TOLA ASSOCIATES
TAX & CORPORATE ADVISORS

Comments on Amended Finance Bill, 2022

408, Continental Trade Centre, Block8, Clifton, Karachi 75600, Pakistan
Karachi - Lahore - Islamabad
https://goo.gl/LFiWyx https://goo.gl/QDM4ZM

CONTENTS

Prologue:

The Finance Bill 2022-23 ("the Bill") for the Fiscal Year 2022-23 was tabled before National Assembly on Friday, June 10, 2022. The Bill had proposed amendments in Income Tax Ordinance, 2001 ("ITO"), Sales Tax Act, 1990 ("STA"), Federal Excise Act, 2005 ("FEA") amongst other laws.

Moreover, certain amendments have been made through the Amended Finance Bill, 2022 ("Amended Bill") which was passed on 29th June 2022, which will take effect from 1st July 2022, unless otherwise indicated. This document consists of our comments on the final changes brought through the Finance Amendment Bill, 2022 (also referred to in the document as the "Amended Bill"). It may be noted that these comments are based on a document titled "Finance Bill 2022" circulating on social media. It may further be noted that we will be issuing our combined comments on the Amendments proposed through the Bill and the amendments finalized through the Amended Bill, soon.

We have prepared our comments on Finance Bill, 2022 (tabled earlier on 10th June 2022) which may be accessed through the following link: https://cutt.ly/oJ2BFdk.

The interpretations of the amendments are based on our understanding of tax law and past practices. These comments are provided for general use of public and should not be used for any specific transaction. We do not guarantee that these interpretations will be acceptable by the tax department. The comments are prepared for general business understanding of masses. This document is not, and shall not be construed to be a legal opinion, legal assistance, a legal advice, or a financial advice for, inter-alia, investing, managing taxes, incorporating any legal entities. Tola Associates does not assume, nor does it bear any responsibility, financial or otherwise, that can or may arise out of the use of this document by any individual or entity. Moreover, the laws (including Rules, Regulations, Acts and Ordinances) covered in this document are subject to changes, hence, it is recommended that the reader must refer to the actual text of the law being referred to in this document, and the actual text of any supplementary legislation (including any rules, by-laws, regulations, cross-referenced Acts or Ordinances) thereto which may not have been mentioned in the document. Tola Associates also bears no responsibility to update this document for events and circumstances occurring on or after the date of this document.

Furthermore, we do not extend any sort of guarantee or indemnity, financial or otherwise, for the acceptance of the comments mentioned in this document by any statutory or non-statutory authority.

Please feel free to provide your feedback for further improvements in the document. Should you have any queries in relation to this document, do not hesitate in contacting us.

Warm Regards

TOLA ASSOCIATES

Wednesday, June 29, 2022

Amendments in Income Tax Ordinance, 2001

1. DEFINITIONS – SECTION 2

The Bill proposed to introduce following definitions:

a) Beneficial Owner

The bill has proposed to introduce the definition of Beneficial Owner to be a natural person who:

- ultimately owns **or** controls a Company or association of persons, **whether directly or indirectly**, through at least ten percent shares or voting rights; or
- exercises ultimate effective control, through direct or indirect means, over the company or association of persons including control over the finances or decisions or other affairs of the company or association of persons

The bill also proposes that every Company and AOP shall electronically furnish and update the records of beneficial owners.

The Amended Bill has now increased the threshold of shareholding or voting rights from 10% to 25%.

b) IT Services and IT enabled Services

Clauses (30AD) and (30AE) defines IT services to include software development, software maintenance, system integration, web design, web development, web hosting and network design. While IT enabled services are defined to include inbound or outbound call centres, medical transcription, remote monitoring, graphics design, accounting services, Human Resource (HR) services, telemedicine centers, data entry operations, cloud computing services, data storage services, locally produced television programs and insurance claims processing.

The Amended Bill has now provided that the definition of IT and IT enabled services shall not be limited to above mentioned services only. This means any other like service shall also be deemed to be covered under the definition of IT and IT enabled Services.

2. TAX ON HIGH EARNERS FOR POVERTY ALLEVIATION – SECTION 4C

The bill proposed to introduce an additional new tax at the rate of 2% on income of every person earning more than Rs. 300 million for tax years 2022 and onwards.

The income for this purpose was proposed to be the sum of following amounts:

a) Profit on debt, dividend, capital gains, brokerage and commission;
b) Normal taxable income (other than brought forward depreciation and brought forward business losses), if not included in para (a) above;
c) imputable income excluding amounts in para (a) above; and
d) income computed, other than brought forward depreciation, brought forward amortization and brought forward business losses under special rule for Insurance, Exploration and production of petroleum, and banking companies

The amended Bill has now renamed the tax as 'Super Tax' and has excluded banking companies from this tax for Tax Year 2022. The Amended Bill has also introduced the slab rates instead of fixed 2% rate. The new rates are as follows:

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

The rate of super tax for specified sectors earning incomes exceeding Rs. 300 million will be 10% for tax year 2022. The sectors specified are the following:

- 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

For banking companies earning income exceeding Rs. 300 million, the rate of super tax will be 10% for tax year 2023.

3. DEEMED INCOME – SECTION 7E

The Bill proposed to introduce a new section 7E, whereby, the concept of deemed rental income was introduced. The rental income of the eligible property was deemed to be 5% of its fair market value, irrespective of the fact whether such property has been rented out or not, and a tax at the rate of 20% on such deemed rental income was proposed to be charged on the resident person. This meant the effective tax rate on Fair market value of the property will be 1%.

The proposed Section 7E did not apply to following:

a) one-self owned immovable property,
b) self-owned business premises from which business is carried out;
c) self-owned agriculture land where agriculture activity is carried out by person but does not include farmhouse and land annexed thereto;
d) where the fair market value of the property or properties, in aggregate, excluding properties mentioned in (a),(b) and (c) above does not exceed Rs. 25 million;
e) a Provincial Government, a Local Government, a local authority or a development authority;
f) land development and construction projects of builders and developers registered with Directorate General of Designated Non-Financial Businesses and Professions of Board;
g) a property which is subject to tax under section 15 (income from property) of the Ordinance and the tax chargeable is more than tax chargeable under this section. If tax chargeable under section 15 is less than the tax chargeable under this section then excess of tax chargeable under section 15 shall be paid under this section. This means the effective rate of tax under any circumstances may not be less than 1% of the fair market value of the property.

The Amended Bill has now renamed the 'Deemed Rental Income' as only the 'Deemed Income' and has subjected the provisions of section 7E to all Capital assets instead of just Immovable Property.

Following amendments have also been introduced through Amended Finance Bill:

- **The cutoff period for holding the capital assets has been provided to be the last day of the tax year,**
- **The exemption of self-owned business premises has been restricted to persons appearing on Active Taxpayers List.**
- **Capital assets allotted to following have been excluded from the section:**
    - **a Shaheed or dependents of a shaheed belonging to Pakistan Armed Forces;**
    - **a person or dependents of the person who dies while in the service of Pakistan armed forces or Federal or provincial government;**

   - **a war wounded person while in service of Pakistan armed forces or Federal or provincial government; or**
   - **an ex-serviceman and serving personal of armed forces or ex-employees or serving personnel of Federal and provincial governments, being original allottees of the capital asset duly certified by the allotment authority;**

- **A property which is chargeable to tax under the ITO has also been excluded from this section.**

- **Capital assets in the first year of acquisition has also been excluded.**

- **Amended Bill has defined a Capital Asset to be a property of any kind excluding following:**

   - **any stock-in-trade, consumable stores or raw materials held for the purpose of business;**
   - **any shares, stocks or securities;**
   - **any property with respect to which the person is entitled to a depreciation or amortization; or**
   - **any movable asset not mentioned above.**

- **Amended Bill has defined a farmhouse to be a house constructed on a total minimum area of 2000 square yards with a minimum covered area of 5000 square feet used as a single dwelling unit with or without an annex:**

  Provided that where there are more than one dwelling units in a compound and the average area of the compound is more than 2000 square yards for a dwelling unit, each one of such dwelling units shall be treated as a separate farmhouse.

4. DEDUCTIONS NOT ALLOWED FROM BUSINESS INCOME – SECTION 21

a) Payments through digital means

Section 21(l) of ITO provides that a business expense of **any person** shall not be allowed if paid through any means other than through **crossed banking instrument** from business bank account of the taxpayer.

The Bill proposed to amend the above clause and has also introduced another clause (la), whereby, payments of business expenses by companies through **digital means from business bank account of the taxpayer notified to the Commissioner** have been made compulsory for claim of such expenses.

All other exceptions to the above restrictions are still proposed to be applicable. The exceptions are as under:

- Expense under a single account head does not exceed Rs. 1,000,000 in aggregate in a year.

- expenditures on account of

  (i) utility bills;
  (ii) freight charges;
  (iii) travel fare;
  (iv) postage; and
  (v) payment of taxes, duties, fee, fines or any other statutory obligation

The Amended Bill has reduced the threshold of aggregate expense under one single account head from Rs. 1 million to Rs. 250,000. The Amended Bill has also excluded expenditures not exceeding Rs. 25,000 from these provisions.

5. DEPRECIATION – SECTION 22

The Bill proposed to increase the limit of deemed principal of a passenger transport vehicle not plying for hire to Rs. 5 million from 2.5 million for the purpose of determining deductible lease rentals.

For example, a business purchases a passenger transport vehicle not plying for hire on lease with principle amount of Rs. 6 million and yearly lease rentals of Rs. 0.8 million. The proposal will treat the principal as Rs. 3 million and will rework the lease rental on the Rs. 3 million principal amount.

The Amended Bill has further increased the limit from 5 million to Rs. 7.5 million.

6. CAPITAL GAIN ON SECURITIES- SECTION 37A

The existing Division VII of the First schedule to the ITO was further proposed to be simplified through the Bill. There were no changes to the rate of taxes for the capital gain on disposal of security in one year or two years and no change in the future commodity contracts by members of the Pakistan Mercantile Exchange.

The rates of taxes were proposed to be replaced as under:

<table>
<tr><th>S.No</th><th>Holding Period</th><th>Existing Rate</th><th>Rate of Tax for Tax year 2023 and onwards</th></tr>
<tr><td>1.</td><td>Where the holding period does not exceed one year</td><td rowspan="7">12.5%</td><td>15%</td></tr>
<tr><td>2.</td><td>Where the holding period exceeds one year but does not exceed two years</td><td>12.5%</td></tr>
<tr><td>3.</td><td>Where the holding period exceeds two years but does not exceed three years</td><td>10%</td></tr>
<tr><td>4.</td><td>Where the holding period exceeds three years but does not exceed four years</td><td>7.5%</td></tr>
<tr><td>5.</td><td>Where the holding period exceeds four years but does not exceed five years</td><td>5%</td></tr>
<tr><td>6.</td><td>Where the holding period exceeds five years but does not exceed six years</td><td>2.5%</td></tr>
<tr><td>7.</td><td>Where the holding period exceeds six years</td><td>0%</td></tr>
<tr><td>8.</td><td>Future commodity contracts entered into by members of Pakistan Mercantile Exchange</td><td>5%</td><td>5%</td></tr>
</table>

The Amended Bill has introduced the following further amendments:

- **The above reduced rates will apply only to securities acquired after July 01, 2022**
- **For securities acquired on or before 30th June, 2022, rate of tax shall be 12.5%.**
- **Rate of tax for companies in case of Debt Securities shall be normal tax rate i.e. 29% (or 20% for small and 39% for banking companies).**
- **Mutual Funds, Collective Investment Schemes and REIT Schemes shall deduct capital gain tax as under:**

<table>
<tr><th rowspan="4">Category</th><th colspan="3">Rate</th></tr>
<tr><th colspan="3">Holding period</th></tr>
<tr><th colspan="2">less than 6 years</th><th rowspan="2">More than 6 years</th></tr>
<tr><th>Stock Fund</th><th>Other Funds</th></tr>
<tr><td>Individual and association of persons</td><td rowspan="2">10%
12.5% if dividend is less than capital gain</td><td>10%</td><td rowspan="2">0%</td></tr>
<tr><td>Company</td><td>25%</td></tr>
</table>

7. WITHDRAWAL OF TAX CREDITS – SECTION 63

The bill proposed to withdraw the tax credit for contribution to an approved pension fund.

The Amended Bill has now withdrawn this amendment. This means that tax credit under section 63 will be available.

8. RESIDENT INDIVIDUAL –SECTION 82

Section 82 provides the definition of a resident individual for the purpose of taxation. Section 82 provides that an individual shall be resident if:

a) He is present in Pakistan for 183 days or more; or
b) He is a government employee posted abroad

The Bill proposed to also include such citizens of Pakistan who are not a tax resident of any other country.

The Amended Bill has further amended the definition and has provided that following citizens of Pakistan will also be Residents of Pakistan for tax purposes:

- **Who is not present in any other country for more than 182 days during the tax year; or**
- **Who is not a resident tax payer of any other country.**

This means if a citizen of Pakistan is present in UAE for more than 182 days, he will not be a Resident person for tax purposes in Pakistan.

9. TURNOVER TAX – SECTION 113

Section 113 provides for minimum tax on the basis of turnover at specified rates (the general rate being 1.25%) where the normal tax liability of eligible persons is lower than such turnover tax.

Section 113 also provides that the amount of turnover tax in excess of normal tax liability may be carried forward to the next five years. The Bill proposed to withdraw such carry forward.

The Amended Bill has now withdrawn the above proposed amendment. The Amended Bill has also reduced the period for carryforward from five years to three years. Therefore, through the Amended Bill, the position now is that the excess minimum tax liability as mentioned above may now be carried forward to the next 3 years.

Moreover, turnover tax for Oil Marketing Companies have been reduced from 0.75% to 0.5%.

10. ADVANCE TAX ON IMPORTS – 148

Section 148 provides for deduction of taxes at different rates on different specified products.

Moreover, Section 148 also provides that taxes that are required to be deducted by industrial undertakings at the rates of 1% and 2% shall be adjustable.

The bill proposed that the tax required to be collected by an industrial undertaking under section 148 will be adjustable irrespective of the rate at which such collection is required.

The bill also proposed that tax required to be collected on import of following items will be treated as minimum tax:

- edible oil;
- packaging material;
- paper and paper board; or
- plastics

The bill also proposed to increase advance tax rate from 2% to 4% for commercial importers.

The bill also proposed that tax deducted at import stages in case of importers other than Industrial Undertaking shall be final tax instead of minimum tax.

The Amended Bill has withdrawn the proposed amendment with respect to final tax and has again made it minimum tax.

11. AUDIT REPORT – SECTION 177

Section 177 provides that after completion of audit of a taxpayer, the Commissioner shall issue an audit report after obtaining taxpayer's explanation on all the issues raised in the audit. Section 177 also provides that after issuing audit report, the Commissioner will provide an opportunity of being heard to the taxpayer before amending the assessment order.

The bill proposed to withdraw the requirement of issuing audit report.

Then Amended Bill has now withdrawn the above proposal.

12. ADVANCE TAX ON PRIVATE MOTOR VEHICLES – SECTION 231B

The Amended Bill has introduced definition of motor vehicles to include car, caravan automobiles, jeep, limousine, pickup, sports utility vehicle, trucks, vans, wagon and any other automobile excluding –

- a motor vehicle used for public transportation, carriage of goods and agriculture machinery;
- a rickshaw or a motorcycle rickshaw and
- any other motor vehicle having engine capacity upto 200cc.

The above definition is restricted for the purpose of Section 231B only.

13. ADVANCE TAX ON SALE/PURCHASE OF IMMOVABLE PROPERTY – SECTION 236C

Section 236C and 236K provides for collection of advance tax at 1% on sale and purchase of immovable property. Section 236C also provides that advance tax is not required to be collected where the property is held for four years or more.

The bill proposed to increase the rate of advance tax from 1% to 2% (5% for non-filers). The bill also proposed to extend the holding period, in case of section 236C, from 4 years to 10 years.

The Amended Bill has withdrawn the exemption from 236C in case of holding periods.

Moreover, exemption has also been provided from charging of increased rate of 5% to non-filer non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) in respect of transactions on which tax is collectible under section 236C and 236K.

14. AMENDMENTS IN SECOND SCHEDULE

a. Voluntary Pension System - Part I Clause 23A

At present, there is an exemption on accumulated balance of upto 50% received from the voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005 at the time of eligible person's:

a) retirement; or
b) disability rendering him unable to work; or
c) in case of death, by his nominated survivors

The bill proposes to remove the restriction of 50% on accumulated balance received from the voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005.

The Amended Bill has withdrawn the above proposal.

b. Government Allowance outside Pakistan – Part I Clause 5

Clause 5 provides exemption from Any allowance or perquisite paid or allowed as such outside Pakistan by the Government to a citizen of Pakistan for rendering service outside Pakistan.

The Amended Bill has withdrawn the above exemption.

c. Subsidy by Federal Government: Part I Clause 102A

At present, there is an exemption on Income of a person which represents a subsidy granted to him by the Federal Government for the purposes of implementation of any orders of the Federal Government on this behalf.
The bill proposed to withdraw the above exemption by omitting clause 102A.

The Amended Bill has withdrawn the above proposal and has restored the exemption.

d. Exemption to Specified Industries: 2nd Schedule Part I Clause 151 and 153

The bill proposed to introduce the exemption on income derived by a person from cinema operations in a tehsil or town where there is no cinema, for five years from the commencement of cinema operations. Provided that this exemption shall only be available to those persons who start cinema construction on or before the 31st day of December, 2023.

The Amended Bill has also provided exemption from Profits and gains from the production of feature film derived between the first day of July, 2022 and the thirtieth day of June, 2027 both days inclusive by a resident producer or a resident production house

Exemption has also been provided from provisions of section 153(1)(b) to an exhibitor or a distributor of a feature film, as a payer, on payment made to a distributor, producer or importer of a feature film.

e. Exemption to Venture Capital: 2nd Schedule Part I Clause 152

Amended Bill has exempted Profits and gains derived between the first day of July, 2022 and the thirtieth day of June, 2025 both days inclusive, by a venture capital company and venture capital fund registered under relevant Venture Capital Companies and Funds Management Rules issued by Securities and Exchange Commission of Pakistan.

f. Reduced rate for gold and silver: 2nd Schedule Part II Clause 31

The Amended Bill has introduced reduced rate of 1% under section 153(1)(a) on payment for sale of gold and silver and articles thereof. The tax so deducted shall be adjustable.

g. Capital gain on immovable property to specified persons - Clause (9A), Part III,

Clause (9A) provides that the amount of tax payable on income chargeable under the head, "Capital Gains" on disposal of immovable property shall be reduced by 50% on the first sale of immovable property (75% in case of after 3 years) acquired or allotted to ex-servicemen and serving personnel of Armed Forces or ex-employees or serving personnel of Federal and Provincial Governments, being original allottees of the immovable property, duly certified by the allotment authority.

The bill proposed to withdraw the above exemption. However, the Amended Bill has restored the exemption.

Amendments in Sales Tax Act, 1990

1. Following amendment have been proposed in Eighth Schedule:

The Bill has made the following amendments in Section 2 of the Sales Tax Act 1990 ("STA"). These are as follows:

- The amended bill has increased the rates from 5% to 10% of the following:
  - **Natural Gas,** provided that it is supplied to fertilizer plants for use as feed stock in the manufacture of fertilizer; and
  - **Phosphoric Acid,** provided that it is imported by a fertilizer company for the manufacturing of DAP
- Rate of all types of Fertilizers has been increased from 2% to 10% vide the amended bill.

2. Following amendment have been proposed in the Nineth Schedule:

The amended Bill has changed the rate of sales tax on import for cellular mobile phones. The updated Table-II of the Nineth Schedule is as follows:

S. No	Description / Specification of Goods	Sales tax on CBUs at the time of import or registration (IMEI number by CMOs)	Sales tax on import in CKD/SKD condition (Amended vide Finance Bill, 2022)	Sales tax on supply of locally manufactured mobile phones in CBU condition in addition to tax under column (4)
(1)	(2)	(3)	(4)	(5)
1.	Cellular mobile phones or satellite phones to be charged on the basis of import value per set, or equivalent value in rupees in case of supply by the manufacturer, at the rate as indicated against each category:- -			
	A. Not exceeding US$ 30 (excluding smart phones) Rs. 130 Rs. 10 Rs. 10	Rs. 130	Rs. 10	Rs. 10
	B. Not exceeding US$ 30 (smart phones)	Rs. 200	Rs. 10	Rs. 10
	C. Exceeding US$ 30 but not exceeding US$ 100	Rs. 200	Rs. 10	Rs. 10
	D. Exceeding US$ 100 but not exceeding US$ 200	Rs. 1,680	**10% ad valorem**	Rs. 10
	E. Exceeding US$ 200 but not exceeding US$ 350	17% ad valorem	**10% ad valorem**	Rs. 10
	F. Exceeding US$ 350 but not exceeding US$ 500	17% ad valorem	**10% ad valorem**	Rs. 10
	G. Exceeding US$ 500	17% ad valorem	**10% ad valorem**	Rs. 10

Annexure-A

AMENDMENTS IN FIRST SCHEDULE

The amended bill has amended the income tax rates on salaried individuals as under:

Existing rates		Proposed rates (proposed through the earlier Finance Bill, 2022		Tax rates vide the Amended Finance Bill, 2022	
Not exceeding Rs. 600,000	Nil	Not exceeding Rs. 600,000		**Not exceeding Rs. 600,000**	**Nil**
Exceeding Rs. 600,000 less than Rs. 1,200,000	5%	Exceeding Rs. 600,000 less than Rs. 1,200,000	Rs.100	**Exceeds Rs. 600,000 but does not exceed Rs. 1,200,000**	**2.5% of the amount exceeding Rs. 600,000**
Exceeding Rs. 1,200,000 less than Rs. 1,800,000	Rs. 30,000 + 10% of amount exceeding Rs. 1,200,000	Exceeding Rs. 1,200,000 less than Rs. 2,400,000	7% of amount exceeding Rs. 1,200,000	**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**
Exceeding Rs. 1,800,000 less than Rs. 2,500,000	Rs. 90,000 + 15% of amount exceeding Rs. 1,800,000	Exceeding Rs. 2,400,000 less than Rs. 3,600,000	Rs. 84,000 + 12.5% of amount exceeding Rs. 2,400,000	**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**
Exceeding Rs. 2,500,000 less than Rs. 3,500,000	Rs. 195,000 + 17.5% of amount exceeding Rs. 2,500,000				
Exceeding Rs. 3,500,000 less than Rs. 5,000,000	Rs. 370,000 + 20% of amount exceeding Rs. 3,500,000	Exceeding Rs. 3,600,000 less than Rs. 6,000,000	Rs. 234,000 + 17.5% of amount exceeding Rs. 3,600,000	**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**
Exceeding Rs. 5,000,000 less than Rs. 8,000,000	Rs. 670,000 + 22.5% of amount exceeding Rs. 5,000,000				
Exceeding Rs. 8,000,000 less than Rs. 12,000,000	Rs. 1,345,000 + 25% of amount exceeding 8,000,000	Exceeding Rs. 6,000,000 less than Rs. 12,000,000	Rs. 654,000 + 22.5% of amount exceeding Rs. 6,000,000	**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**
Exceeding Rs. 12,000,000 less than Rs. 30,000,000	Rs. 2,345,000 + 27.5% of amount exceeding 12,000,000	Exceeding Rs. 12,000,000	Rs. 2,004,000 + 32.5% of amount exceeding Rs. 12,000,000	**Exceeds Rs. 12,000,000**	**Rs. 2,955,000 + 35% of the amount exceeding Rs. 12,000,000**
Exceeding Rs. 30,000,000 less than Rs. 50,000,000	Rs. 7,295,000 + 30% of amount exceeding 30,000,000				
Exceeding Rs. 50,000,000 less than Rs. 75,000,000	Rs. 1,3295,000 + 32.5% of amount exceeding 50,000,000				
Exceeding Rs. 75,000,000	Rs. 21,420,000 + 35% of amount exceeding 75,000,000				

The change in tax rates will impact the tax liabilities of different classes as under:

Annual salary	Tax liability Before FB-22	Tax Rate %	Tax liability proposed vide FB-22	Tax Rate %	Tax liability as per amended FB-22	Tax Rate %
800,000	10,000	1.25	100	0.01	***5,000***	***0.63***
1,200,000	30,000	2.50	100	0.01	***15,000***	***1.25***
2,000,000	120,000	6.00	56,000	2.80	***115,000***	***5.75***
3,000,000	282,500	9.42	159,000	5.30	***285,000***	***9.50***
4,000,000	470,000	11.75	304,000	7.60	***505,000***	***12.63***
5,000,000	670,000	13.40	479,000	9.58	***755,000***	***15.10***
6,000,000	895,000	14.92	654,000	10.90	***1,005,000***	***16.75***
7,000,000	1,120,000	16.00	879,000	12.56	***1,330,000***	***19.00***
8,000,000	1,345,000	16.81	1,104,000	13.80	***1,655,000***	***20.69***
9,000,000	1,595,000	17.72	1,329,000	14.77	***1,980,000***	***22.00***
10,000,000	1,845,000	18.45	1,554,000	15.54	***2,305,000***	***23.05***
20,000,000	4,545,000	22.73	4,604,000	23.02	***5,755,000***	***28.78***
40,000,000	10,295,000	25.74	11,104,000	27.76	***12,755,000***	***31.89***
60,000,000	16,545,000	27.58	17,604,000	29.34	***19,755,000***	***32.93***
80,000,000	23,170,000	28.96	24,104,000	30.13	***26,755,000***	***33.44***

TOLA ASSOCIATES
TAX & CORPORATE ADVISORS

OFFICES IN PAKISTAN

Karachi Address:

Office no. 408, 4th Floor, CTC Building, Clifton Block-8, Karachi

Tel #: +92 21 3530 3293-6

Islambad Address:

144, 1st Floor, Street No.82

Sector E-11 / 2 FECHS

Islamabad 44000,

Tel #: +92 51-835 1551

Lahore Address:

202-E, 2nd Floor, Sadiq Plaza 69-The Mall Road, Lahore

Tel #: +92 42 3628 0403