OpenVoiceNews Pakistan

Transparent. Unbiased. Yours.

# Pakistan Budget 2025–26: Real Estate Sector Braces for Steeper Capital Gains Tax

*July 21, 2025*
*— Categories: Real Estate*


Pakistan's real estate sector may face a significant shakeup as the federal government prepares to implement sweeping fiscal reforms in the upcoming Budget 2025–26. One key proposal under discussion is a potential hike in the **Capital Gains Tax (CGT)** on property sales from the current 15% to as high as 35%. The proposed adjustment aligns with recommendations from the International Monetary Fund (IMF) during ongoing virtual talks, as Islamabad attempts to meet a more aggressive tax-to-Gross Domestic Product (GDP) ratio target of 11%.

The move seeks to level the tax burden between the real estate and corporate sectors, with policymakers arguing that property investment remains vastly undertaxed despite being one of the most lucrative and rapidly expanding areas of the Pakistani economy. Sources involved in the IMF discussions indicated that real estate has consistently underperformed in terms of revenue contribution. Increasing CGT, they believe, could unlock billions in untapped tax potential while reducing speculative activity that has inflated property prices nationwide.

The proposed tax overhaul is part of a larger plan to introduce additional tax measures worth **PKR 400 billion** in the coming fiscal year. During two dedicated sessions on fiscal planning with IMF officials, Pakistani authorities outlined the need to bolster revenue collection to stabilise public finances and meet bailout conditions. However, many stakeholders warn that excessively taxing real estate without structural reforms could backfire. The sector is a significant employer and attracts both domestic and overseas investment, two lifelines that the struggling economy can ill afford to lose.

While the government insists this step is aimed at long-term fiscal sustainability, critics argue that hitting the property market too hard could slow construction activity, reduce employment, and hurt middle-class investors. Rather than punishing legitimate investment, a more nuanced approach would be to curb tax evasion, digitize land records, and incentivize compliance. As the Budget 2025–26 approaches, the real estate sector and indeed the broader business community will be watching closely. The challenge lies in balancing fiscal discipline with economic growth, ensuring that reform does not come at the cost of investor confidence or job creation. If handled responsibly, this could be a turning point for building a more transparent and sustainable real estate market in Pakistan.