



# Budget Brief 2022



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Sanallah & Co. is an Accounting, Tax Consultancy and Advisory services firm that strive to provide highest quality service to its clients.

S&Co. brings together clients, offer innovative solutions and endeavors to exceed client expectations. The firm offers a complete range of services across various industries.

Moreover, S&Co. is providing services to over 1000 clients who have significant presence across manufacturing, services, commercial and other sectors within the country.

In addition to above, S&Co. has a strong support staff comprising of CA, ACCA, ICMA professionals and other certified bodies that have expertise in various disciplines and have varied experience. Visit our website [www.sanallah.co](http://www.sanallah.co) to explore our services further.

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## Budget Brief Prologue

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The information contained in this briefing is based on the Finance Bill 2022. This given information is correct to the best of our knowledge. This briefing is intended to provide a general outline of the subject covered which includes the important changes proposed through the Finance Bill 2022. The Memorandum included comments on the highlights of the changes brought through by the Bill in Income Tax Ordinance 2001, Sales Tax Act 1990, Customs Act 1969 and Federal Excise Act 2005.

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## Budget At A Glance

### INCOME TAX

1. Proposed that income from property shift from separate block income to normal income.
2. Disposal of securities Capital Gain Tax is decreased from 15% to 12.5%.
3. Tax credit for installation of point of sale machine is inserted.
4. Introduced 100% Tax credit for Income from exports of computer software or IT services or IT enabled services.
5. Introduced 100% Tax credit for purchase and installation of new machinery, buildings, equipment, hardware and software.
6. Time limit for completion of new and existing projects is increased to 30 September 2023.
7. Minimum turnover limit enhanced from 10 million to 100 million.
8. Introduction of new Electronic processing system for issuance of Refunds by the Board.
9. Deletion of Withholding taxes
  - ◆ 231A: Collection of tax on cash withdrawal.
  - ◆ 231AA: Collection of tax on banking instruments.
  - ◆ 236P: Collection of tax on banking transactions other than through cash.
  - ◆ 236Y: Collection of tax from persons remitting amounts abroad through credit and debit card.
  - ◆ 236B: Collection of tax on domestic air travel.
  - ◆ 236L: Collection of tax on international air travel.
  - ◆ 233A: Collection of tax from members of stock exchange.
10. Removal of requirement of issuance of separate notice in concealment cases.
11. Introduction of audit through third party.
12. Self-Assessment Scheme to be revived.
13. Mechanism of ADR (Alternative Dispute Resolution) again to be revived.
14. Tax on “on” money on vehicles, if vehicle is disposed without registration.
15. Allow business loss adjustment against property income.
16. Withdrawal of power of the tax authorities to conduct inquiry.
17. Reduction in tax liability by 25% for women entrepreneurs.

18. Issued automated exemption certificates if application is not approved by commissioner within 15 days.
19. Restructuring measure for monitoring of withholding taxes requiring taxpayers to file online statement along with reconciliation.

## SALES TAX

1. Proposed to be brought into the sales tax net by deeming the online market place as supplier in respect of third party sales through their platform.
2. Proposed for manufacturers of specified goods, to obtain brand license for each separate brand.
3. Proposed to be withdrawn zero-rating from Petroleum Crude Oil, parts/components of zero-rated plant and machinery, import of plant and machinery by petroleum and gas sector and supply, repair and maintenance of ships.
4. Proposed that exemptions in Sixth Schedule other than relating to basic food items, health and education are proposed to be withdrawn.
5. The minimum annual threshold of turnover from all supplies for cottage industry is proposed to be increased from Rs. 3 million to Rs. 10 million.
6. The threshold of shop area in case of furniture outlet/showrooms is proposed to be increased from 1000 square feet to 2000 square feet for inclusion in tier- 1 retailer.
7. Public limited companies are proposed to be excluded from the purview of section 8B.
8. Tax exemption on locally manufactures silos is proposed to be granted till 30.06.2026.To facilitate farmers and encourage storage of grain.
9. It is proposed that the exemption from sales tax to be granted on food related and other consumable goods.
10. It is proposed that small cars up to engine capacity of 850cc may be exempted from value added tax besides reducing sales tax rate from 17% to 12.5%.
11. For promoting ease of doing business, the concept of Common Identifier Number (CNIC) is proposed to be introduced instead of STRN.

## CUSTOM

1. Reduction / exemption on inputs / raw materials of food processing industry.
2. Reduction of CD & ACD on uncoated paper and paperboard for printing and graphic arts industry.
3. Reduction / exemption of CD & ACD on Vaccines for veterinary medicines and feed additives to incentivize the dairy sector.
4. Reduction / Exemption of CD & ACD on goods falling under more than 100 PCT codes relating to Tourism industry.
5. Reduction / Exemption of CD & ACD on raw materials for manufacturer of aseptic plastic packaging.
6. Reduction / Exemption of CD & ACD on raw materials for Paint Industry.
7. Reduction / Exemption of CD & ACD on raw materials for Chemical and Artificial Leather Industry.
8. Reduction / Exemption of CD & ACD on inputs for Electronics Manufacturing Industry.

## FEDERAL EXCISE DUTY (FED)

1. Federal excise on mobile phone calls exceeding three minutes @ Rs. 1 per call, SMS message @ Re. 0.1 per SMS, and internet data usage @ Rs. 5 per GB is being proposed.
2. The FED on telecommunication is proposed to be reduced from 17% to 16%.
3. Federal Excise Duty on small cars upto engine capacity of 850cc may be exempted.
4. In order to introduce new Export Facilitation Scheme,2021, exemption on import and zero-rating on local supplies in respect of raw materials, components, parts and plant and machinery to registered persons is proposed.
5. FED is proposed to withdraw on fruit juices.
6. Payment on account of Merchant Discount Rate (MDR) is proposed to be excluded from the purview of FED.

## TAX RATES FOR SALARIED & BUSINESS INDIVIDUALS

*(No change as 2021)*

S#	TAXABLE INCOME	RATE
1.	Where the taxable income does not exceed Rs. 600,000	0%
2.	Where the taxable income exceeds Rs. 600,000 but does not exceed Rs.1,200,000	5% of the amount excess over Rs. 600,000
3.	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.1,800,000	Rs. 30,000 + 10% of the amount excess over Rs. 1,200,000
4.	Where the taxable income exceeds Rs.1,800,000 but does not exceed Rs. 2,500,000	Rs. 90,000 + 15% of the amount excess over Rs. 1,800,000
5.	Where the taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 3,500,000	Rs. 195,000 +17.5% of the amount excess over Rs. 2,500,000
6.	Where the taxable income exceeds Rs. 3,500,000 but does not exceed Rs. 5,000,000	Rs. 370,000 + 20% of the amount excess Rs. 3,500,000
7.	Where the taxable income exceeds Rs. 5,000,000 but does not exceed Rs. 8,000,000	Rs. 670,000 + 22.5% of the amount excess Rs. 5,000,000
8.	Where the taxable income exceeds Rs. 8,000,000 but does not exceed Rs. 12,000,000	Rs. 1,345,000 + 25% of the amount excess Rs. 8,000,000
9.	Where the taxable income exceeds Rs. 12,000,000 but does not exceed Rs. 30,000,000	Rs. 2,345,000 + 27.5% of the amount excess Rs. 12,000,000
10.	Where the taxable income exceeds Rs. 30,000,000 but does not exceed Rs. 50,000,000	Rs. 7,295,000 + 30% of the amount excess Rs. 30,000,000
11.	Where the taxable income exceeds Rs. 50,000,000 but does not exceed Rs. 75,000,000	Rs. 13,295,000 + 32.5% of the amount excess Rs. 50,000,000
12.	Where the taxable income exceeds Rs. 75,000,000	Rs. 21,420,000 + 35% of the amount excess Rs. 75,000,000