

Valuation of property on basis of actual market value: FBR

The Federal Board of Revenue (FBR) has dropped the idea of seeking right to purchase immovable properties at a higher rate than the declared sale price or value of land to check the incidence of massive undervaluation and misdeclaration in the country.

It is learnt that the alternate mechanism would be valuation of immovable property which would be brought to actual market values in three years period. The right to preemption of immovable properties may affect the relations between the provinces and the federal government. Therefore, the government would continue with the policy of valuation of immovable property on the basis of actual market values within a time span of three years.

The sources told *Business Recorder* here on Saturday that the idea of the government about first right of preemption was discussed during a past meeting of the Tax Reform Implementation Committee (TRIC) held at the FBR Headquarters.

The authorities stressed the importance of taking account of Benami transactions and taking action to confiscate any such property as per law. The FBR chairman had floated the idea of alternate method in lieu of right to preemption. He also said that it would be appropriate if "we stick to the valuation strategy of immovable property." The FBR Member Taxpayer Audit talked about the differential value. The authorities urged the committee to facilitate the property owners to declare value of the property accurately. He further said that the formula - registered value minus DC rate - may be an ideal one. The authorities asked the committee if any threshold can be set on the basis of the monetary limit, plot size or the number of transactions to invoke the right to preemption.

After having discussion it was concluded that as the issue concerning property was raised between the provinces and the federal government, any move on right to preemption may strain the relations between the provinces and the federal government. Since the FBR has already taken initiative by prescribing the valuation rates of property under sub-section (4) of section 68 of the Income Tax Ordinance, 2001 and increased the withholding tax rates under section 236K for both filers and non-filers, therefore, as an alternative method, the FBR would stick to valuation of immovable property which would be brought to market values in three years. It was decided that an alternative method in lieu of government's first right to preemption would be adopted, ie, the FBR's prescribed rates for immovable property and its increase to market values.

Copyright Business Recorder, 18/2/2018