

**NAYA PAKISTAN HOUSING AND DEVELOPMENT AUTHORITY
(NAPHDA)**

**PROPOSED SPECIAL INCENTIVE PACKAGE FOR CONSTRUCTION
INDUSTRY**

INCENTIVES BY FBR

1. **Special Tax Provisions for Builders and Developers.** Introduction of a Fixed Tax Regime for builders and developers in accordance with draft already prepared by FBR (in consultation with NAPHDA and representatives of construction industry / association of builders and developers), including following salient provisions:-
 - a. Income under this regime will be treated as a separate class of income, wherein tax shall be computed on the basis of per square foot construction and per square yard land development for builders and developers respectively.
 - b. Builders and developers shall not be required to withhold tax (under section 153) on purchase of building material except for steel and cement and on services (such as plumbing and shuttering etc), other than those provided by companies.
 - c. While declaring their net wealth builders and developers will be eligible to take credit / impute income equal to 10 times of tax paid under this schedule.
 - d. In case of low cost housing and / or projects developed by NAPHDA the laid down tax rates will be reduced by 90 percent.
2. **Exemption from Provisions of Section 111 of Income Tax Ordinance 2001, on Construction Activity till June 2022.** The provisions of Section 111 shall not apply if investment is made by any person from now till 30 June 2022, on purchase of land and constructing any structure (house, commercial building etcetera) on the same in the said period, constructing any structure on already owned land within this period or first purchase of newly constructed property within this period. The amount of such investment, within the given period, will be allowed to be incorporated in wealth statement.

3. **Rationalization of Capital Gains Tax (CGT)**
 - a. Rate of tax be reduced in accordance with / proportionate to the increase in the valuation table.
 - b. CGT holding period for constructed property be reduced from 4 years to 3 years (as was the case prior to 2019).
 - c. CGT holding period for real estate / plots may remain 8 years, however the rate of tax may be significantly reduced on sliding scale from fourth year onwards.
4. **Valuation of Real Estate / Plots.** FBR has already initiated the process of fresh valuation of urban real estate in consultation with the real estate organizations of respective cities. The process needs to be expedited in the wake of current situation.
5. **Rationalization / Reduction in Sales Tax on Construction Material.** In order to bring down the cost of construction, sales tax and excise duties levied on construction material need to be suitably reduced.
6. **Exemption of Taxes on First House.** Construction, purchase / sale of first house should be exempted from all taxes, including capital gains tax.
7. **Establishment of Special Circles.** FBR to expedite establishment of already approved automated special circles for construction industry to ensure easy and transparent tax collection.

TAX INCENTIVES BY PROVINCIAL REVENUE AUTHORITIES (PRAs)

8. Sales tax on builders and developers at the time of sale of property be levied by all provinces and ICT at fixed rates of Rs 50 per square foot for builders and Rs 100 per square yard for developers (as already being done in Sindh and KPK).
9. Sales tax on construction services be exempted by all provinces, provided the builders and developers are chargeable to sales tax at fixed rates mentioned above, at the time of sale of property.
10. Low cost housing by NAPHDA / provincial housing authorities be completely exempted from provincial sales taxes by all provinces.
11. All Provincial and Municipal taxes / duties / fees / levies / charges on transfer / registration of urban properties to be clubbed under one head and charged at the rate of 2 percent of valuation.
12. E-stamping system being introduced by all provinces in line with the system already introduced by Punjab needs to be expedited.

MEASURES FOR CREATING EASE OF DOING BUSINESS BY PROVINCES

13. The process of fresh master planning / updating of existing master plans and zoning already initiated by provinces may be expedited.

14. Reduction in project approval time (preferably to 45 days), by all provincial governments / respective development authorities, through reduction of NOCs, automation and concurrent processing of approvals, strictly in accordance with laid down timelines. Wherever possible NOC regime be replaced with compliance of bylaws regime (after introducing fresh zoning bylaws).

15. All provinces / development authorities are in the process of introducing fully automated one window portals for processing approvals and all other client services / facilitation. The same needs to be expedited.

16. Policy on high rise construction has already been approved by the PM. Notification to this effect has been issued for Islamabad Capital Territory, however the same has yet not been issued for other major cities / urban areas.

STATUS OF INDUSTRY TO CONSTRUCTION SECTOR

17. Prime Minister has already approved the status of industry for construction sector. However, implementation of this decision was pended till next budget on the recommendations of Ministry of Commerce and FBR. In the present situation this decision may be implemented forthwith.

HOUSING / MORTGAGE FINANCING

18. In line with 7% interest rate offered to Industry for Greenfield Projects, subsidy / lower rates (preferably 6%) be afforded for housing mortgage of one hundred thousand low cost housing units, construction of which is planned to be initiated in the current year.

LEGAL ISSUES – CIVIL PROCEDURES ORDINANCE / SPECIAL BENCHES

19. Ministry of Law and Justice is working on a civil procedures ordinance for ICT, which after approval will be shared with Provincial Governments, for implementation in all provinces. The Ministry is also working on constitution of special benches for hearing civil disputes / cases concerning real estate / construction sector. Implementation of these measures need to be expedited.