of Sindh is pleased to make following amendments in the Table of Registration Fees. These amendments shall become effective from July 1, 2016.

NOTE IV OF ARTICLE-I OF THE NOTIFICATION No.II-67-31-Bud (I) DATED 1.7. 1981	
a. Lease including under-lease or sub-lease, an agreement to let or sub-let..... Where the lease including sub-lease relates to open plots, flats, shops, offices, towns houses and bungalow, together with the right in undivided shares or otherwise of the plot.	1% of either recorded value (i.e. occupancy value/premium plus ground rent including advance rent, if any) OR Valuation Table rates notified u/s 27-A of the Stamp Act, 1895 whichever is higher.
b. In any other case.	1% of the rent payable (recorded value).
c. Surrendered lease or sub-lease of open plot or built up property in urban areas.	1% of either recorded value OR Valuation Table rates notified u/s 27-A of the Stamp Act, 1899 whichever is higher.
d. In case of surrender in favor of KDA, DHA or any other Government Agency.	Rs. 100/- per document
NO. 2 (I) OF NOTIFICATION NO. SECY (RS & EP) BOR/86/220 DATED 30.06.1986	
d. For copying of documents.	Digital Scanning Fee: Fixed rate of Rs. 1000/- per document plus Rs. 100 for duplicate where digital service is provided.

SECRETARY TO GOVERNMENT OF SINDH

Cc to:-

1. The Secretary to Chief Minister Sindh, Karachi.
2. The Member (RS & EP), Board of Revenue, Sindh, Karachi.
3. The Inspector General of Registration, Board of Revenue, Sindh, Karachi.
- ✓ 4. The Chief Inspector of Stamps, Board of Revenue, Sindh, Karachi.
5. The Deputy Secretary (Staff) to Chief Secretary, Sindh, Karachi.
6. The Superintendent, Sindh Government Printing Press, Karachi for publication in the Official Gazette pursuant to Section 79 of the Registration Act, 1908.
7. The S.O (Staff) to Senior Member, Board of Revenue, Sindh.
8. The R.O to Finance Secretary, Government of Sindh, Karachi.
9. The PS to SFS (Res), Finance Department, Govt. of Sindh, Karachi.
10. The PS to AFS (Res), Finance Department, Govt. of Sindh, Karachi.
11. The PS to Deputy Secretary (Res – I), Finance Department, GoS, Karachi.
12. Office File.

SECRETARY (RS & EP)
BOARD OF REVENUE SINDH

Example



Karachi

Residential Plot in DHA Phase VIII, Karachi

Area (Square Yards)	500
Old DC Rate (Per Sq Yd)	1,990
Revised DC Rate (Per Sq Yd)	2,388
FBR Valuation rate (Per Sq Yd)	20,000
Old DC Rate (500 Sq Yd)	995,000
New DC Rate: (500 Sq Yd)	1,194,000
FBR Valuation (500 Sq Yd)	10,000,000
Average Market Price (500 Sq Yd)	45,000,000

Note: (All prices are in Rupees)

Buyers : CVT, Stamp duty, Registration fee, Advance taxes



Capital Value Tax (CVT)

- **Rate:** 2%-3% of Revised DC Rates
- **Jurisdiction:** Provincial

Stamp Duty

- **Rate:** 2% of Revised DC Rates
- **Jurisdiction:** Provincial

Registration Fee:

- **Rate:** 1% of Revised DC rate/declared value whichever is higher .Notification dated: 28-06-2016
- **Jurisdiction:** Provincial

Advance Tax (*adjustable*) **Section 236-K**

- **Rate:** 2% (filers) or 4% (non-filers) of the FBR notified Valuation rates
- **Jurisdiction:** Federal

Not to be deducted where value of property is less than Rs. 4 Million

Not to be deducted in case of Government schemes for expatriate Pakistani's remitting money through banking channels

Sellers: Advance Tax, CGT, Town Tax



Advance Tax Section 236-C (*adjustable*)

- **Rate:** 1% (filers) or 2% (non-filers) of the FBR notified Valuation rates
- **Jurisdiction:** Federal

Not to be deducted if (i) property held for more than 3 years
(ii) persons listed in subsection (4) of section 236-C

Capital Gains Tax

- **Rate:** 10%, 7.5% , 5% 0% (for holding period upto 1 year, 2 years, 3 years, and onwards 3 years or more respectively of gains based on FBR Valuation)
- **Jurisdiction:** Federal

Town Tax

- **Rate:** 1% value declared .Sind Government Notification dated 27-01-2007
- **Jurisdiction:** Town

Buyers Tax example



BUYER TAXES

TAX	FILER		NON-FILER	
	BEFORE	AFTER	BEFORE	AFTER
CVT	24875 2.5%	29850 2.5%	24875 2.5%	29850 2.5%
STAMP DUTY + Registration fee (2%+1%)	29850 3%	35820 3%	29850 3%	35820 3%
ADVANCE TAX	9950 1%	200000 2%	19900 2%	400000 4%
TOTAL	64675	265670	74625	465670
As % of Market Price	0.14%	0.59%	0.16%	1.03%

Sellers Taxes Example



SELLER TAXES WITH CGT

CGT ASSUMED AT 5% FOR BEFORE AND AFTER CALCULATIONS

TAX	FILER		NON-FILER	
	BEFORE	AFTER	BEFORE	AFTER
ADVANCE TAX	4975 0.5%	100000 1%	9950 1%	200000 2%
CGT ON GAIN	9950 5%	440300 5%	9950 5%	440300 5%
TOTAL	14925	540300	19900	640300
As % of Market Price	0.033%	1.20%	0.044%	1.42%

Note: Town Tax not included as DHA and Cantt. Boards do not charge Town Tax

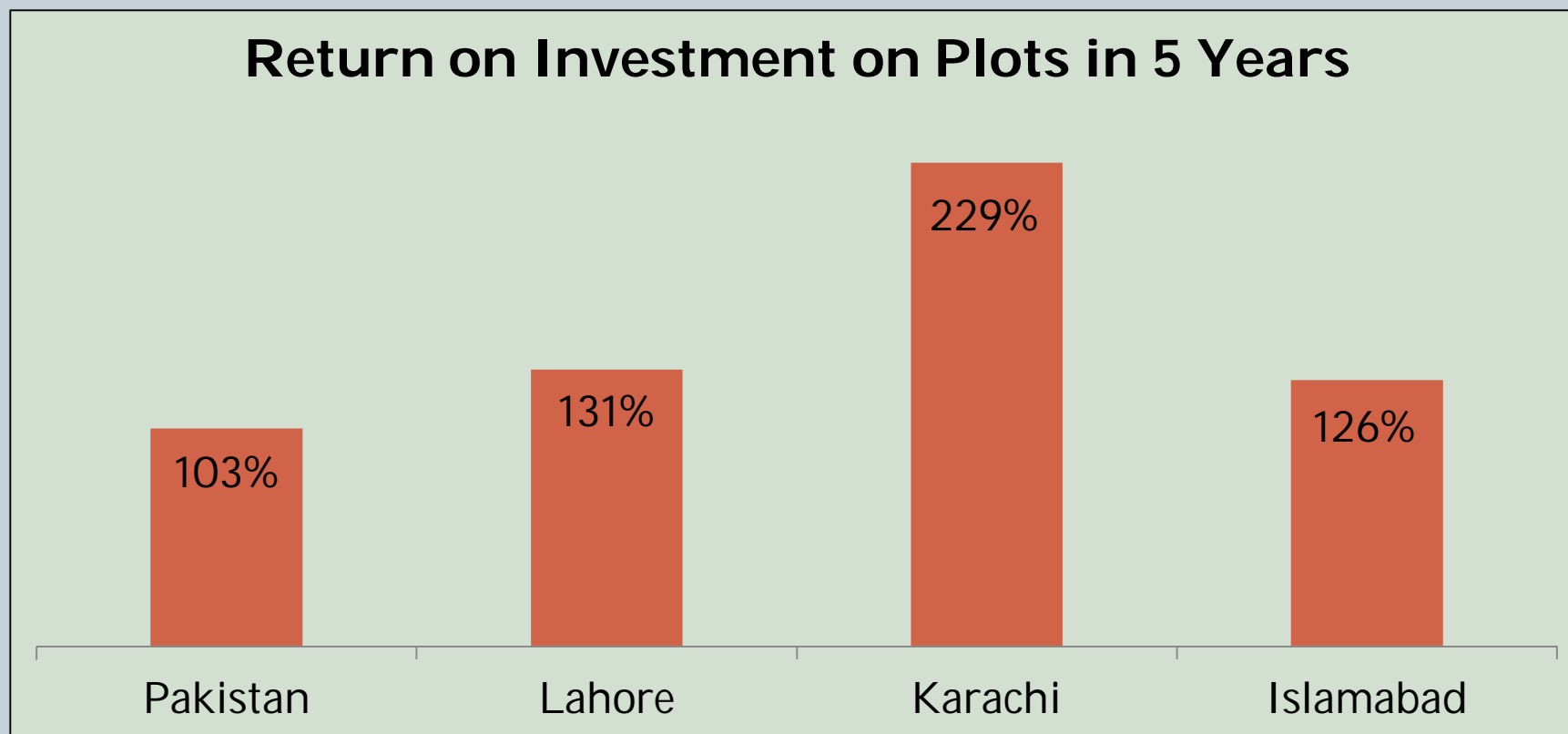
Sellers Taxes Example *sans* CGT



SELLER TAXES WITHOUT CGT				
TAX	FILER		NON-FILER	
	BEFORE	AFTER	BEFORE	AFTER
ADVANCE TAX	4975 0.5%	100000 1%	9950 1%	200000 2%
CGT ON GAIN	-	-	-	-
TOTAL	4975	100000	9950	200000
As % of Market Price	0.011%	0.22%	0.022%	0.44%

Note: Town Tax not included as DHA and Cantt. Boards do not charge Town Tax

Return on Investment on Plots in 5 Years (2011-2016 Jan to Jan)



Source: PRIME Institute

Games People Play /anomaly



(1) DHA Phase VIII is in Category	VII	BUT
(i) Mangopir Road is in Category	VI	
(ii) Metroville 2 is in Category	V	
(iii) Buffer Zone is in Category	IV	
(iv) Govt. approved Kutchi abadi	VI	
(2) DHA Phase VII is in Category	IV	BUT
(i) Azam Basti is in Category	III	
(ii) Baluch Colony is in Category	III	
(iii) Nafisabad is in Category	III	
(iv) Neelum Colony is in Category	III	
(3) DHA Phase IV & VI are in Category	I	BUT
(i) Fatima Jinnah Colony is in Category	I	
(ii) Junna Market is in Category	I	

Capital Gain Tax Example [Sec 37(1A)]Example



- Profit on sale of immovable property = Capital Gain
- Capital gain = price of property at the time of sale – price of property at the time of purchase
- Capital gain on property sold for Rs. 10 Million with purchase value Rs. 2.0 Million (purchase value as per DC rates & selling value as per FBR notified rates Or higher)
- Capital gain = Rs. 8.0 Million Capital Gain (Profit)
- Tax on property profit = capital gain tax = CGT
- According to new Capital Gain tax calculations / on profit of Rs. 8.0 Million
 - 10% CGT on sale of property within 1 year of purchase = Rs. 0.8 Million
 - 7.5% CGT on sale of property within 2 year of purchase = Rs. 0.6 Million
 - 5% CGT on sale of property within 3 year of purchase = Rs. 0.4 Million
 - 0% CGT on sale of property after 3 year of purchase = Rs 0

Moving forward: Projections of Property Values



These are just estimates/projections based on discussions:

- Supply is limited
- Property values are projected to register a negative variance of about 20% to 30% till First Quarter of 2017 from their peak values of June 2016
- Values are projected to remain flat in 2017 with upward price trajectory from last quarter of 2017
- Values are projected to rise in 2018

Note: In 2005, the property prices decreased by ~ 30% to 50%

THANK YOU

