

# **Impact of Valuation of Immovable Property: A Way Forward for Pakistan from Japan's Taxation Regime**

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## **Abstract**

The exponential growth of Pakistan's fiscal deficit presents an insurmountable issue, necessitating the pursuit of novel measures to minimise it. To address this issue, Pakistan turned to external sources of financing through the Bretton Woods system, which has significant ramifications. As a result, this study seeks to maximise the use of indigenous revenue sources, specifically property tax revenue, for Pakistan's long-term fiscal discipline, as well as to bridge the research gap between the theoretical and practical aspects of property taxation through normative analysis of taxation theories. The Japanese time-tested model of property taxes laid the basis for long-term economic development by updating cadastral, centralised databases, and citizen information in three colonies; thus, the model is being duplicated to help Pakistan's vulnerable economy. Structured interviews with Pakistan's Inland Revenue Service (IRS) officers, document analysis from the Pakistani and Japanese Ministries of Finance, economic surveys from both countries, NTA reports, and IRS reports were used to acquire primary data for this case study. Secondary data is gathered from the IMF, World Bank, and OECD databases. The strengths, weaknesses, opportunities, and threats (SWOT) analysis of Pakistan's and Japan's property taxation regimes is carried out, with a focus on the influence of immovable property valuation. The focus of this research is limited to taxes collected at the time of property acquisition and disposal under the jurisdiction of the central government, which include transaction and capital gain taxes in Pakistan and inheritance and gift taxes in Japan. Policy recommendations for Pakistan based on lessons learnt from the Japanese property taxation regime are divided into three dimensions: human resource mobilization in tax administration, enforcement of scientific formulas for property valuation in tax policy, and the design of a specific taxation regime for the real estate sector in property tax laws.

**Keywords:** Fiscal deficit, tax potential to maintain the fiscal discipline, property taxation regime, key role of property valuation, tax policy recommendations