



Federal Budget FY22-23

Macro Summary

Key Budget Indicators		FY19	FY20	FY21	FY22		FY23	FY24	FY25
		Actual	Actual	Actual	Initial	Revised	Budget	Projections	
Key macro indicators									
Real GDP growth	%	3.1%	-0.9%	5.7%	5.0%	6.0%	5.0%	5.8%	6.2%
Inflation	"	6.8%	10.7%	8.9%	8.2%	11.7%	11.5%	8.6%	7.4%
Fiscal Deficit (a)	"	-7.8%	-7.3%	-6.1%	-6.3%	-7.1%	-4.9%	-4.0%	-2.8%
Markup payments (b)	"	4.8%	5.5%	4.9%	5.7%	4.7%	5.1%	4.9%	4.6%
Primary deficit/surplus (a+b)	"	-3.0%	-1.8%	-1.2%	-0.7%	-2.4%	0.2%	0.9%	1.8%
Revenue:									
Tax revenue		4,072	4,334	4,764	5,829	6,000	7,004	-	-
	PKR	3,829	3,998	4,764	5,829	6,000	7,004	-	-
FBR taxes	bn								
Petroleum Levy	"	206	294	425	610	135	750	-	-
GIDC	"	21	9	19	130	25	200	-	-
Non-tax revenue	"	364	1,448	1,505	2,080	1,315	2,000	-	-
Gross Revenue	"	4,436	5,782	6,270	7,909	7,315	9,004	-	-
Transfer to Provinces	"	2,398	2,504	2,742	3,412	3,512	4,100	-	-
Net Revenue	"	2,038	3,278	3,528	4,497	3,803	4,904	-	-
Expenditure:									
Total Expenditure	PKR	5,599	6,819	7,245	8,487	9,128	9,502	-	-
	bn								
Current	"	4,804	6,093	6,349	7,523	8,516	8,694	-	-
Mark-up payments	"	2,091	2,620	2,750	3,060	3,144	3,950	-	-
Development	"	732	688	695	900	550	727	-	-
PSDP	"	562	622	667	900	550	727	-	-
Net lending & Statistical Discrepancy	"	63	39	202	64	62	81	-	-
Provincial Surplus	PKR	139	77	314	570	570	800	-	-
	bn								
Privatization proceeds	"	-	-	-	252	-	96	-	-
Taxation:									
Corporate Tax	%	29%	29%	29%	29%	29%	29%	-	-
Super tax (on banks)	"	4%	4%	4%	4%	4%	-	-	-
Minimum turnover tax	"	1.25%	1.50%	1.50%	1.25%	1.25%	1.25%	-	-



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General:

- 2% poverty alleviation tax on individuals/businesses with income of PKR300Mn & above is proposed to be implemented from tax year 2022
- Tax on small companies, banks and other companies have been changed as part of the proposal (please refer to annexure)
- Income tax for business/salaried individuals has been changed such that tax has been reduced at lower slabs but increased for higher slabs (please refer annexure)
- Listed companies will no longer be allowed to adjust input sales tax in excess of 90% of the output tax
- The condition of CNIC/NTN in case of supply to unregistered person have been removed.
- Companies will now be entitled to deduct input sales tax paid on supplies made to un-registered person, on pro-rata basis, for which sale invoices do not bear the NIC number or NTN
- Construction machinery, equipment and specialized vehicles imported on temporary basis as required for the construction of project is now sales tax exempt
- Retailer other than tier 1 retailer shall be charged fixed sales tax based on their monthly electricity bill (that shall be collected by their respective power utility through the electricity bill)
- Adjustable advance tax imposed on international card payments at 1% (2% in case of non-filers)

Capital Markets:

- Tax credit under section 62, 62A and 63 which provided tax credit on investment in shares, mutual funds and VPS has been withdrawn. This will be a setback to the goal of increasing the number of investors in capital markets, further lowering saving rates in the country which is already one of the lowest in South Asia
- An amount in excess of 50% of contribution made by a business to an approved gratuity fund, an approved pension fund or an approved superannuation fund will not be an allowed deduction when calculating taxable income
- Accumulated balance received from the voluntary pension system in-case of retirement, disability or death will be 100% exempt from income tax (Previously 50% was exempt)
- Tax reduced on Behood certificates, Pensioners benefit account and Shuhada family welfare account reduced from 10% to 5%
- Capital gain on disposal of securities has increased (please refer to annexure)

Real Estate:

- Any person who has more than one residential properties (non-business, non-agriculture property) and the fair market value of these properties (apart from his one residential property) exceeds PKR25mn. Then he shall be charged 1% of the fair market value of such properties



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- Capital value tax of 1% shall be charged on assets held abroad by resident individual where the value of such assets exceeds rupees PKR100Mn
- REIT Scheme are entitled to income tax exemption subject to distribution of 90% of accounting income. It has been proposed to allow adjustment of accumulated losses against accounting income to address impracticality associated with profit distribution by the Schemes, who having incurred accounting losses in previous tax years are not able to meet the said exemption criteria owing to lower retained earnings/ accumulated profits
- Interest incurred on housing finance is no longer a tax-deductible allowance

Sectors Changes

Banks:

- It is proposed to increase income tax on banks by 8% from 39% to 47%

Proposed	CY22	CY23
Corporate tax rate	35%	45%
Super tax	4%	0%
Poverty alleviation tax	2%	2%
Total	41%	47%
Current		
Corporate tax rate	35%	35%
Super tax	4%	4%
Poverty alleviation tax	0%	0%
Total	39%	39%

- Additionally, tax rate of banks with lower Advances/Deposit ratio has been increased

Advance/Deposit	Additional tax	
	Current	Proposed
Between 40% to 50%	2.5%	4.0%
Below 40%	5.0%	10.0%

- Ijarah Sukuk issuance target for next year has been set at PKR1,200Mn, down 30% from PKR1,725bn for FY22
- Euro Bond/International Sukuk issuance target for FY23 has been set at PKR372bn, up 9% from PKR343bn for FY22

Autos:

- Agriculture tractors now made sales tax exempt previously they were taxed at 5%
- Import of electric vehicle in CBU condition will now be taxed at 17%, previously 12.5%
- Capital value tax of 2% shall be charged on motor vehicle held in Pakistan where the value of motor vehicle exceeds PKR5million



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- Advance tax on purchase, registration and transfer of motor vehicles has been increased (please see annexure changes)

Technology/IT:

- Income from exports of computer software or IT services or IT is not allowed 100% tax credit anymore, exchange companies will deduct 0.25% of proceed

Fertilizer:

- CNIC/NTN condition for dealers/distributors no longer applicable
- Seeds for sowing now made sales tax exempt

Oil and Gas exploration and power

- GoP has budgeted PKR80bn as dividend income, up 14% from PKR70bn for FY22
- Machinery, equipment and spares meant for initial installation, BMR or expansion of projects for power generation is now sales tax exempt
- Subsidy to WAPDA has been slashed from PKR989bn to PKR490bn and there is no subsidy for PM package on TDS announced by the last government
- Petroleum levy is set at PKR750bn as compared to PKR135bn for FY22
- Subsidies on petroleum products has been reduced from PKR377bn for FY22 to PKR71bn for FY23
- 10% customs duty rate on import of motor spirit has been replaced with 10% regulatory duty

Cement & Steel:

- PSDP budgeted for FY23 is at PKR727bn, 32% higher than PKR550bn for FY22
- Sale tax on compressor, motor and copper cable cutting scrap proposed at 3%

Packaging:

- Customs duties on BOPP/ CPP films (flexible packaging films) have been reduced from 20% to 16% and the CD on their raw material has been reduced from 11% to 3%

Telecom:

- Advance income tax on import of mobile phones in CBU, CKD and SKD condition has been increased (please see Annexure for changes)

Others:

- FED on locally produced cigarettes increased
- To incentivize footwear industry, customs duties have been reduced on different categories of other woven fabrics and artificial flowers/ foliage of other materials.
- RD on import of optical fiber cables has been increased



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Annexure:

General

Tax on companies

Tax on companies	FY22		FY23	
	Total	Total (Profit≥PKR300Mn)	Total (Profit<PKR300Mn)	Total
Small Company	21%	22%	20%	
Banking Company	39%	47%	45%	
Other Company	29%	31%	29%	

Income tax for business/salaried individuals

Business Income Tax for FY22				Business Income Tax for FY23			
Taxable income (PKR)		Tax on column 1 (PKR)	Tax on excess (%)	Taxable income (PKR)		Tax on column 1 (PKR)	Tax on excess (%)
Over (column 1)	Not over			Over (column 1)	Not over		
0	400,000	0	0%	0	400,000	0	0%
400,000	600,000	0	5%	400,000	600,000	0	0%
600,000	1,200,000	10,000	10%	600,000	800,000	0	5%
1,200,000	2,400,000	70,000	15%	800,000	1,200,000	10,000	13%
2,400,000	3,000,000	250,000	20%	1,200,000	2,400,000	60,000	18%
3,000,000	4,000,000	370,000	25%	2,400,000	3,000,000	270,000	23%
4,000,000	6,000,000	620,000	30%	3,000,000	4,000,000	405,000	28%
6,000,000		1,220,000	35%	4,000,000	6,000,000	680,000	33%
				6,000,000		1,330,000	35%

Salaried Income Tax for FY22				Salaried Income Tax for FY23			
Taxable income (PKR)		Tax on column 1 (PKR)	Tax on excess (%)	Taxable income (PKR)		Tax on column 1 (PKR)	Tax on excess (%)
Over (column 1)	Not over			Over (column 1)	Not over		
0	600,000		0%	0	600,000		0%
600,000	1,200,000		5%	600,000	1,200,000		100.00
1,200,000	1,800,000	30,000	10%	1,200,000	2,400,000	100	7.0%
1,800,000	2,500,000	90,000	15%	2,400,000	3,600,000	84,100	12.5%
2,500,000	3,500,000	195,000	18%	3,600,000	6,000,000	234,100	17.5%
3,500,000	5,000,000	370,000	20%	6,000,000	12,000,000	654,100	22.5%
5,000,000	8,000,000	670,000	23%	12,000,000		2,004,100	32.5%
8,000,000	12,000,000	1,345,000	25%				
12,000,000	30,000,000	2,345,000	28%				
30,000,000	50,000,000	7,295,000	30%				
50,000,000	75,000,000	13,295,000	33%				
75,000,000		21,420,000	35%				



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Capital Markets

Holding Period	FY22	FY23
<1 Year		15.0%
B/w 1-2 years		12.5%
B/w 2-3 years	12.5%	10.0%
B/w 3-4 years		7.5%
B/w 4-5 years		5.0%
B/w 5-6 years		2.5%
> 6 Years	0.0%	0.0%

Autos

Engine Capacity	FY22	FY23
Up to 850 cc	7,500	10,000
B/w 851-1000 cc	15,000	20,000
B/w 1001-1300 cc	25,000	25,000
B/w 1301-1600 cc	50,000	50,000
B/w 1601-1800 cc	75,000	150,000
B/w 1801-2000 cc	100,000	200,000
B/w 2001-2500 cc	150,000	300,000
B/w 2501-3000 cc	200,000	400,000
Above 3000 cc	250,000	500,000

Telecom

Advance income tax on import of mobile phones

Advance Income tax on mobile phones	FY22		FY23	
	CBU (PKR Per Unit)	CKD/SKD (PKR Per Unit)	CBU (PKR Per Unit)	CKD/SKD (PKR Per Unit)
\$100 and \$200	920	0	920	0
btw \$350 and \$500	970	0	970	0
btw \$350 and \$500	3,000	5,000	5,000	3,000
greater than \$500	5,200	11,500	11,500	5,200