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Pakistan Slashes Property Taxes in 2025 Budget

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Pakistan's government has unveiled sweeping tax reductions for real estate investors and homebuyers in its 2025-26 budget, marking a significant shift in housing policy. Finance Minister Muhammad Aurangzeb announced the measures during his budget speech, positioning them as catalysts for economic growth and increased homeownership. The reforms specifically target the reduction of capital gains taxes and property transaction fees that have long burdened the sector.

Industry analysts highlight three key changes: a 50% reduction in withholding tax for filers, elimination of advance tax on property transfers, and revised capital gains calculations. These adjustments could save buyers up to 15% on total property costs. The moves come after extensive consultation with developers who argued high taxes were suppressing legitimate transactions while encouraging undocumented deals.

The budget proposals aim to formalize Pakistan's property market while stimulating construction activity. Real estate contributes approximately 2% to GDP and employs over 7 million workers directly. Early reactions from developers have been positive, with major firms like Bahria Town and DHA already announcing new residential projects in anticipation of increased demand. However, some economists caution that the benefits may initially accrue to upper-middle-income buyers rather than first-time homeowners.

These tax cuts represent a bold gamble to jumpstart Pakistan's sluggish property sector. If successful, they could unlock billions in frozen capital while generating construction jobs across urban centers. The true test will come in implementation whether these measures can stimulate broad-based housing demand without fueling speculative bubbles. As Pakistan seeks to balance economic growth with revenue needs, the property sector may emerge as an unexpected engine of recovery in the coming fiscal year.