

Pakistan

Budget 2022-23: Pakistan Raises Taxes on Banks, Enacts Super Tax on High Earners

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The government gazetted the Finance Act 2022 on 30 June 2022, with amendments to some measures proposed in the Budget announcement on 10 June 2022 (see [Pakistan-1, News 15 June 2022](#)). The legislative changes generally apply from 1 July 2022, unless stated otherwise. The major tax measures that were changed from those presented in the Budget are highlighted below.

- The corporate tax rate for banks will be increased from 35% to 39% (instead of 45%).
- The deductibility limit for payments made by a company through non-digital means had been increased to PKR 1 million in the Budget but has reverted to PKR 250,000 (i.e. no change from the previous threshold).
- The depreciation base for motor vehicles not plying for hire has increased from PKR 2.5 million to PKR 7.5 million (instead of PKR 5 million).
- For salaried individuals, the number of taxable income brackets have been reduced, with the highest marginal rate of 35% on income exceeding PKR 12 million. The taxable threshold for non-salaried persons is increased from PKR 400,000 to PKR 600,000.
- As proposed in the Budget, the scope of tax residence will include citizens who are not a tax resident of any other country; however, where such an individual is present in any other country for more than 182 days, he will continue to be regarded as non-resident in Pakistan.
- The new super tax on high earning persons, which in the Budget had been proposed to be levied at a flat rate, will be imposed at the following progressive rates:

Taxable income (PKR million)	Tax rate (%)
Up to 150	0
150-200	1
200-250	2
250-300	3
More than 300	4

- For tax year 2022 only, persons engaged partly or wholly in specific businesses (airlines, automobiles, beverages, cement, chemicals, cigarette and tobacco, fertilizer, iron and steel, LNG terminals, oil marketing, oil refining, petroleum and gas exploration and production, pharmaceuticals, sugar, textiles) will be subject to a higher rate of 10% where their income exceeds PKR 300 million. The higher rate of 10% will also apply to banking companies for tax year 2023 if their income exceeds PKR 300 million. There is no super tax on banking companies in tax year 2022.
- The new tax on deemed rental income of resident taxpayers will be imposed on capital assets (instead of immovable property). Exempted assets include one capital asset owned by the resident taxpayer, self-owned business premises from which business is carried on by persons on the active taxpayers list and self-owned agricultural land. A capital asset is defined as property of any kind held by a person, whether or not it is connected with a business, but does not include stock-in-trade, consumable stores or raw materials held for the purpose of business; shares, stocks or securities; or depreciable property.
- The rates of tax on capital gains arising from disposal of securities, including shares of listed companies, have been revised to 2.5% - 15% on the basis of holding periods of up to 6 years and are applicable to securities acquired on or after 1 July 2022. Capital gains on securities that were acquired on or before 30 June 2022 are taxed at 12.5% regardless of the holding period.
- The Budget had proposed that excess minimum tax paid would not be allowed to be carried forward for set off against future tax liability. The carry forward has been reinstated but has been restricted to a maximum of 3 years (from 5 years).

See also

[Pakistan-1, News 15 June 2022](#)

[Pakistan - Corporate Taxation - Country Surveys sections 1.3.1., 1.3.3., 1.3.4., 1.6.1., 3.1.](#)

[Pakistan - Individual Taxation - Country Surveys sections 1.1., 1.5., 1.9.1., 2.1.](#)

[Pakistan - Country Analyses - Corporate Taxation sections 1.2.1., 1.4.10., 1.5.7., 1.10.1., 1.10.1.1., 1.10.2.](#)

[Pakistan - Country Analyses - Individual Taxation sections 1.1.4.1., 1.5., 1.10.1.1., 1.10.1.2., 1.10.1.3., 1.10.2.](#)