

## A BILL

to rationalize certain duties and taxes and provide for levy of Capital Value Tax on immovable property, in the Province of Sindh and to amend relevant laws.

**Preamble.**

**WHEREAS** it is expedient to rationalize certain duties and taxes and provide for levy of Capital Value Tax on immovable property, in the Province of Sindh and to amend relevant laws, in the manner hereinafter appearing;

It is hereby enacted as follows :-

**Short title and commencement.**

1. (1) This Act may be called the Sindh Finance Act, 2010.

(2) It shall come into force on and from 1<sup>st</sup> day of July, 2010.

2. In the Schedule to the Stamp Act, 1899, in its application to the Province of Sindh –

**Amendment of Schedule to Act II of 1899.**

(a) in Article 10, in clause (C), for column 2, the following shall be substituted:-

“0.05 percent of the amount per annum on first issue and 0.02 percent per annum of the amount of the commercial paper on subsequent transfer”;

(b) for Article 16, the following shall be substituted:-

**“16. (A) Conveyance** as defined by section 2 (10) not being a Transfer charged or exempted under Article No.31.

(i) in favour of Real Estate Investment Trusts.	0.5 percent in accordance with the valuation table under section 27-A.
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(ii) In favour of end users by Real Estate Investment Trusts.	1 percent according to market value
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(iii) In any other case.	2 percent of the value in accordance with the valuation table.
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**B) Transfer of lease** by way of assignment. 2 percent of the amount of consideration for such transfer”;

3. In the Sind Urban Immoveable Property Tax Act, 1958, in section 4, for clause (g), the following shall be substituted:-

“(g) buildings and lands, annual value of which does not exceed forty eight thousand rupees, owned by widows, minor orphans, permanently disabled persons”.

**Amendment of WP Act V of 1958**

4. (1) There shall be levied and collected a tax on the capital value of immovable property to be called Capital Value Tax on immovable property which shall be payable by every individual, association of persons, firm, a development authority or a company which acquires by purchase, by gift, exchange, owner of attorney other than revocable and time bound (not exceeding 60 days) executed between spouses father, **mother** and son or daughter, grand parents and grand children, brother and sister, surrender of relinquishment of rights by the owner, whether affected orally or by deed or obtained through court decree except by inheritance or gift from spouse, parents, grandparent, a brother and a sister or a right to use thereof for more than 20 years or renewal of the lease by a resident of Sindh or by any other person who is non-resident and acquires immovable property in Sindh, at the rates specified in sub section (3).

**Levy of tax on capital value of immovable property**

Provided that in case of a bank the capital value tax shall be paid when the general power of attorney is used to sale the mortgaged immovable property offered as collateral other than traded security for obtaining loan.

(2) Definition and explanation, expression and terms, for the purpose of this section:

(a) “association of persons” includes a firm, a Hindu undivided family, any artificial juridical person and any body of persons formed under a foreign law, but does not include a company;

(b) “firm” shall have the same meaning as defined in the Partnership Act.

(c) “company” means –

- (i) a company defined in the Companies Ordinance, 1984 (XL VII of 1984);
- (ii) a body corporate formed by or under any law in force in Pakistan;
- (iii) a modarba;
- (iv) a body incorporated by or under the law of a country outside Pakistan relating to incorporation of companies;
- (v) a trust, a co-operative society or a finance society (for any other society established or constituted by or under any law for the time being in force)
- (vi) a foreign association, whether incorporated or not, which the (Government) has, by general or special order, declared to be a company for the purposes of this Ordinance.

(d) “Development Authority” means an authority formed by or under any law for the purpose of development of an area and includes any authority, society, agency, trust association or institution declared or formed or created by law or formed by order, rule, regulation, as development authority which also operates or is located in Sindh, or as may be declared as development authority by Government;

(e) “Government” means the Government of Sindh;

(f) “area” means such areas as Government may from time to time, by notification in the official gazette specify;

(g) “prescribed” means prescribed under the rules, made by the Government;

(h) “tax” means, tax on the capital value on the immovable property;

(i) “immovable property” includes property defined in the Sind Urban Immovable Property Act, 1958 and includes Property items as shown in sub-section (3).

(3) The Capital Value Tax on immovable property referred to in sub-section(1) shall be charged at the following rates:-

**A. Residential immovable property (other than flats), situated in Sindh.**

i.	Where the value of immovable Property is recorded. a. From 240 sq. yd. to 499 sq. yd. b. From 500 sq. Yd. to 1000 sq. yd. c. From <b>1001</b> sq. yd. and above.	2% of the recorded value 2.5% of the recorded value 3% of the recorded value
ii.	Where the value of immovable property is not recorded	Rs.75 per square yard of the landed area

**B. Residential flats situated in Sindh.**

i.	Where the value of immovable Property is recorded. <b>a. From 1000 sq. ft. to 1500 sq. ft areas in Category A-1 and I of the valuation table</b> <b>b. From 1501 sq. ft. to 2200 sq.ft. in all categories of the valuation table.</b> <b>c. Above 2201 sq. ft. in all categories of the valuation table.</b>	<b>2% of the recorded value</b> <b>2% of the recorded value</b> <b>2.5% of the recorded value.</b>
ii.	Where the value of immovable Property is not recorded	<b>Rs.10 per square feet of the landed area</b>

**C. Commercial and Industrial immovable property situated in Sindh.**

i.	Where the value of immovable property is recorded.	2.5% of the recorded value
ii.	Where the value of immovable property is not recorded	Rs.100 per <b>square yds.</b> of the landed area

- (4) The capital value tax shall be collected by the person responsible for registering or attesting the transfer of immovable property under law in respect of which tax is payable at the time of registering or attesting the transfer.
- (5) Where any person fails to collect or having collected fails to pay the capital value tax as required, he shall be personally liable to pay the tax (along with additional tax at the rate of 15% per annum for the period for which such tax or part thereof remain unpaid).
- (6) Government may revise the assessment of value of the tax, where revision is necessitated on the basis of the application filed.
- (7) The Government may, by notification in the official gazette, exempt any person or class of persons or asset or class of assets from the

capital value tax provided that such exemption may be subjected to such conditions as may be specified in the notification.

- (8) Notwithstanding anything contained in any other law for the time being in force in the Province, the tax on the value of immovable property shall be in addition to any tax or duty, charge, cess or any other levy on the immovable property.

### **STATEMENT OF OBJECTS AND REASONS**

On commencement of the Eighteenth Amendment in the Constitution of the Islamic Republic of Pakistan, 1973, the subject “tax on capital value of immovable property” has been assigned to the Provinces. To provide relief to the people, the Government has decided to reduce and levy three percent capital value tax instead of **four percent** value tax as was being charged by the Federal Government. Therefore, in order to levy capital value tax on capital value of property and to rationalize certain duties and taxes, it is expedient to enact a law as well as amend relevant laws in the Province of Sindh.

The Bill seeks to achieve the above object.

### **MEMBER-IN-CHARGE**