

Panel Discussion

The Political Economy of Real Estate Policy and Taxation in Pakistan

In collaboration with GIZ

For Pakistani households, real estate is the preferred store of value, a preference shaped as much by inflation and limited investment alternatives as by the policy and tax incentives that favour property over productive assets. In FY2025-26, [real estate activities](#), which largely reflect the ownership of dwellings, accounted for 5.86% of GDP and about 10% of the services sector, while construction contributed a further 2.35% of GDP and grew by 5.73%. Construction accounted for 9.9% of the employed labour force according to the [Labour Force Survey 2024-25](#) and has strong linkages with industries such as cement, steel, glass and transport.

The sector has considerable potential to contribute to housing supply, employment and urban development, and the extent to which this potential is realised depends to a large degree on the policy environment. Property in Pakistan is valued under three separate systems, namely the District Collector (DC) rate, the Federal Board of Revenue (FBR) valuation and the market price. A [study](#) estimates that market prices are roughly 5 to 10 times DC rates and 2 to 4 times FBR rates, and notes that DC rates fell well below market levels in the mid-1990s and have not been revised periodically. In Punjab, valuations for urban immovable property tax were last revised in 2013-14, with only [two revisions in 20 years as of 2022](#). The absence of a common and current valuation base weakens price signals for buyers, investors and policymakers.

The sector also bears a layered structure of transaction costs. In [FY2025-26](#), a filer selling property paid advance tax of 4.5 to 5.5% of the sale consideration, while a filer purchasing property paid 1.5 to 2.5% of its fair market value. Together, these levies took 6 to 8% of a property's value at the point of transfer. For filers, these payments are largely adjustable against final tax liability. Provincial stamp duty and capital value tax add around [3% of the DC value for urban property in Punjab](#), and capital gains tax applies on disposal. In 2019, [registering a property](#) required 8 procedures and 105 days on average, and 149 days in Karachi. [Overlapping federal and provincial levies and lengthy approval processes](#) add to the cost of formal transactions. Industry representatives have consistently called for simpler transaction taxes and for policies developed in consultation with stakeholders.

On the revenue side, the pattern is reversed. Transaction taxes are relatively high, while recurring property taxes remain low. As of 2022, Punjab collected about 0.05% of its provincial GDP in property tax, around [one seventh](#) of the average for lower-middle-income countries. Provincial stamp duties amounted to [PKR 68.5 billion](#) in FY2024-25. The [World Bank](#) estimates that reform of land and property taxation, including a single valuation base and reliable land records, could yield up to 2% of GDP. Government and

industry therefore share an interest in a simpler and more equitable system based on credible valuation and stable rules.

A further constraint common to both is the limited availability of data. There is no consistent series on transaction volumes, prices or holding patterns, and research on the response of the market to tax changes remains limited. As a result, policy decisions have often been taken on the basis of partial information and immediate fiscal needs.

The central policy question is how to establish a stable and coherent policy environment in which real estate can develop as a productive sector. Over the past decade, policies affecting the sector have changed frequently. Documentation requirements and conditions for property purchases have been tightened and subsequently relaxed, incentive packages have been introduced and withdrawn, and valuation rules have been revised several times, while the modernisation of land records and approval processes has progressed unevenly. Although individual measures responded to specific circumstances, their cumulative effect has been an uncertain policy direction for the sector.

This uncertainty carries economic costs. Frequent changes make it difficult for developers to commit to long-term projects, for buyers to plan purchases and for lenders to expand mortgage finance. Where policy is difficult to predict, investors tend to favour liquid holdings over long-term construction. Consequently, the potential contribution of the sector to affordable housing, employment in construction and linked industries, housing finance, planned urban development and public revenue has been only partly realised.

Taxation illustrates this broader pattern. Given the size of the sector, tax policy has frequently turned to real estate, largely in response to annual revenue requirements rather than within a long-term framework for the development of the sector. In periods of fiscal pressure, transaction tax rates have been increased. Since tracking ownership and payments across federal and provincial systems remains difficult, higher rates may slow formal transactions rather than broaden the base, with implications for both revenue and economic activity. In periods when growth required support, rates were reduced or incentives introduced, as construction responds quickly to policy and is reflected promptly in GDP.

Successive budgets reflect this pattern. The [Finance Act 2018](#) restricted property purchases by non-filers, a measure withdrawn later the same year through the Finance Supplementary (Amendment) Act 2018. In 2020, a construction incentive package introduced a fixed tax regime for builders and developers. The [Finance Act 2022](#) introduced a tax on deemed income from immovable property under Section 7E, which the Federal Constitutional Court declared unconstitutional in May 2026. The [Finance Act 2024](#) introduced federal excise duty on specified property transfers, which the [Finance Act 2025](#) withdrew while reducing advance tax on purchasers and increasing it on sellers

to 4.5 to 5.5%. The Finance Act 2026 subsequently set advance tax for filers at a [flat 2.75% on sellers and 1.25% on purchasers](#).

Each of these measures addressed a legitimate policy objective. However, the frequency of change has itself become a source of uncertainty. Market participants may defer decisions in anticipation of the next budget, structural reforms have been difficult to sustain, and the effects of individual measures are hard to assess given limited data. Whether the FY2026-27 rate reductions will increase transaction volumes sufficiently to sustain revenue, for example, cannot yet be assessed on the available evidence.

A political economy perspective can help address this cycle. By examining the interests, incentives and institutions that shape policy choices for the sector, and the reasons for frequent reversals, this panel will inform stable and well-structured policies that support the long-term development of the sector. Taxation will be a central focus, given the frequency of change in this area and the importance of predictability and fiscal sustainability, but it will be examined within the broader policy framework. A predictable framework must also be fiscally sustainable, economically efficient and socially equitable.

This session will open a structured discussion on how real estate can move from a store of value to a driver of housing, employment, growth and tax revenue. Its findings will inform the priorities and design of a forthcoming SDPI-GIZ study. Looking beyond any single budget, the dialogue will address three questions: how real estate policy, including taxation, has performed; what weaknesses in data, valuation and administration have cost; and what a stable, long-term framework for the sector should look like. It will bring together those who design and implement policy and those affected by it. The Tax Policy Office, Ministry of Finance, FBR and provincial revenue authorities will be joined by real estate and builders' associations, independent experts, academics and development partners, including the World Bank, United Nations Development Programme (UNDP) and the Asian Development Bank (ADB).

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