



General

The time bound incentivized tax regime for the construction industry, was introduced in Apr 2020. The purpose of this package was to minimize negative effects of first wave of Covid 19 pandemic on the national economy in general and to create job opportunities for the low income segment / daily wagers in particular.

Existing Scheme and its Impact

1. The tax regime was introduced for a period of nine months and is valid till today. However, it took some time to operationalise and disseminate the features of this regime. The **scheme practically became effective** in the month of **July 2020**. This was the time when the pandemic was at its peak and country was literally in a state of lockdown.
2. Even in this limited period and despite all constraints of the pandemic the scheme had a major impact on the national economy and the country saw a significant upsurge in construction and real estate.
3. Till date, projects worth **PKR 186 Billion** have been registered on FBR portal and projects worth **PKR 116 Billion** are in draft form.
4. In addition to projects registered under this scheme the upsurge in construction activities all over the country is now already visible.
 - In **Punjab** alone projects worth **PKR 162.81 Billion** have commenced and projects worth **PKR 136.42 Billion** are in the process of approval. It would generate an **economic activity** of **PKR 1495.15 Billion** and create around **250,000 jobs**.

- Whereas in **KP** Province construction projects (worth **PKR 28.49 Billion**) have generated an **economic activity** worth **PKR 142.431 Billion** (created over **27,000 jobs**).
- Total cement dispatches in the first five months of current fiscal year surged 16.61%.

Other Measures

- **Foreclosure Law**. Absence of foreclosure law was a serious impediment particularly in growth of the housing sector. However, now the supreme court has given favourable decision and the issue stands resolved.
- **Banks Financing**. SBP has made it obligatory for banks to make 5% of their respective domestic private sector credit available to housing and construction industry as directed credit with this measure construction finance by banks would reach around **Rs. 378 Billion** by 31 December 2021.
- **Markup Subsidy**
 - ✓ **5 Marla Housing Units**. 5% markup for first 5 years and 7% markup for next 5 years. Tenor up to twenty years.
 - ✓ **10 Marla Housing Units**. 7% markup for first 5 years and 9% markup for next 5 years. Tenor up to twenty years.
- **Automated Approvals Regime**. Development authorities all over Pakistan were following archaic processes and methodology of processing various approvals, which not only involved unnecessary delays but also malpractices. Hence, in consultation with all provincial governments and development authorities a largely automated and simplified approval regime was evolved. Almost all development authorities have developed one window digital portals which have enabled concurrent processing of approvals by all concerned authorities / agencies. This would minimize human

interaction and approvals would be accorded as per newly laid down, much reduced, timelines.

- **Miscellaneous**. Some of the miscellaneous initiatives, include:-
 - **Master Planning of Major Cities**. All provincial Government / Development Authorities have been directed to update existing master plans and where necessary, develop fresh master plans of all major cities / urban centres, to ensure organized growth and development of urban areas.
 - **Digitalization of Cadastral Land Records**. Surveyor General of Pakistan has been assigned the task of assisting provincial governments in digitalizing cadastral land record of respective provinces. NAPHDA is coordinating and overseeing the process. Survey of Pakistan has successfully completed four pilot projects in different provinces and is now in the process of digitalizing land records of state owned lands and three major cities i.e. Karachi, Lahore and Islamabad, included in phase 1 of this project.

Low Cost Housing

- **Cost Subsidy for the Low-Income Group**.
Cost subsidy of **Rs. 300,000** per house (first 100,000 housing units) would be afforded to allottees of low-cost housing units, approved by NAPHDA.
- **Facilities for Builders and Developers** .
In the realm of Low Cost Housing by the private sector, the Government is in the process of taking additional measure to facilitate Builders and Developers, in which NAPHDA will play a role in facilitating project execution and providing cost subsidy and mortgage facility to the beneficiaries from low income group. It is highlighted here that **tax rebate of 90% to low cost housing is a**

permanent measure and would remain available beyond the period of fixed tax regime.

Extension of Incentivised Tax Regime

As we are faced with the second wave of the pandemic, hence to continue the momentum and to cater for the low income segment it has been decided to extend the said tax regime as follows :-

- **Fixed Tax Regime** extended till **31 December 2021**. However exemption from (Section 111) **disclosing source of investment** would be available till **30 June 2021**.
- **The duration for completion of projects initiated under this scheme has also been** extended for one year i.e. till **30 September 2023**, however exemption of Section 111 to buyers / **first purchasers of built up units** has been extended for six months i.e. **31 March 2023**.

Conclusion

The Government has done all that is possible to enable the builders / developers to benefit from this scheme, now the builders / developers to take advantage of the available incentives and initiate large scale construction activity.