Pakistan: Frontloading Taxation on Real Estate Transactions– Appraising an Abrupt Tax Policy Choice

Muhammad Ashfaq Ahmed[1], Ikram Ali Malik[2] and Nasreen Nawaz[3]

https://doi.org/10.62345/jads.2025.14.1.2

Abstract

Until 2012, Pakistan's real estate sector painted a paradoxical situation, in that, while on the one hand, it was the storehouse of the bulk of Pakistanis' wealth, on the other, it was as good as tax free. The Federal Government deftly leveraging an apparently drafting change in the 1973 Constitution made vide 18th Amendment adopted in 2010, sneakily treaded into what traditionally was considered an exclusive provincial tax domain by introducing capital gains tax on immovable assets vide Finance Act, 2012. Similarly, a negligible withholding tax rate on seller was also imposed at transaction (registration) stage, which was followed by an identical buyer's tax in 2014. The past decade has seen the pendulum being shifted completely. The sector being the most profitable, yet contributing practically nothing to the national exchequer, has not only been at the centre stage of public debate and in media's spotlight, but also under the government's rather heavier tax hammer lately. While the PTI government's excessive incentivization may have led to sucking much of the national wealth into the so called "non-productive" real sector, the PDM's excessive taxation may be tantamount to virtually choking the real estate market with all its negative economic fallouts. The Finance Act, 2024, may prove to be the proverbial last nail in real estate's coffin. This paper, adopting a simple, straightforward, and focused approach stocktakes the steep rise in taxation of real estate sector at transaction stage to critically gauge its impact on the real estate market (defined in terms of number of transactions undertaken) as well as the tax revenue that it generated, and proposes a suitable course correction.

Keywords: Real Estate Transaction, Abrupt Tax Policy, Frontloading Taxation.

1. Introduction

Transaction cost economics may not be as provocative as some of its other branches, but it can be a critical cause of malfunctioning of the market as in the case of Pakistan's real estate sector. The Finance Act, 2024, has introduced wide-going taxing measures that can broadly classify into four categories, that is, (a) it took into tax ambit economic activities that were hitherto exempt; (b) enhanced tax rates on certain other economic activities; (c) eliminated a select tally of tax exemptions; and (d) simultaneously allowed tax exemptions to currently relevant powerful operators in the polity. Pakistan being in the IMF program for a record 25th time, its imprint on the budgetary measures was bound to be quite pronounced, too (Rana, 2024). In view of Pakistan's distorted and overly withholding tax system design (Ahmed et al., 2022). much of the recent taxation on real estate has been introduced upfront in withholding mode, that is, at transaction stage. Not that the Finance Act, 2022 or 2023 were any kinder to the real estate sector, the latest ambush appears to have made the very transaction in real estate sector expensive to a level where it was likely to inhibit and strangulate the market mechanism and also prove counterproductive to revenue collection –

[1] *Ex-Chairman, Federal Board of Revenue, Islamabad. Email: Muhammad.ashfaq@fbr.gov.pk*

[2] *Director, University Institute of Management Sciences, Pir Mehr Ali Shah Arid Agriculture University, Rawalpindi. Email: ikram@uaar.edu.pk*

[3] *Chief, International Customs, Federal Board of Revenue, Islamabad. Email: nawaznas@msu.edu*

Copyright: ©This is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license.

Compliance with ethical standards: There are no conflicts of interest (financial or non-financial). This study did not receive any funding.

main objective of the entire enterprise.

There is little doubt that real estate has been massively undertaxed in Pakistan, but this over-simplified approach of frontloading real estate transactions to harvest quick and easy bucks into the exchequer runs counter to the set economic theory and even common sense. This study is geared to explore essentials of real estate taxation in Pakistan, its fallouts for the exchequer, and for the economy. The paper is divided in five sections. After section 1 has set the scene, section 2 brings in the theoretical underpins, that is, the Coase Theorem on transaction costs and the Laffer Curve on optimal tax rates to systematically appraise how aligned or misaligned real estate transaction taxes are with established economic norms and principles. Section 3 stocktakes both buyer and seller's real estate transaction taxes that can potentially strangulate the market in the short and medium terms. Section 4 critically appraises actual real estate transaction data of past decade to glean direct potential ramifications. Section 5 mops up the debate by raising red flag and proposing course correction measures. In a nutshell, it is supposed to be a policy-relevant piece rather than a purely academic one framed in methodological straitjackets.

2. Theoretical Underpinnings

There is plethora of economic theories that could be attracted and applicable to frame and explain the matter in hand. However, the most closely connected (a) the Coase Theorem; and (b) the Laffer Curve are inducted into the debate to galvanize the analysis and sharpen our comprehension of the matter.

2.1 Coase Theorem

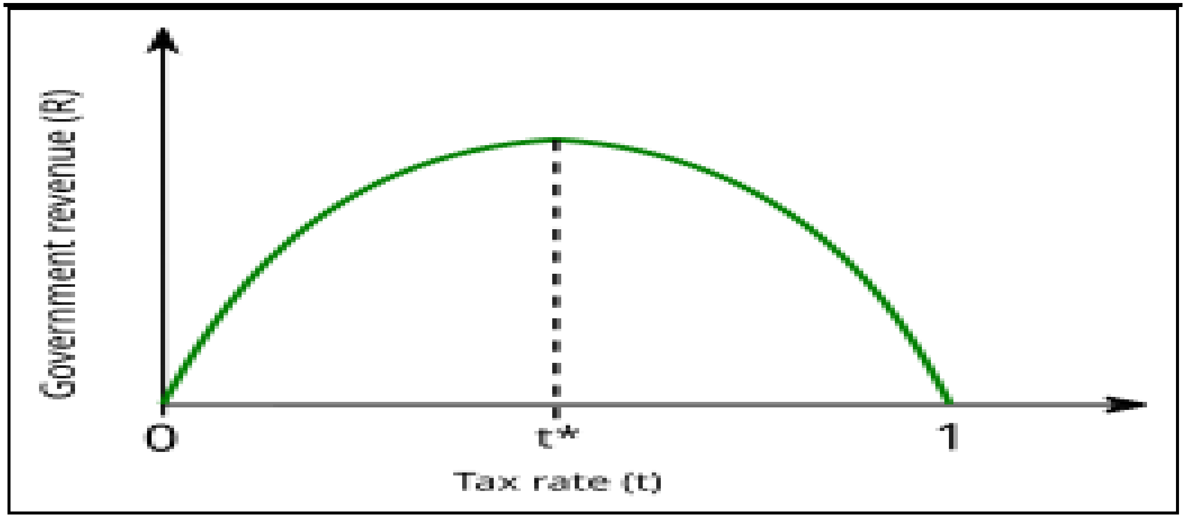
R. H. Coase was presumably the first economist of note who systematically examined cost of economic transaction, accorded it the right focus, and theorized on its basis, and that is what later came to be known as the Coase Theorem. It was aptly remarked that "Coase is recognized for his contribution to the field of transaction costs economics" (Legiędz, 2009). The Coase Theorem essentially implies that in the absence of any transaction costs, if property rights are well-defined and tradable, it did not matter at all as to who originally possessed a particular property since people trading amongst themselves would put value on various properties on offer in the market, and would acquire them. Transaction costs, in fact, interfered with market operators' choice to invest and own a particular asset. Coase leveraged his theory to analyse the impact of transaction costs on the firm's business, and argue that "Outside the firm, price movements direct production, which is co-ordinated through a series of exchange transactions in the market" (Coase, 1937). However, "Within a firm, these market transactions are eliminated and, in place of the complicated market structure with exchange transactions, is substituted [by] the entrepreneur co-ordinator, who directs production" (Ibid). Coase emphatically observed that market "operations are often extremely costly, sufficiently costly at any rate to prevent many transactions that would be carried out in a world in which the pricing system worked without cost" (Coase, 1960).

He goes on to stipulate that once "the costs of carrying out market transactions are taken into account it is clear that such a rearrangement of rights will only be undertaken when the increase in the value of production consequent upon the rearrangement is greater than the costs which would be involved in bringing it about". Legiedz explicated that in the Coase Theorem all "transaction costs understood as costs of market operation comprise" (a) "costs of searching for information and partners;" (b) "costs of negotiation of contract conditions;" (c) "costs of settling possible claims resulting from implementation of contracts;" and (d) costs related to uncertainty, e.g., change of prices or supplier's bankruptcy". Kindness (2024) remarked that for the Coase Theorem to apply fully, the conditions of efficient, competitive markets and – most importantly – zero transaction costs must occur." In brief, economists have a wide-going consensus that the lesser the transaction costs, the more the market transactions, which, in turn, would lead to a most efficient pattern of property ownership and optimal re-allocation of resources in the economy.

2.2 Laffer Curve

An equally compellingly attracted economic theory to the barrage of upfront real estate transaction taxes imposed in Pakistan is the Laffer Curve. The creator of the Theorem Aurther Laffer believed that the "ideal, or optimal, rate of taxation for an economy is the one that falls right at the top of the inverted U" (Laffer, 2004). The Laffer Curve contemplates an inverted U-shaped correlation between the applicable tax rates and the total tax take of a country.[4] Simply put, the Laffer Curve manifests a logical relationship between tax rates and tax harvested by the government as depicted in Graph I.

Graph I: The Laffer Curve



The Laffer Curve's basis assumption is that zero tax is to be collected at zero tax rate, and conversely a tax rate of 100 percent would again produce no tax revenues due to complete elimination of incentives to earn and offer for taxation meaning thereby that primarily from the revenue lens the optimal tax rate would lie somewhere in the middle or even lower half on the curve. It has been explicated that the shape of the curve is a function of the elasticity of the taxable income, that is, the changes in taxable income in response to changes in tax rates. The Laffer Curve has been criticized and attacked by several economists and on multiple counts. In summary, what the Laffer Curve suggests to policy makers is that increasing tax rates beyond a certain point may be counterproductive both from the tax policy as well as macro-economic policy perspectives. It has been stipulated that the Laffer Curve's shape may differ across countries and regions.

2.3 Withholding Taxes as Transaction Costs

The underlying argument being advanced here is that the government's steep rise in tax rates on real estate in withholding mode may have led to reduction in actual transactions in the market, and decline in total tax take from the sector. The question arises as to whether the withholding taxes can be likened to and equated with transaction costs, particularly when Coase himself did not include them in his typology of transaction costs. This question attains significant thematic value in view of the fact that most of the withholding taxes on real estate

[4] *Aurther Laffer may have refined the concept and gave it a theoretical varnish, but the underlying notion itself was not new as its antecedents have been traced back to 14th century North African philosopher Ibn-e-Khaldun.Ibn Khaldun, "The Muqaddimah: An Introduction to History," ed. Kegan Paul (London: Routledge, 1967).*

are in the nature of adjustable advance taxes. The authors, however, posit that the blunt tool of withholding tax as applied on real estate sector does operate essentially as a transaction cost to sellers and buyers. This is because Coase might not have listed withholding tax in his typology of transaction costs since when he was originally developing his theory, withholding taxes were pretty much a non-existent phenomenon. In fact, the withholding tax mechanism was introduced in the US on salary incomes to prepone government revenues into the exchequer during WWII to finance the war effort (Ahmed, 2020). This plausibly explains why Coase did not include withholding tax in his typology of transaction costs.

Even otherwise, the standard concept of withholding tax as applicable across the globe is on net incomes and not on gross economic transactions presumptive as income as in Pakistan (Ahmed, 2020). Moreover, though the applicable withholding taxes are in the nature of adjustable advance taxes, yet their piling up upfront is a transaction cost to the market players. Likewise, since collection of advance tax at transaction undermines, rather usurps, the real estate market players' capacity and capability to evade and operate in the unrecorded underground economy, it is certainly a transaction cost. In the same vein, high withholding taxes at transaction stage, in a high-interest rate environment inflict a substantial cost to both seller and buyer in the form of forgone markup if invested, thereby increasing the cost of doing business in the economy; hence, prohibitive to the making of transactions. These taxes are critically appraised in the next section.

3. Real Estate Taxes in Pakistan

3.1 Historical Context

Before taking on the latest foray of transaction taxes on real estate it would be illuminating to peek into the history of the sector's taxation in Pakistan. At independence, the (British era) Income Tax Act, 1922, was adopted by Pakistan almost involuntarily. Under the legacy capital gains tax (CGT) regime both movable and immovable assets constituted the tax base with a significant exclusion to agricultural land. In Pakistan, the CGT "was abolished in 1950," rather abruptly (GOP, 1960). In mid-1950s, when it was already in hiatus, the CGT was devolved to provinces in the constitutional rearrangement of 1956. At the time, Pakistan under the parity principle, had only two provinces, that is, East Pakistan and West Pakistan. In a sharp contrast, while West Pakistan moved to abolish CGT on immovable assets and retain it on movable assets, East Pakistan, which now constitutes Bangladesh, did exactly the opposite considering it economically fiscally more progressive. When the ITO, 1979 was promulgated, the definition of "capital asset" carried standard historical exclusion to "any land from which the income derived by the assessed is agricultural income."[5] Soon, however, the scope of the exclusion was broadened to 'any immovable property," granting tax waiver to the real estate sector in entirety.[6] This was apparently done to de-conflict the arrangement between the federation and the provinces under the 1973 Constitution and the tax laws. The legal position was materially preserved through the Income Tax Ordinance, 2001,[7] (the ITO, 2001) to maintain the status quo with the stark outcome being that real property effectively remained tax free up until 2010.

3.2 Post-2010 Developments

At some level, the non-taxation of real estate was anchored in the constitutional arrangement of 1956, 1962, and then finally 1973, which bind the federation and the federating units into a fiscal compact. Until 2010, 'Entry 50' of Schedule 4 to 1973 Constitution (Entry 50) read: "Taxes on the capital value of the assets, not including taxes on capital gains on immovable

[5] *Section 1(12) of the Pakistan, "The Income Tax Ordinance, 1979," (Islamabad: CBR, 1979).*

[6] *Section 27(2)(a)(ii) of the ibid.*

[7] *Section 37(5)(c) excluded "any immovable property," from the scope of "capital asset," which provided the basis for the CGT in Pakistan.GOP, "The Income Tax Ordinance, 2001," (Islamabad: FBR, 2001).*

property." However, the formulation of Entry 50 was slightly modified vide 18th Amendment to the Constitution adopted on April 20, 2010, to now read: "Taxes on the capital value of the assets, not including taxes on immovable property." The omission of the words "capital gains" from Entry 50, led FBR to believe that now the federation could tax gains arising from the sale of real estate. In order to backstop itself, FBR even went onto send a formal reference to Ministry of Law & Justice in this connection, which while endorsing FBR's point of view stipulated "that under the amended language of Entry 50, the levy of income tax on capital gains on the disposal of immovable property had become a federal subject and, therefore, national parliament could legislate on it" (Haq, 2017). This view has widely been challenged and contradicted being untenable, and is purportedly sub judice, currently.

3.3 Introducing CGT on Real Estate

Thus, optimising on the modified formulation of Entry 50, the Government, vide Finance Act, 2012, ended up amending section 37(5) of the ITO 2001, to exclude "any immovable property" from the negative list of assets (which would not constitute "capital asset," for taxability) thereby dragging immovable assets into the taxable nexus of CGT in Pakistan. Simultaneously, subsection (1A) was inserted to mount chargeability to the "gain arising on the disposal of immovable property by a person under the head Capital Gains at the rates specified."[8] The tax rate applied was 10% if the holding period was less than one year, and 5% if the holding period was less than two years,[9] meaning thereby that the "long term" capital gain with the holding period of more than two years was not taxable. Apparently, it was too restrictive a taxation but visibly the government was looking to tiptoe into the taxing real estate sector; it was an effort to have a soft landing – just one step behind the door without alerting its potential opponents. This arrangement worked decently well for the first few years for the federation with slight changes to the law and tax rate applicable as presented and plotted in Table 1 and Graph II, respectively.

Subsequently, vide Finance Act, 2019, section (3A) was inserted into section 37 of the ITO, 2001, to provide a method of computation of determining taxable capital gains arising on disposal of immovable properties. It was stipulated that where the holding period of an open plot of land did not exceed one year, 100 percent of the gains would be taxable. However, where the holding period was between one and eight years, taxable gain would be 75 percent of the total; consequently, the gains arising from real estate held beyond eight years were to be totally exempted.[10] This method of computation was changed vide Finance Act, 2020, to tax 100 percent of the short-term gains arising within one year. However, where the holding period exceeded one year, the taxable gain would be 75 percent of the total; where the holding period exceeded two years, taxable gain were to be 50%, and where the holding period was upto four years, only 25% of the gains would be taxable, and where the holding period exceeded four years, capital gains would be taxed at zero percent.[11] Simultaneously, reduced rates were prescribed to tax the taxable gains at 5, 10, 15, and 20 percent, if those exceeded 5, 10, 15, and 20 million, respectively.[12] The Finance Act, 2020, bred a lot of complexity into the system.

Through Finance Act, 2021, CGT rates were downward rationalized to 3.5, 7.5, 10, and 15 percent if they hit and breached the brackets of 5, 10, and 15 million.[13] In 2023, real property was trifurcated between (a) open plots of land, (b) constructed property, and (c) flats ostensibly to provide incentives for investment in the built-up property both in terms of tax

[8] *Section 37(1A) of the GOP, "The Income Tax Ordinance, 2001."*

[9] *Division VIII, Part 1, 1st Schedule to the ibid.*

[10] *Section (3A) was inserted into the ibid.vide Finance Act, 2019.*

[11] *Ibid.Section 37(3A) was modified vide Finance Act, 2020.*

[12] *Division VIII, Part 1, 1st Schedule to the ibid. introduced vide Finance Act, 2020.*

[13] *Division VIII, Part I, 1st Schedule to the ibid. introduced vide Finance Act, 2021.*

rate applicable and the holding period prescribed.[14] Of late, vide Finance Act, 2024, the CGT rates have further been modified and enhanced for properties disposed of after July 1, 2024.[15] Had it all been normal taxation on real estate, it would have been perfectly alright since it was quite desirable – and for a longtime. However, that did not tum out to be the case as the bulk of this taxation was frontloaded on real estate transactions.

3.4 Seller's Real Estate Transaction Tax (Section 236C)

In a corollary to the changes to section 37 of the ITO, 2001, in 2012 as encapsulated above, section 236C was added obligating property registering authorities to collect adjustable advance income tax from sellers of properties at 1 percent of the transaction value at the property transaction stage.[16] FBR gave it a twist that it was "to keep track of transaction of immovable property" (GOP, 2012). It was stated that in order to "overcome the administrative problems in respect of collection of CGT on disposal of immoveable property and to keep a track of the transactions of immoveable property, an adjustable advance withholding tax @ 0.5% of the consideration received on sale/transfer of immoveable property was levied on sellers/ transferors of immoveable property under section 236C of the Income Tax Ordinance, 2001."[17] FBR further clarified "that the advance tax to be collected under section 236C has been introduced for the purposes of providing a mechanism for collection of capital gain tax on disposal of immoveable property," and that the "actual quantum of capital gain and tax payable thereon is to be computed at the time of filing of return of income," and wherefore "Section 236C is not an independent provision and does not operate in isolation."[18] Since CGT had been imposed only on disposal of properties held for a period up to two years, the advance tax was not to be collected from sellers who had held the immoveable properties beyond the prescribed limit of two years.[19]

The provision obligated "any person responsible for registering, recording or attesting transfer of any immovable property" to collect from the seller or the transferor," at the time of registering, recording or attesting a real estate transaction, an advance tax at the rate specified."[20] Later it was "clarified that the person responsible for registering, recording or attesting transfer includes person responsible for registering, recording or attesting transfer for local authority, housing authority, housing society, co-operative society, public and private real estate projects registered/governed under any law, joint ventures, private commercial concerns and registrar of properties."[21]/[22] Although, this clarification only captured what was already happening on the ground, yet it legalized and validated the exercise of an exclusive state function, that is, registration, de-registration, and re-registration of property rights by private persons in terms of registration of property, which purportedly did not happen anywhere in the world.

Later, vide the Tax Law (Amendment) Ordinance, 2016, a proviso was added to the provision to give a waiver from the application of the withholding tax "to a seller, being the dependent of a *Shaheed* belonging to Pakistan Armed Forces or the service of Federal or Provincial Government – in respect of first sale of immovable property acquired from or

[14] *Division VIII, Part I, 1st Schedule to the ibid. introduced vide Finance Act, 2023.*

[15] *Division VIII, Part I, 1st Schedule to the ibid.introduced vide Finance Act, 2024.*

[16] *Section 236C of the ibid.*

[17] *"Circular No.02 of 2012: Finance Act, 2012 - Explanation Regarding Important Amendments Made in the Income Tax Ordinance, 2001," (Islamabad: F.B.R - July 26, 2012).*

[18] *Ibid.*

[19] *Ibid.*

[20] *Section 236C(1) of the GOP, "The Income Tax Ordinance, 2001."*

[21] *Explanation to Section 236C) of the ibid.inserted vide Finance Act, 2017.*

[22] *Emphasis supplied by the authors.*

allotted by the Federal or Provincial Government or any authority duly certified by the official allotment authority, and the property acquired or allotted is in recognition of or for services rendered by the *Shaheed* or the person who dies in service."[23] Afterwards, FBR explained that the waiver from the application of section 236C was extended "to a singular transaction represented by the first sale of immovable property by a seller, who is the dependent of a *Shaheed* belonging to the Pakistan Armed Forces or the service of the federal or Provincial Government in respect of immovable property acquired from or allotted by the Federal Government, Provincial Government or any authority duly certified by the official allotment authority being in recognition of or for services rendered by the *Shaheed* or the person who dies in service."[24] However, the expression "a singular transaction" being absent in the law itself does not appear to have been implemented.

Subsequently, in 2024 the nexus of the exemption was expanded to also cover "a war wounded person who while in the service of Pakistan Armed Forces or Federal or Provincial Government or an ex-Serviceman and serving personnel of armed forces or ex-employees or serving personnel or Federal or Provincial Government."[25] Muhammad Ishaq Dar, Finance Minister, proudly exhorted that "CGT will not be applicable on the sale of plots given to personnel of the armed forces, [nor] on the first sale of plots given to the dependents of armed forces personnel who have been killed in the line of duty" (Khan, 2016). This open-ended exemption for *Shaheeds'* heirs, war-wounded employees, and serving and retired employees of Armed Forces or Federal and Provincial Governments sounds arrogant to the generality of the people as well as the principles of equity, justice and fair play. This is particularly intriguing because the exemption was deftly not restricted to one real estate service-related benefit. Likewise, the concepts like "war-wounded" and "employees of Federal and Provincial Governments" are pervasive, and subject to misuse, and multiple interpretations.

In view of the ostensible injustice latent in this law, the matter has been challenged in LHC under Article 199 of the Constitution and is pending adjudication (Sheikh, 2024). It was "pleaded that the tax exemption given to the bureaucrats and military personnel was in violation of the equality clause of the Constitution, which stated "all persons are equal before law and are entitled to equal protection of law."[26] The petition further argued that "the impugned tax exemption amounted to exploitation of people as the ruling elites got the exemption by misusing their position while the common citizens – the paymaster of state functionaries – are forced to pay heavy taxes."[27] The court was prayed to strike down Section 236C of the Finance Act 2024, granting impugned tax exemption for the bureaucrats and army men, except the war-wounded armed force personnel and martyrs."[28] It goes without saying that military and civil bureaucracy have traditionally been able to safeguard their fiscal interests tactfully shifting the tax burden onto the unorganized societal groups with lesser capacity to defend themselves on the public policy drawing board.

The provision was further modified in 2018 to provide that in the event of a seller or transferor being a non-resident Pakistani, who had acquired a particular property "through a Foreign Currency Value Account or NRP Rupee Value Account (NRVA) maintained with authorized banks in Pakistan, under the foreign exchange regulations

[23] *First Proviso to Section 236C(1) of the GOP, "The Income Tax Ordinance, 2001."inserted vide Finance Act, 2016.*

[24] *"Circualr No. 19 of 2016 - Clarification Regarding Collection of Advance Tax on Sale or Transfer of Immovable Property under Section 236c of the Income Tax Ordinance, 2001," (Islamabad: FBR, December 16, 2016).*

[25] *First Provisio to Section 236C(1) of the "The Income Tax Ordinance, 2001." inserted vide Finance Act, 2024.*

[26] *Ibid.*

[27] *Ibid.*

[28] *Ibid.*

issued by the State Bank of Pakistan, the tax collected under this section from such persons shall be final discharge of tax liability in lieu of capital gains taxable under section 37 earned by the seller or transferor from the property."[29] Apparently, it is a facilitative provision, but given the exorbitantly high tax rates, intuitively the provision has become prohibitive in operation for the non-resident Pakistanis (NRPs) to invest in real estate in Pakistan. While in overall terms, tax collected at source was supposed to be adjustable, in case of an immovable property is purchased and sold in the same year, the tax collected at source was rendered a "minimum tax."[30] This blunt provision has further sapped vitality from the market.

In 2023, in another awkward tax policy move, when a new tax u/s 7E was imposed, the pre-existing provision of Section 236C was leveraged to ensure its enforcement. It was ordained that no property could be registered "unless the seller or transferor has discharged its tax liability under section 7E and evidence to this effect has been furnished in the prescribed mode, form and manner."[31] When put together, these provisions are good enough to severely affect real estate seller's perception and make him exit market, at least, in the short run, or find alternative transaction mechanisms.

3.4.1 Seller's Transaction Tax Rate Trends

The provision has gone through quite a few changes and tax rates variations over the past decade. This is quite understandable because real estate may be the only sector that historically attracts maximum investment and yields above par returns and wherefore in the spotlight of media, parliament and politicians alike. Historical movement of seller's real estate transaction taxes u/s 236C of the ITO, 2001, is captured in Table 1.

Table 1: Seller's Real Estate Transaction Tax – Historical Movement[32]

Section 1

2013		**2014**		**2015**		**2016**		**2017**	
0.5%	1/%	0.5%	1/%	F	NF	F	NF	F	NF
				1%	1%	0.5%	1%	1%	2%
1% for 1 & 0.,5% for 2 Year H. Period				No Holding Period				5 Years	

Section 2

2018		**2019**		**2020**		**2021**		**2022**	
F	NF	ATP	NTP	ATP	NTP	ATP	NTP	ATP	NTP
1%	2%	1%	2%	1%	2%	1%	2%	1%	2%
5 Years		5 Years		5 Years		5 Years		4 Years	

Section 3

2023		2024	
ATP	NTP	ATP	NTP
2%	**4%**	**3%**	**6%**
No holding period		No holding period	

Section 4

2025						
F			LF			NF
3%	**3.5%**	**4%**	**6%**	**7%**	**8%**	**10%**
FMV ≤Rs.50m	FMV ≤Rs.100m	FMV >Rs.100m	FMV ≤ Rs.50m	FMV≤ Rs.100m	FMV> Rs.100m	No Threshold

* *Source*: FBR

[29] *Second Provisio to Section 236C(1) of the GOP, "The Income Tax Ordinance, 2001." inserted vide Finance Act, 2023.*

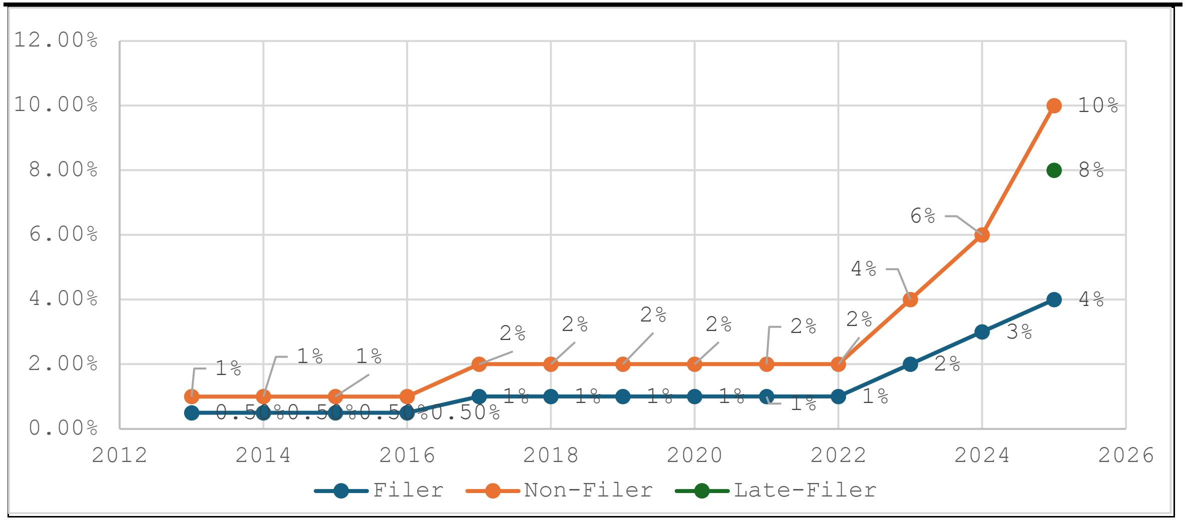
[30] *First Proviso to Section 236(2) of the ibid. inserted vide Finance Act, 2017.*

[31] *Section 236C(2A) of the ibid. inserted vide Finance Act, 2023.*

[32] *Abbreviations in Table I denote: F - Filer; NF - Non-Filer; ATP - Active Taxpayer; NTP - Non-Active Taxpayer; and LF - Late Filer.*

These data are plotted in Graph II for a ready and visual comprehension.

Graph II: Seller's Real Estate Transaction Tax – Historical Trends



After keeping the tax rate at 0.5 percent and 1 percent for a holding period of 1 and 2 years, respectively, for two years i.e. T/Y 2013, and 2014, the rate was doubled w.e.f. T/Y 2015 alongside the new categorization of "filer" and "non-filer." FBR explained that the classification of "filer" and "non-filer" was "aimed at making 'cost of doing business for non-compliant/non-filers, higher than compliant taxpayers/filers' (GoP, 2014). Interestingly, when vide Finance Act, 2019, withholding tax rates for section 236K were reduced, those for section 236C were retained. It was also vide Finance Act, 2019 that the categorization of "filer"-"non-filer" was replaced with the "active-taxpayer"-"non-active taxpayer." The exorbitant rise in tax rates starts in 2022 when the withholding tax rate is doubled to 2, and 4 percent for "active-tax payers" and "non-active taxpayers," respectively. The Finance Act, 2023 further ends up raising the rate to 3 and 6 percent for "active taxpayers" and "non-active taxpayers," respectively. The Finance Act, 2024, comes in as the last straw on the camel's back as not only that FBR reverted to old categorization of "filer" and "non-filer" by introducing a third category of "late filer," alongside monetary thresholds of upto Rs.50 million, Rs.100 million and over Rs.100 million, but also that the tax rates of 3, 4, and 5 percent, and 6, 7, and 8 percent for filer and later-filers, respectively, were introduced. One flat peak rate of 10% was introduced for all non-filers. Graph II vividly shows that the rates for "filers," "late filers," and "non-filers" take a steep rise in 2022 onwards.

3.5 Buyers's Real Estate Transaction Tax (Section 236K)

In 2014, just a couple of years after the imposition of CGT and seller's transition tax, a corresponding withholding tax on the buyer of an immovable property was also introduced. Through Finance Act, 2014, a new provision 236K entitled "Advance tax on purchase or transfer of immovable property," was inserted into the ITO, 2001, which obligated that "every person responsible for registering, recording or attesting transfer of any immovable property shall at the time of registering, recording or attesting the transfer shall collect from the purchaser or transferee advance tax at the rate specified."[33] The newly created distinction between a "filer" and a "non-filer" to meet out a differentiated tax treatment in terms of applicable tax rate at the transaction stage was also applied to the new tax at withholding stage. It was stipulated that "the purchaser of immovable property shall pay advance tax @ 1% of the value of the property if the purchaser is a filer, and 2% of the value of the property

[33] *Section 236K of the "The Income Tax Ordinance, 2001."inserted vide Finance Act, 2014, applicable with effect from T/Y 2015.*

if the purchaser is a non- filer."[34] Initially, the provision was interpreted to cover gift transfers as well since the "genuineness of gifts" could not "be determined at the stage of registration of immovable properties."[35] Later, FBR explained that "the gifts among family members like spouse, father, mother, son, daughter, brother and sister shall be considered as genuine and shall not suffer withholding tax under section 236K of Income Tax Ordinance, 2001" (GoP, 2015).

The law also envisaged that the "advance tax collected…shall be adjustable against the tax liability of the purchaser at the time of filing of return."[36]/[37] In 2018, an amendment was introduced to allow payment of the advance tax in instalments if the consideration of the allotted or purchased property was to be defrayed in instalments. To incentivize NRPs into investing in Pakistani real estate, they were given waiver from the operation of the transaction tax, it was asserted that 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," subject to the condition "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."[38] In 2021, the provision was modified to provide that in the event of the buyer or transferee being a non-resident Pakistani, who had acquired a particular property through a Foreign Currency Account maintained with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan, "the tax collected under this section from such persons shall be final discharge of tax liability for such buyer or transferee." The tax rates prescribed under the provision have undergone significant changes.

3.5.1 Buyer's Real Estate Transaction Tax Rate – Historical Trends

Historical movement of the buyer's tax rate at transaction stage are presented in Table II alongside various conditions applicable in simplified form.

Table II: Buyer's Real Estate Transaction Tax – Historical Trends[39]

Section 1

2015		**2016**		**2017**		**2018**		**2019**	
F	NF	F	NF	F	NF	F	NF	ATP	NTP
1%	2/%	1%	2/%	2%	4%	2%	4%	2%	4%
FMV>Rs.3m		FMV>Rs.3m		FMV>Rs.3m		FMV>Rs.4m		FMV>Rs.4m	

Section 2

2020		**2021**		**2022**		**2023**		**2024**	
ATP	NTP	ATP	NTP	ATP	NTP	ATP	NTP	ATP	NTP
1%	2%	1%	2%	1%	2%	2%	7%	3%	10%
No conditions									

Section 3

2025								
F			LF			NF		
3%	**3.5%**	**4%**	**6%**	**7%**	**8%**	**12%**	**16%**	**20%**
FMV≤ Rs.50m	FMV≤ Rs.100m	FMV> Rs.100m	FMV≤ Rs.50m	FMV≤ Rs.100m	FMV> Rs.100m	FMV≤ Rs.50m	FMV≤ Rs.100m	FMV> Rs.100m

* *Source:* FBR

[34] "Circular No. 2 of 2014 - Finance Act, 2014 - Explanation Regarding Important Amendments Made in the Income Tax Ordinance, 2001."

[35] *Ibid.*

[36] *"Circular No. 2 of 2014 - Finance Act, 2014 - Explanation Regarding Important Amendments Made in the Income Tax Ordinance, 2001."*

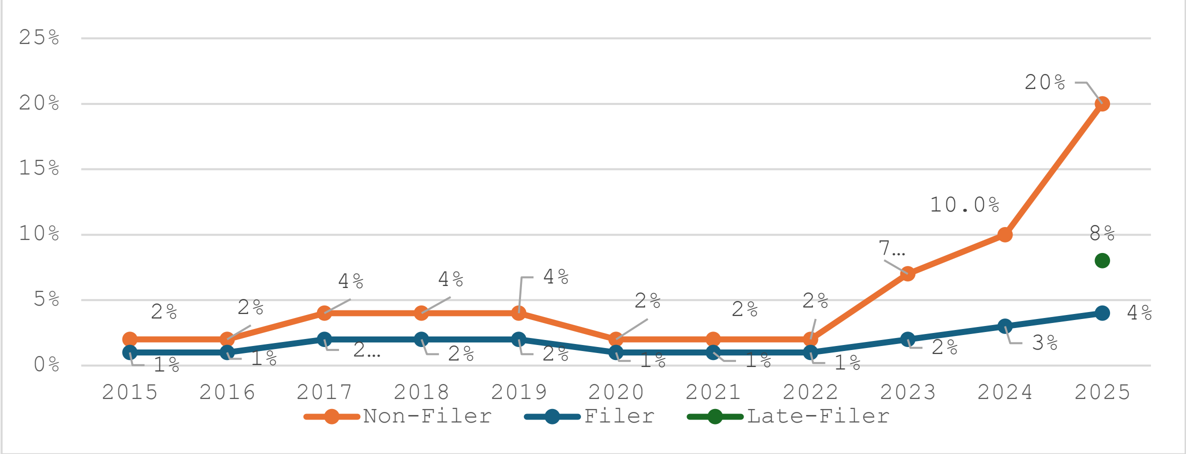
[37] *Section 236K(2) of the "The Income Tax Ordinance, 2001."*

[38] *Section 236K(4) of the ibid. inserted vide Finance Act, 2015.*

[39] *Abbreviations in Table II denote: F - Filer; NF - Non-Filer; ATP - Active Taxpayer; NTP - Non-Active Taxpayer; and LF - Late Filer.*

The data tabulated above is plotted in Graph III for an easy and pictorial comprehensions.

Graph III: Buyer's Real Estate Transaction Tax – Historical Trends



The Federal Government duly encouraged by the market's absorption of 2012 seller's tax u/s 236C at negligible rates of 0.5 and 1 percent for a holding period of 1 and 2 years, respectively, made another ingress in 2014, when an advance income tax on the buyer was also imposed. The seller's tax may have some justification because of a plausible presumption of profitability, the buyer's tax had little justification except the usual argument of collection of data of real estate market operators. The deft policy choice of moving in deviously continued as the rate was kept minimal for the first couple of years at 1 and 2 percent for filers and non-filers, respectively, whereafter it was doubled to 2 and 4 percent, respectively, which stayed there for three years. In a counter-intuitive move, the PTI government in 2019 halved the tax rates back to 1 and 2 percent for "active taxpayers" (ATP) and non-active taxpayers (NTPs), respectively, which categorization was brought in to replace the earlier one of "filer" and "non-filer." Through Finance Act 2022, the applicable tax rate was jacked up to 2 and 7 percent for ATPs and NTPs but was further pushed up via Finance Act 2023 to 3 and 10 percent for ATPs and NTPs, respectively. However, vide Finance Act, 2024, the ATP-NTP categorization was once again replaced with the "filer," "late filer," and "non-filer," and an exorbitant rate of 3, 3.5, and 4 percent was fixed for filers in respect of the property involving the value of upto Rs.50, Rs.100, and over Rs.100 million. Likewise, for a "late filer," a withholding tax rate of 7, 8, and 12 percent was fixed vis-à-vis properties valuing up to Rs.50 million, Rs.100 million, and over Rs.100 million, respectively. The peak tax rates of 12, 16, and 20 percent were fixed for identical property value slabs for non-filers.

3.6 Federal Excise on Real Estate Transactions

Through Finance Act, 2024, a novel change to the Federal Excise Act, 2005 was introduced whereby an excise duty of 3, 5, and 7 percent was imposed on filers, late filers, and non-filers, respectively, on the "Allotment or transfer of commercial property and first allotment or first transfer of open plots or residential property by any developer or builder in such mode and manner and subject to such conditions and restrictions."[40] Since this is a tax to be operationalized in withholding mode at transaction stage, this ought to be taken as an add onto the cost of real estate transactions.[41]

[40] *Section 3(1)(e) of Table III of Schedule 1 of GOP, "The Federal Excise Act, 2005," (Islamabad: FBR, 2005).*
[41] *Ibid.*

3.7 Section 7E Tax

Section 7E entitled "*Tax on Deemed Income from Immovable Property*" was inserted into the ITO, 2001, vide Finance Act, 2022 whereby a tax resident person "was treated to have derived income equal to five percent of fair market value of the capital assets situated in Pakistan" and rendered "chargeable to tax at the rate of 20%" (GoP, 2022). A number of exclusions from the nexus of the deeming provision have also been allowed.[42] Apparently, there should not be any nexus between Section 7E tax and the transactions tax. However, that is not the case as vide Finance Act, 2023, a new sub-section (2A) in section 236C of the ITO, 2001, has been introduced, "which places a bar on the person responsible for registering, recording or attesting transfer of any immovable property to register, record or attest such sale or transfer unless the seller or transferor has discharged his tax liability under section 7E of the Ordinance and evidence to this effect has been furnished to the withholding agent"[43](GoP, 2023). This is where a completely separate levy under section 7E does operate like a transaction tax since without its payment the underlying property would not be exchanged legally and the transaction would not culminate (GoP, 2023).

3.8 Last Straw on Camel's Back

Although, taxes on real estate at transaction stage had started to rise through Finance Act, 2022, which trend continued vide Finance Act, 2023, yet the Finance Act, 2024 fell like the last straw on camel's back.

Table III: Current Real Estate Transaction Tax Rates T/Y 2025

Taxing Instrument	**Property Value**	**Transferor's Filing Status / Tax Rate**		
		Filer	Late Filer[44]	Non-Filer[45]
Section 236C	< Rs.50 M	3%	6%	10%
	> Rs.50 M < Rs.100 M	3.5%	7%	10%
	> Rs.100 M	4%	8%	10%
Section 236K	< Rs.50 M	3%	6%	12%
	> Rs.50 M < Rs.100 M	3.5%	7%	16%
	> Rs.100 M	4%	8%	20%
Federal Excise	< Rs.50 M	3%	5%	7%
Section 7E	-	1%	1%	1%

Table III presents the taxes that are currently applicable to filers, late filers, and non-filers keeping in view the property value thresholds of (i) under Rs.50 million; (ii) upto Rs.100

[42] *These exclusions included: (i) One capital asset owned by the resident person; (ii) Self-owned business premises from where the business is carried out by the persons appearing on the active taxpayers' list at any time during the year; (iii) Self-owned agricultural land where agricultural activity is carried out by the person but excluding farmhouse and annexed land; (iv) Capital asset allotted to (a) A Shaheed or dependents of a Shaheed belonging to Pakistan Armed Forces; (b) A person or dependents of a person who dies while in the serive of Pakistan armed forces or federal or provincial government; (c) A war-wounded person while in service of Pakistan armed forces or ex-employees or serviing personnel of federal and provincial governments who are original allotees of the capital asset as duly certified by the allotment authority; (v) Any property from which income is chargeable to tax under the Ordinance and tax leviable has been paid; (vi) Capital asset in the first year of acquisition on which tax under section 236K has been paid; (vi) Where fair market value of the cpatial assets in aggregate excluding captial assets mentioned in serial Nos (i) to (vi) above does not exceed rupees twenty-five million; (vii) Capital assets which are owned by a provicial government or local government; (viii) Capital assets owned by local authority, a development authority, builders and developers for land development and construction subject to the condition that such persons are registered with Directorate General of Designated Non-Financial Businesses and Professions.*

[43] *Emphasis supplied by the authors.*

[44] *Under Table to Sub-rule (a) of Rule 1A of 10th Schedule read with section 100BA of the ITO, 2001.*

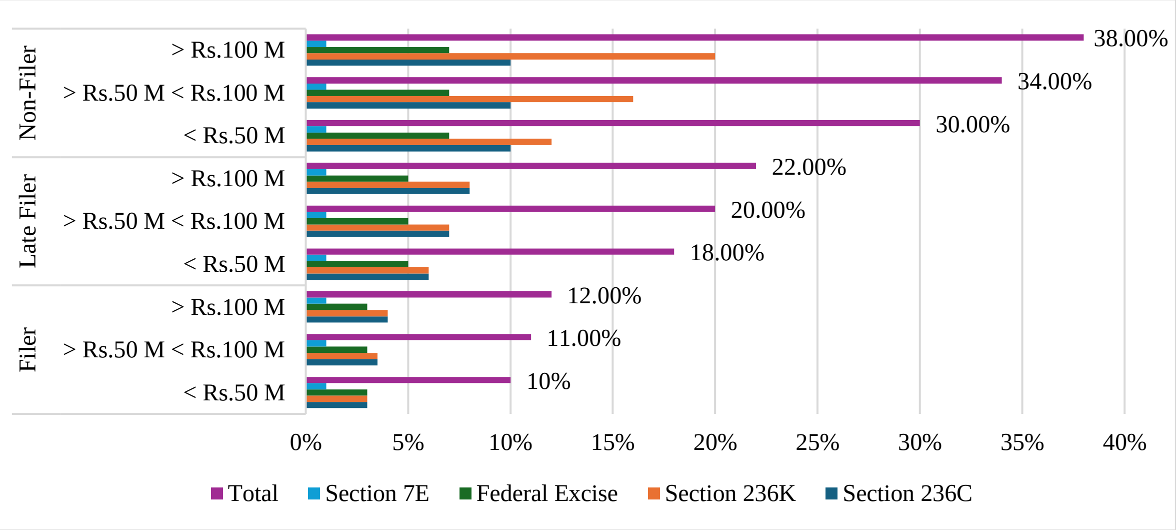
[45] *Under Row 2 of Table embedded in the 3rd proviso of Rule 1 of 10th Schedule read with Section 100BA of the ITO, 2001.*

million; and (iii) above Rs.100 million.

3.9 Market's Real Estate Transaction Cost

Although, buyer and seller have clearly demarcated the separate transaction tax rates, one must not be oblivious of the fact that the market itself is a vibrant place, has a persona of its own and operates like a living organism exuding feelings and responses like those of an individual – subsuming feelings and impressions of all market players – sellers, buyers, realtors, registrars, experts and analysts, sub-vendors and market service providers, who create a trading ambience. It is in this sense of the matter that perceived transaction stage taxes u/s 236C, and 236K, and 7E of the ITO, 2001; and, excise duty levied under the Federal Excise Act, 2005, take the "market's transaction costs" on real estate to an exorbitantly high and potentially prohibitive levels.

Graph IV: Real Estate Transactions Cumulative Tax Rates - T/Y 2025



Graph IV portrays a harrowing spectre for the real estate market wherein a small conservative real estate transaction of upto Rs.50 million would be 10 percent where both the seller and buyer are active and timely tax filers for a property valuing Rs.50 million or less. The same inches upto 11 and 12 percent for properties worth upto Rs.100 million or more, respectively. For late filers, the tax rate rises to 18, 20, and 22 percent for the properties with identical property value brackets. However, the real prohibitive market rates are found in the event wherein both the buyer and seller are non-filer with transaction stage tax rates being 30, 34, and 38 percent. At these rates, the market could potentially come to a grinding halt, as no rationally acting market operator would like to transact.

3.10 Provincial Level Transaction Costs

In addition to the taxes as portrayed in Graph IV, which imping on the market as transaction cost, certain provincial levies imposed on ad valorem basis do have an identical effect. Provincial transaction taxes as applicable on July 1, 2024, are presented in Table IV.

Table IV: Provincial Real Estate Transaction Taxes

Tax Type/Province	Punjab	Khyber Pakhtunkhwa	Sindh	Baluchistan	Islamabad Capital Territory
Stamp Duty	5%	2%	2%	3%	4%
Registration Fee	Rs.1000	0.50%	1%	1%	1%
CVT	-	2%	2.5%*	2.5%*	-
Local Council Tax	-	2%	-	-	-
Town Tax	-	-	1%	1%	-
Total	**5%**	**6.5%**	**6.5%**	**7%**	**5%**

Source: Multiple

The provincial governments of Punjab, Khyber Pakhtunkhwa, Sindh, Baluchistan, and Islamabad Capital Territory (ICT) impose an upfront levy of 5%, 6.5%, 6.5%, 7%, and 5% on ad valorem basis, which essentially gets added to transaction cost of the real estate market as plotted in the preceding subsection.

3.11 Sales Tax on Property Developers' Services

While *goods* under the current constitutional arrangement, are charged to federal sales tax, *services* are taxed by provinces. FBR taxes the "Services provided by property developers and promoters (including allied services) excluding the actual purchase value or documented cost of land," at the rate of Rs. 100 per square yard for land development, and Rs.50 per square foot for building construction within the confines of Islamabad Capital Territory.[46] FBR also imposes tax on construction services at the rate of 15 percent subject to certain conditions.[47] Similar taxes when also imposed by provincial governments though are on the "services provided by property developers and promoters," yet the same are conveniently booked into the price of the property, which in turn, also raises the transaction cost.

3.12 Increase in Property Valuation

Moreover, in an effort to bring property valuations closer to market rates, FBR has raised property valuation rates by upto 80 percent across 56 cities effective November 1, 2024. This is the 5th time in four years that the property valuations have been increased. Earlier valuations were increased in 2018, 2019, 2021, and 2022. The new valuations would be the basis to charge CGT and withholding taxes at transaction stage (Khan, 2024).

4. Impact on Real Estate Market & Tax Revenues

In section 2, the Coase Theorem and Laffer Curve were inducted into the analytical frame to galvanize our understanding as to how high transaction stage taxes on real estate in Pakistan could potentially impact the real estate market and tax revenues collected from the sector. Transaction taxes' impact on the economy can be analysed from various perspectives. However, adopting a narrowly focused lens, the analysis is being restricted to dissection of their effects on the real estate market defined in terms of the transactions undertaken and total tax revenue collected at the transaction stage.

4.1 Impact on Real Estate Market

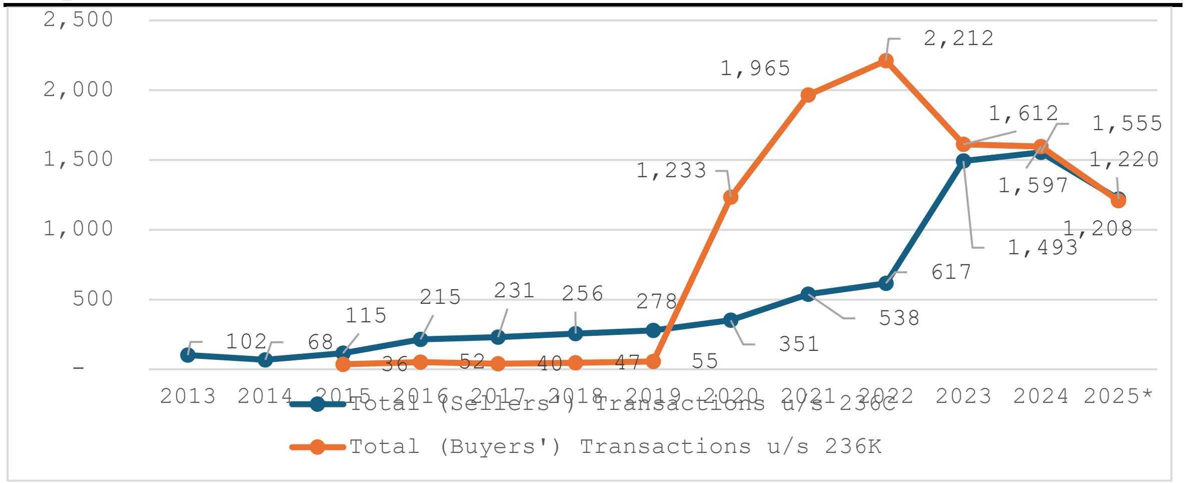
The complete data of market transactions under both section 236C and 236K w.e.f. July 1, 2013, and July 1, 2015, respectively, till July 31, 2024, is plotted in Graph V. Let us take them one by one juxtaposing them against the tax rates as plotted in Graph II and Graph III,

[46] *Table 1, Row 6 of the GOP, "Islamabad Capital Territory (Tax on Services) Ordinance, 2001," (Islamabad: FBR, 2001).*

[47] *Table 1, Row 5 the ibid.*

respectively. When it comes to 236C curve, its behaviour can best be analysed by splaying it against the tax rates applicable under the provision as plotted in Graph II. The real estate seller’s tax rate as in Graph II can be distinctly demarcated into three starkly distinct graduated stages – the low, medium, and high. The low phase runs between T/Y 2013 to T/Y 2016, the medium between 2017 and 2022, and the high between 2023 and 2025. The real-time data underlying section 236C curve as depicted in Graph V also follows the same pattern. The market’s reaction to tax rate hike is perfectly rational. When the tax gets imposed, the market shows a reaction in the next year, and then nosedives from the third year onwards. When the tax rate is doubled in 2016, which stays there till 2022, the number of transactions continues to rise steadily as the sentiment was good and the market was in boom. The T/Y 2023 is an outlier year as on the one hand the applicable tax rate is doubled to 2 and 3 percent for filers and non-filers, respectively, the number of transactions sees an increase of more than 100 percent. This could be because the investor adopting a long-term approach, was trying to exit the market sooner than later. The Finance Act, 2023, when the tax rate is further increased to 2 and 6 percent for filers and non-filers, respectively, the transactions curve flattens before crashing down after the Finance Act, 2024, when tax rates were hiked to 4, 8, and 10 percent for filers, late-filers and non-filers, respectively. The data for the 1st quarter of 2025 has been extrapolated to the whole year to project the trend.

Graph V: Total Annual Transactions u/s 236C & 236K



Note: Transactions in ,000/-

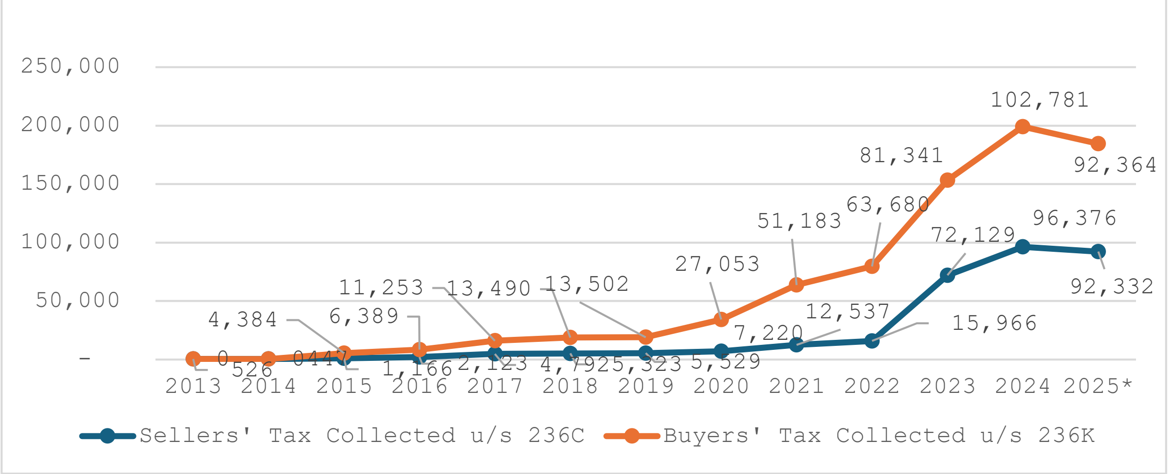
Source: FBR

When it comes to 236K curve, even greater amount of volatility is observed not only in tax rate as plotted in Graph III, but also in the number of transactions as plotted in Graph V. After the buyer’s tax was imposed in 2014 at the rate of 1 and 2 percent for filers and non-filers, respectively, it stayed there for one more year. The tax rate was doubled in 2016, but was halved back to 1 and 2 percent in 2019, where it stayed throughout the remainder of the PTI regime. However, the PDM government vide Finance Act, 2022 jacked up the tax rates to 2 and 7 percent, and then vide Finance Act, 2023, to 3 and 10 percent for ATPs and NTPs, respectively. If all that was not considered good enough vide Finance Act, 2024, the classification of filer and nonfiler was revived with an additional category of late-filer, and exorbitantly high tax rate of 4, 8, and 20 percent was imposed, respectively. The actual transactions curve in Graph V exhibits strange behaviour. It continues to sail along zero-line on X axis, but suddenly when the tax rate is halved in 2019, the curve takes a steep rise, starts to lose steam at the peak after the PDM-sponsored tax rate hike of 2022, and nose-dives during T/Y 2024, it completely flattens along the 236C curve to manifest higher degree contraction. After the Finance Act, 2024, the curve appears to be fast crashing on the basis of 1st quarter of 2024 data extrapolated to the entire year to project plausible trend. It may not be out of place to mention that the upward slope originating in 2019, may have a robust connection and correlation with the Tax Amnesty Scheme for Real Estate Sector (TASRES), 2019-22, sponsored by the PTI government (Ahmed, 2024).

4.2 Impact on Tax Revenue

Similarly, the data of tax collected at transaction stage under section 236C and 236K for the relevant years i.e. 2013 and 2015 onwards, respectively, is presented in Graph VI. The data for the month of July has been extrapolated to the whole T/Y 2025.

Graph VI: Total Annaul Tax Collected u/s 236C & 236K



Note: Rs. in million
Source: FBR

The plot for section 236C reflects that there has been an exponential rise in the tax collection until 2023, after which the slope starts decreasing until 2024 and then abruptly becomes negative in T/Y 2025, which can be attributed to enhanced taxation on sellers introduced vide Finance act, 2022, and afterwards. This is the logical outcome of decreased number of transactions on the part of taxpayers as the incentive mechanism works against tax payment at the transaction stage. The section 236K curve exhibits a similar pattern for identical factors. The downward sloping curves of section 236C and 236K evidently take after the Laffer Curve plotted in Graph I implying that when tax rate rises beyond certain level, the tax revenues start to dwindle. Against the World Bank estimates suggesting that real estate transactions in a comparable economy to Pakistan could generate between Rs. 600 and 700 billion in tax revenue" (Khan, 2016). FBR, at the current rate, is even likely to breach the 2024 figure of Rs. 200 billion in tax revenue from real estate sector.

5. Conclusion

The paper parsimoniously captures one of the most dramatic tax sagas in Pakistan's history, in that, the real estate sector, which was tax exempt up until 2012, finds itself as the most heavily taxed one in 2024. Still the worst part of the conundrum is that the bulk of this taxation is frontloaded onto the transaction stage. Awkward policy choices produce awkward outcomes, and the result of the steeply rising taxation on real estate transactions have not been any different. In particular, since Finance Act, 2022 onwards when taxes began to rise beyond bearable levels, the market started to taper off in terms of reduced number of real estate transactions registered, which, logically led to decreased tax revenue yielded by the sector. Rationally speaking, none of the two outcomes would have been contemplated by the policy planners, let alone, intended. This manifestly failed policy choice as explored in the paper, yields a few distinct insights.

One, the tax policy choice of sneakily introducing tax on real estate in 2012 leveraging minor constitutional drafting changes, was clearly reflective of the polity's realization of constitutional constraints under which it was operating – fragmentation of the tax base between the federation and the federating units – which it was unable to overcome fairly and squarely (Ahmed, 2024). Two, the steep rise in transaction taxes on real estate imposed vide Finance Act, 2022, 2023, and 2024, were an abrupt knee-jerk reaction to an exploding criticism of the government on leaving the most profitable economic sector out of tax ambit as well as ever-climbing demands from IMF to quantum increase domestic revenue; hence, was not a well-considered policy choice. Three, resorting to withholding mechanism was, in fact, driven by inherent deep-seated infirmities of the tax system to undertake differentiated, particularistic and targeted taxation on economic agents exhibiting determinable capacity and capability to pay, and wherefore, clearly a policy choice exercised by a state operating under the Freudian pleasure principle.[48]

Four, the policy choice is manifestly unjust, unfair and inequitable as the two core components of the public policy-making machine in Pakistan – the civil bureaucracy and military – have deftly exempted themselves from adverse fallouts of the recent tax hike, and which potentially also makes the policy reversal process difficult. The petition filed in the LHC challenging the highly particularistic exemption being discriminatory, unfair and unconstitutional, has not even been fixed for hearing. Five, instead of upfront allowing NRPs waiver from the application of transaction taxes or putting in place a prompt refund mechanism on the grounds that they are bringing in much-needed foreign exchange through prescribed official channels, and were not, per se, taxable in Pakistan being tax non-residents, not only that they have been made liable to pay the transaction taxes, but also that their withheld taxes have been rendered "minimum tax" – an outright confiscatory measure. If the tax rates themselves were not high enough to be prohibitive, their making confiscatory, simply shuts the NRPs out of the real estate market; ostensibly, the reverse was the intended objective. Last, since it is now empirically proven that the steep rise in transaction taxes has brought the real estate market to a visible slump in Pakistan with serious impending ramifications for the exchequer and the economy, its reappraisal and correction may be urgently needed by the government, lest the prohibitive transaction costs dump people's investment for a longer time sinking the economy even deeper.

References

- Ahmed, M. A. (2024). *Pakistan: Mechanics of an Elitist Economic System - Tax Amnestization.* (under Publication). Karachi: Oxford University Press, 2024.
- Ahmed, M. A. (2020). Pakistan: Withholdingization of the Economic System - a Source of Revenue, Civil Strife or Dutch Disease+?". *Pakistan Development Review, 59*(3), 469-516.
- Coase, R. H. (1937). The Nature of the Firm. *Economica, 4*(16), 386-405.
- Coase, R. H. (2013). The Problem of Social Cost. *The Journal of Law & Economics*, *56*(4), 837–877. https://doi.org/10.1086/674872
- GOP, (1960). *The Taxation Enquiry Committee Report (Volume 1)*. Karachi: Ministry of Finance.
- GOP, (2001). *The Income Tax Ordinance, 2001*. Islamabad: FBR, 2001.
- GOP, (2001). *Islamabad Capital Territory (Tax on Services) Ordinance, 2001.* Islamabad: FBR, 2001.
- GOP, (2005). *The Federal Excise Act, 2005.* Islamabad: FBR, 2005.

[48] *See, for a detailed delineation of the concept, "Pakistan: Withholdingization of the Economic System - a Source of Revenue, Civil Strife or Dutch Disease+?."*

- GOP, (2014). *Circular No. 2 of 2014 - Finance Act, 2014 - Explanation Regarding Important Amendments Made in the Income Tax Ordinance, 2001.* (Islamabad: FBR, July 17, 2014).
- GOP, (2015). *Circular No. 10 of 2015 - Futher Clarifications in Circular No. 02 of 2014 Dated 17.07.2014.* (Islamabad: FBR, October 21, 2015).
- GOP, (2016). *Circualr No. 19 of 2016 - Clarification Regarding Collection of Advance Tax on Sale or Transfer of Immovable Property under Section 236c of the Income Tax Ordinance, 2001.* Islamabad: FBR, December 16, 2016.
- GOP, (2022). *Circular No.15 of 2022 - Income Tax and Capital Value Tax - Finance Act, 2022 - Explanation of Important Amendments Made in the Income Tax Ordinance, 2001,"* (Islamabad: FBR, July 21, 2022).
- GOP, (2023). *Circular No. 2 of 2023 - Income Tax - Finance Act, 2023 - Explanation Regariding Important Amendments Made in the Income Tax Ordinance, 2001.*
- Ikramul, H. (2017). *Taxing Capital Gains.* Buiness Recorder, June 30, 2017.
- Khaldun, Ibn.(2016). *The Muqaddimah: An Introduction to History. edited by Kegan Paul.* London: Routledge, 1967.
- Khan, I. A. (2016). *Capital Gain Tax Not Applicable on Sale of Armed Forces Plots, Says Dar.* Dawn, July 31, 2016.
- Khan, M. Z. (2024). *F.B.R Raises Property Valuation by up to 80 Percent in 56 Cities.* Dawn, October 30, 2024.
- Kindness, D. (2024). *Coase Theorem: What It Means in Economics and Law.* Investopedia, June 4, 2024, 4.
- Laffer, A. (2004). *The Laffer Curve, Past, Present and Future.* 35. Washington DC: The Heritage Foundation, 2004.
- Legiędz, J. G. (2009). The Coase Theorem and Idea of Transaction Costs - Their Significance for the Development of
- Economics. *Comparative Economic Research Central and Eastern Europe, 12*(4), 61-76.
- GOP, (1979). *The Income Tax Ordinance, 1979.* Islamabad: CBR, 1979.
- Rana, S. (2024). *I.M.F's Tax Demands Leave P.M in a Bind.* The Express Tribune, May 25, 2024.
- Sheikh, W. A. (2024). *Tax Exemption for Army Men, Bureaucrats Challenged in L.H.C.* Dawn, July 4, 2024.