

Amended Position as per Finance Act, 2022

Following amendments have been made in the Finance Bill 2022 through Finance Act, 2022:

INCOME TAX

- The condition for beneficial owner has been enhanced from ten percent to twenty five percent.

(Section 2(7A))

- Super tax has been levied for tax year 2022 except banking sector for tax year 2023, the rate of tax as per following table:

S.No	Income under section 4C	Rate of Tax
(1)	(2)	(3)
1.	Where income does not exceed Rs. 150 million	0% of the income
2.	Where income exceeds Rs. 150 million but does not exceed Rs. 200 million	1% of the income
3.	Where income exceeds Rs. 200 million but does not exceed Rs. 250 million	2% of the income
4.	Where income exceeds Rs. 250 million but does not exceed Rs. 300 million	3% of the income
5.	Where income exceeds Rs. 300 million	4% of the income:

Provided that for tax year 2022 for persons engaged, whether partly or wholly, in the business of airlines, automobiles, beverages, cement, chemicals, cigarette

and tobacco, fertilizer, iron and steel, LNG terminal, oil marketing, oil refining, petroleum and gas exploration and production, pharmaceuticals, sugar and textiles the rate of tax shall be 10% where the income exceeds Rs. 300 million:

Provided further that in case of banking companies for tax year 2023, the rate of tax shall be 10% where the income exceeds Rs. 300 million.

(Section 4C)

- Deemed rental income effective from tax year 2022 has been imposed on amount equal to 5% of fair market value of capital asset situated in Pakistan held on the last day of tax year excluding the following:
 - One capital asset owned by the resident person.
 - Self-owned business premises.
 - Self-owned agriculture land where agriculture activity is carried out.
 - Capital asset allotted to Shaheed or dependents.
 - Any property from which income is chargeable to tax.
 - Capital asset in the first tax year of acquisition where tax under section 236K has been paid.
 - Where the fair market value of the capital assets in aggregate does not exceeds Rs. 25 million.
 - Farmhouse not exceeding 2000 square yards.

The rate of tax shall be 20% of deemed rental income.

(Section 7(E))

- Section 21 (1a) shall be effective from the date of notification to be issued by the Board.

(Section 21 (1a))

- Disallowance of expenditure in case of non-integration has been reduced from 10% to 8% of sale amount.

(Section 21 (r))

- The definition of “Resident Individual” has been amended namely;

“(d) being a citizen of Pakistan is not present in any other country for more than one hundred and eighty-two days during the tax year or who is not a resident taxpayer of any other country.”;

(Section (82(d))

- Credit of income has been restricted to the extent of imputable income in case of income covered under Final tax Regime subject to conditions.

(Section 111(4A))

- Carry forward unadjusted amount of minimum tax under Section 113 has been restored subject to minimum period of three years.

(Section 113(2)(c))

Tax rate in case of salary has been amended as under:

S#	Taxable Income	Rate of Tax
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs. 600,000	Rs. 0
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	2.5% of the amount exceeding Rs. 600,000
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 15,000 + 12.5% of the amount exceeding Rs. 1,200,000
4.	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,600,000	Rs. 165,000 + 20% of the amount exceeding Rs. 2,400,000
5.	Where taxable income exceeds Rs. 3,600,000 but does not exceed Rs. 6,000,000	Rs. 405,000 + 25% of the amount exceeding Rs. 3,600,000
6.	Where taxable income exceeds Rs. 6,000,000 but does not exceed Rs. 12,000,000	Rs. 1,005,000 + 32.5% of the amount exceeding Rs. 6,000,000
7.	Where taxable income exceeds Rs. 12,000,000	Rs. 2,955,000 + 35% of the amount exceeding Rs. 12,000,000";

(Section 149 (1))

- The condition of Audit Report under Section 177(6) has been restored.

(Section 177(6))

- Minimum Tax under Section 113 has been imposed @ 0.5% on Oil refineries, Motorcycle dealers registered under the Sales Tax Act, 1990 and Oil marketing companies

(Division IX, Part I of the First Schedule)

- The rate of withholding tax on import of goods in case of commercial importer has been enhanced from 2% to 3.5% which shall be minimum tax liability.

(Part II of the First Schedule)

LEVY OF TAX ON CAPITAL VALUE OF CERTAIN ASSETS:-

- The levy under this Act shall be applicable from tax year 2022 and onwards, however, on motor vehicles held in Pakistan shall be effective from 1st July 2022.
- Foreign assets of resident individual where the value of such assets on the last day of the tax year in aggregate exceeds Rupees one hundred million.
- Motor vehicle held in Pakistan exceeding engine capacity of 1300 cc.
- Any such assets to be notified by the Federal Government.
- The rate of Capital Value Tax shall be charged as under:

S. No.	Assets/Description	Rate
(1)	(2)	(3)
1	Motor vehicle mentioned in clause (a) of sub-section (2)	1% of the value
2	Foreign assets mentioned in clause (b) of sub-section (2)	1% of the value
3	Assets mentioned in clause (c) of sub-section (2)	As specified by Federal Government, not exceeding 5% of the value.”.

SALES TAX

- The amount of subsidy provided by the Federal Government and Provincial Government the electricity consumers has been excluded from value of supply.

(Section 2(46))

- Services subject to Provincial Sales Tax Act not subject to withholding.

(Section 3 (7))

- The rate of tax with regard to monthly electricity bill shall be increased by 100% if the name of person is not appearing in Active Taxpayer List.

(Section 3(9))

- The condition of CNIC is mandatory in case supply is made to unregistered distributor.

(Section 8(1)(m))

- Drugs registered under Drugs Act, 1976 or medicament as classified under Chapter 30 of First Schedule to the Customs Act, 1969 have been omitted from zero rating regime.
- Manufacture or import of substance registered under Drugs Act, 1976 shall be subject to 1% sales tax which shall be final discharge of tax in the supply chain no input tax shall be adjustable by manufacturer or importer.

- Active pharmaceutical ingredients or raw material for basic manufacture of pharmaceutical active ingredient shall be subject to 1% sales tax, no input tax shall be adjustable by manufacturer or importer.
- The companies engaged in exporting surgical instrument shall not be liable to withholding sales tax.
- Fertilizers are subjected to be exempt from chargeability of Sales tax.
- Oil cake and other Residues (bearing HS Code 2306.1000) are subjected to be exempt from chargeability of Sales tax.
- All types of Breads, nans and Chapattis are subjected to be exempt from chargeability of Sales tax.