

**GOVERNMENT OF PAKISTAN
REVENUE DIVISION
FEDERAL BOARD OF REVENUE**

C.No.4(60)ITP/2012 -106335-R

Islamabad, the 1st August, 2012

**Circular No. 03 of 2012
(Capital Value Tax)**

Subject: **Finance Act, 2012 – Explanation of Important Provisions Relating to Capital Value Tax (CVT)**

The amendments made through the Finance Act, 2012 relating to Capital Value Tax (CVT) are explained as under:-

1. **Scope of CVT.**

Prior to the 18th Constitutional Amendments effective from 19th April 2010 Entry 50 of the Federal Legislative List contained in Part-I of the Fourth Schedule to the constitution of Islamic Republic of Pakistan empowered the Federal Legislature to levy taxes on the capital value of the assets, not including taxes on capital gains on immovable property. The words “on capital gains” were omitted by the 18th Constitutional amendment. The effect of omission of these words is that the Federal Legislature cannot impose taxes on capital value of immovable property located in the provinces. Accordingly CVT was abolished through the Finance Act 2010 as charge and levy of CVT became a provincial subject. Different provinces have started levy and collection of CVT on immovable property through their respective Legislation. However, CVT in Islamabad Capital Territory is to be levied by the Federal Legislature and accordingly through amendment made in sub section (1) of section 7 of Finance Act, 1989, the levy of CVT has been reintroduced in Islamabad Capital Territory in respect of immovable property. The CVT is payable w.e.f 1st July, 2012 on the purchase of immovable property with identical structure as adopted by the provinces.

2. **Rates of CVT on Immoveable Properties.**

A new paragraph in the Table in sub-section (1) of section 7 has been inserted to prescribe the rate of CVT leviable on immovable property w.e.f. 1st July 2012:-

- (a) Residential immovable property, (other than flats), situated in urban area, measuring at least 500 square yards or one kanal (which ever is less) and more,-

(i)	Where the value of immovable property is recorded	2% of the recorded value	Whichever is higher
(ii)	Where the value of immovable property is not recorded	Rs. 100 per square yard of the landed area	
(iii)	Where the value of immovable property is a constructed property	Rs. 10 per square feet of the constructed area in addition to the value worked out above.	

- (b) Residential flats of any size situated in urban areas –

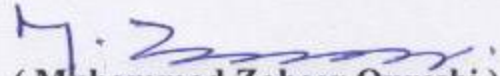
(i)	Where the value of immovable property is recorded	2% of the recorded value	Whichever is higher
(ii)	Where the value of the immovable property is not recorded.	One hundred rupees per square feet of the covered areas of the immovable property.	

- (c) Commercial immovable property of any size situated in urban areas –

(i)	Where the value of immovable property is recorded	2% of the recorded value of the landed area	Whichever is higher
(ii)	Where the value of the immovable property is not recorded.	One hundred rupees per square feet of the landed area	
(iii)	Where the immovable property is a constructed property	Ten rupees per square feet of the constructed area in addition to the value worked out above.	

3. **Clarification in respect of Transfer, Mortgage, Power of Attorney etc.**

Circular No. 2 of 2006 dated 1st July, 2006 and 14th September, 2006, Circular No. 2 of 2007 dated 4th July, 2007 and Circular No. 04 of 2009 dated 18th July, 2009 shall continue to apply in respect of transfers representing purchase, gift, exchange, surrender, power of attorney, relinquishment of rights and payments representing premium and renewal of lease in respect of immoveable property and mortgage deeds executed by the banking companies.


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