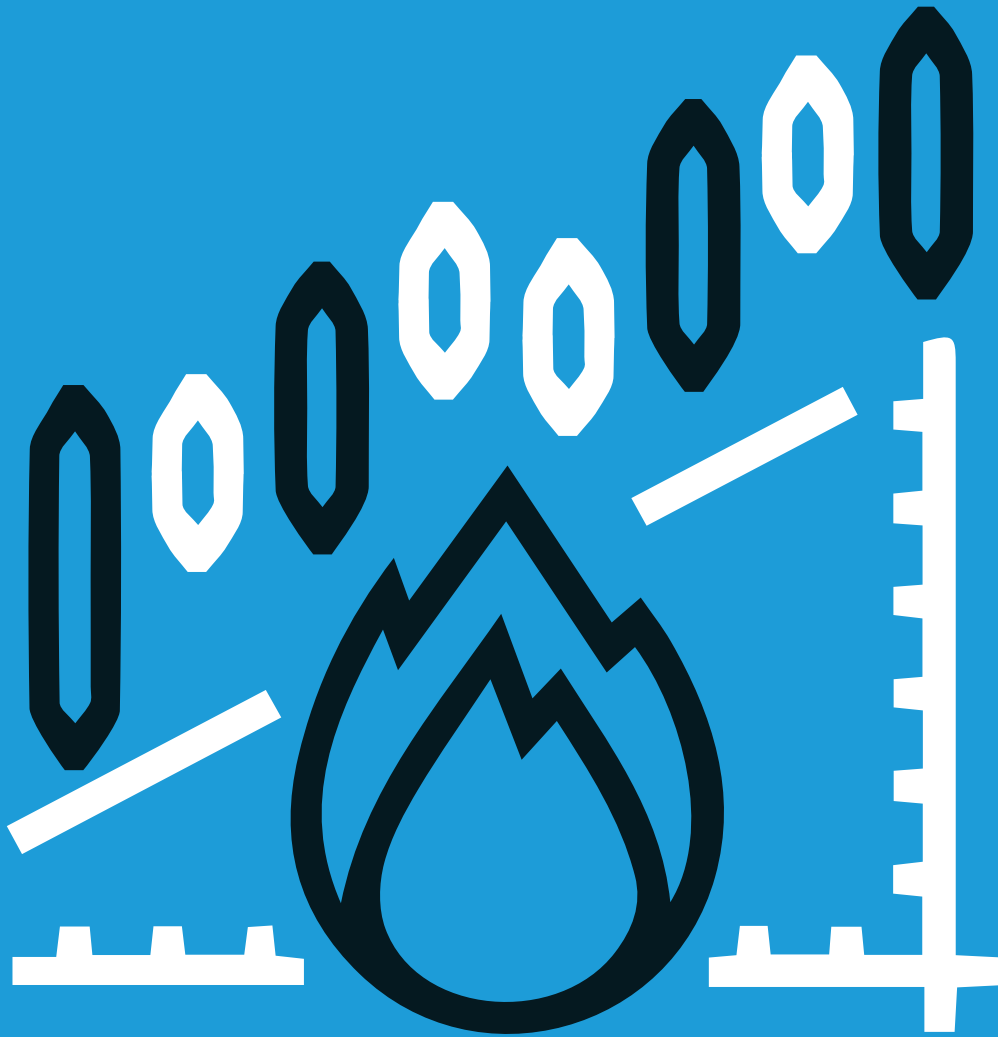


Federal Budget

2022 - 2023

TAX HIGHLIGHTS



Moore Shekha Mufti is an independent member firm of Moore Global International, members in principal cities throughout the world.



HIGHLIGHTS

Income Tax Ordinance, 2001

- 2% Income Tax has been levied on all individuals, AOP and companies earning income of more than Rupees 300 million for tax year 2022 only.
- 20% Income Tax on deemed rental income of all individuals, AOP and companies on certain property exceeding Rupees 25 million from tax year 2022.
- 100% depreciation would be available on purchase of new asset.
- The upper limit of cost of motor vehicle for depreciation has been increased to 5 million from 2.5 million.
- For capital gain tax purposes the immovable property has been classified into open plot, constructed property and flats.
- The holding period for claiming exemption has been reset at 6 years for open plots, 4 years for constructed property and 2 years for flats.
- Capital gain tax on immovable property has been enhanced.
- Rebate on house loan, investment in shares & health insurance and contribution to voluntary pension scheme has been done away with.
- Full exemption on IT exports has been done away with and now they would have to pay concessional tax of 0.25% on their turnover.
- Fixed tax regime has been introduced for other than tier 1 retailers.
- Withdrawal of Income Tax (Amendment) Ordinance, 2022 in toto.
- Every Pakistani citizen would be considered as tax resident, if he is not a tax resident of any other country.
- Right of adjustment of carryforward of turnover tax payment by loss making companies has been withdrawn.



HIGHLIGHTS

Income Tax Ordinance, 2001

- ADRC has been given the power to entertain question of law.
- Tax on import would be adjustable for industrial undertaking with exception of edible oil, packaging, paper and plastics industry.
- Penalty of Rupees one million has been imposed on non-maintenance of records of beneficial owners by AOP and companies.
- Requirement of submitting audit report by the officer has been done away with.
- 1% tax to be paid on foreign payment through debit/credit card.
- 10% tax on rental of equipment/machinery has been done away with.
- Increase in the threshold for taxation of individuals and AOP from Rupees 400,000 to Rupees 600,000.
- Increase in the threshold for taxation of salaried individuals from Rupees 600,000 to Rupees 1,200,000
- Tax on salary has been reduced for annual salary upto 18 million.
- Tax on behbood certificate has been reduced to 5%.
- 15% final tax for companies on federal government securities income has been done away with.
- Capital value tax has been introduced at 2% on motor vehicle exceeding Rupees 5 million and 1% on foreign properties exceeding Rupees 100 million.
- Withholding and turnover tax for steel sector has been reduced to 0.25%.
- Exemption on government subsidy has been done away with



HIGHLIGHTS

Sales Tax Act, 1990

- In-active taxpayers now exposed to Further Tax
- Disclosure of CNIC or NTN of unregistered buyer no longer a mandatory condition
- Retailers paying sales tax via electric bills to suffer substantial enhancement in sales tax liability
- Fixed sales tax regime on import of cellular mobile phones transformed to 10% ad valorem basis
- Concession of Section 8B withdrawn from listed companies
- FBR empowered to recommend disconnection of gas and electricity supply to unregistered or non-integrated retailers
- Jewelers classified as Tier-1 retailers
- Online market place operators prescribed as withholding agent for third party e-commerce sale
- Detergents to be taxed under retail price mechanism
- Import of scraps of compressor, motor and copper cable cutting by industrial undertakings exposed to 3% value addition tax
- Federal or Provincial Governments or Public Sector Organization allowed to pay sales tax on installment basis
- Production, transmission and distribution of electricity expressly classified as goods
- Services rendered within Islamabad Capital Territory to be taxed at uniform rate of 15%
- Tax exemptions on goods imported by various agencies (UN, diplomats etc.), goods imported by or donated to hospitals run by NPOs, goods supplied to charitable hospitals excluding gas and electricity having 50 beds or more, machinery for use in EPZ and books restored



HIGHLIGHTS

Sales Tax Act, 1990

- Photovoltaic cells, Silver & gold in unworked condition, tractor, prepared food or food stuff supplied by restaurants or caterers exempted from sales tax
- Jewelry exposed to 3% except where sales tax paid @ 4% on import stage
- Specified machinery, equipment, and specialized vehicles exempted from sales tax
- Concessional rate of sales tax on locally manufactured hybrid vehicles withdrawn
- Sales tax on supply natural gas enhanced from 5% to 10%, on fertilizer from 2% to 10%
- Sales tax on local supply of reclaimed lead reduced to 1%.



HIGHLIGHTS

Customs Act 1969

- Time limit for provisional assessment reduced from 180 days to 90 days
- Duty exempted on 26 Active Pharma Ingredients (APIs)
- Duty on agriculture machinery and allied industry machinery abolished
- Custom duty, additional duties & regulatory duties on 400 items rationalized
- Duty on import of basic raw materials for manufacturer of first-aid bandages exempted
- Relevant provisions of law introduced in relation to Pakistan Single Window Portal
- Rationalization and reduction of Customs Tariff Codes



HIGHLIGHTS

Federal Excise Act 2005

- FED enhanced on cigarettes including e-liquids, filters of electronic cigarettes
- FED on club, business and first class international flights increased from Rs. 10,000 to Rs. 50,000
- FED enhanced on telecommunication services from 16% to 19.5%
- Services rendered within Islamabad Capital Territory to be taxed at uniform rate of 15%

Islamabad Capital Territory (Tax on Services) Ordinance 2001

- Services provided by farmhouses now liable to sales tax under ICT Law
- Restaurants and suppliers of food and drinks classified as service under ICT Law

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