

SALIENT FEATURES

BUDGET 2022-23

CUSTOMS ACT 1969

GUIDING PRINCIPLES

- (a) Remove anomalies in cascading structure of tariff.
- (b) Promote and protect domestic industry by introducing targeted interventions.
- (c) Rationalizing tariffs on industrial raw materials / intermediate goods.

ADOPTION OF WCO HS - 2022 VERSION:

The World Customs Organization (WCO) updates its Harmonized Commodity Description and Coding System (HS) after every five years to accommodate modern developments and changing trade patterns. The last HS version was updated in 2017. The current amendments to the HS nomenclature have entered into force since 1st January, 2022. Pakistan being a signatory to the HS Convention has obligation to adopt the HS 2022 version. Since, these amendments are required to be incorporated in the First Schedule to the Customs Act, 1969 (Pakistan Customs Tariff), therefore, Pakistan adopted the same by incorporating all of its latest amendments introduced in earlier nomenclature / HS codes in Pakistan Customs Tariff by the process of addition / deletion and creation of local PCT codes, accordingly. It will be effective from 1st of July, 2022.

INDUSTRIAL RELIEF MEASURES:

1. To incentivize packaging industry, CD and ACD on various tariff lines pertaining to aluminum, polymers of ethylene, BOPP etc. have been downward rationalized.
2. Reduction in CD and ACD on 10 tariff lines pertaining to direct and reactive dyes.
3. To incentivize agricultural sector and farmers, customs duty exemption extended further to Farm Mechanization and Logistics including agricultural machinery pertaining to irrigation, drainage, harvesting / post- harvest handling & processing, plant protection equipment as well as machinery, equipment and other capital

goods for miscellaneous agro based set ups in Sr. 1, 2 and 3 of Part-I of Fifth Schedule.

4. To incentivize Coating Industry, CD and ACD have been exempted on Aluminum paste and powder and CD and ACD have been reduced on glycerol crude and glycerol.
5. To incentivize manufacturers of filters other than automotive, CD and ACD have been reduced on their raw materials i.e, Adhesive, Epoxide resins, Filter media/ paper, Non-woven fabric media and Steel plates / sheets of prime quality.
6. To incentivize footwear industry, customs duties have been reduced on different categories of other woven fabrics and artificial flowers / foliage of other materials.
7. To incentivize LED lights and bulbs manufacturers customs duties have been exempted on import of 05 more items i.e, Aluminum Electrolytic capacitor, SMT Electrical Transformer, aluminum alloy sheet, Tantalum capacitors (DIP/SMD) and Other inductors, small transformer, coil (DIP/SMD). Furthermore, the scope of exemption has also been extended for the manufacturers of Parts of LED light and Bulbs.
8. Tariff structure on the different tariff lines related to MDF / HDF have been rationalized evenly.
9. To encourage local manufacturers of brush ware, customs duties have been exempted on import of Poly-butylene terephthalate.
10. CD & ACD on import of Stamping foils have been exempted for manufacturing of Optical Fiber Cable.
11. Tariff structure on import of Synthetic filament yarn, monofilament, staple fibers of polypropylene has been rationalized to resolve the cascading issues.
12. To encourage export oriented industry, CD and ACD have been exempted on import of Guts, bladders and stomachs of animals etc.
13. Reduction in CD and ACD rates on import of Plywood, veneered panels & similar laminated wood, poly (methyl methacrylate), cyanoacrylate.
14. Extension in scope of concession on import of organic composite solvents and thinners for the manufacturers of Dibutyl Orthophthalates.

15. Rationalization of Tariff structure on import of IV Leaves extract powders and exemption of CD & ACD on its raw materials i.e, other plants and parts of plants from 3% CD and 2% ACD.
16. Exemption of customs duties on import of membrane for filtering / purifying water from 16% CD & 4% ACD.
17. Exemption of customs duties on 03 different raw materials for first aid bandages manufacturing industry from 5%.
18. Reduction of customs duties on import of flavouring powders for food preparation for snacks manufacturers.
19. Exemption of CD & ACD on raw materials of aluminum conductor composite core manufacturers.
20. Exemption of CD & ACD on import of raw materials of paper sizing industry and chlorinated paraffin wax industry.

RELIEF FOR COMMON MAN:

21. To keep the prices of medicines stable in the market and to encourage local manufacturing of pharmaceuticals, customs duties have been exempted on 26 more APIs and on one drug "Grafalon".
22. Irisvision is for low vision individuals of all ages and with this gadget low vision persons can read and write easily, therefore customs duties have been exempted on import of Irisvision Device with its complete components.

REVIEW OF RD REGIME:

23. 10% CD rate on import of motor spirit has been replaced with 10% RD.
24. Continuation of 20% RD on import of Disodium Carbonate to protect the local industry.
25. To encourage the vendor industry, RD has been reduced on import of case hardening steel from 30% to 20%.
26. Withdrawal of 15% RD on import of Chrome yellow.
27. 10% RD has been levied on import of Other paper, paperboard, cellulose wadding and webs of cellulose fibres to protect the local industry.
28. Withdrawal of RD exemption available on import of High Carbon Wire Rod.

29. RD on import of optical fibre cables has been increased from 10% to 20% to encourage the local manufacturers.

LEGISLATIVE CHANGES:

1. The definition of smuggling has been widened to include smuggling of essential commodities out of Pakistan through bordering and coastal areas to curb this menace.
2. To facilitate trade and industry, changes have been incorporated to align the provisions of the Customs Act, 1969 with the Pakistan Single Window (PSW) Act, 2021, providing platform for integration of other government agencies.
3. The timeline to finalize the provisional assessment has been reduced from existing nine months to four months to facilitate trade and avoid delay in realization of government revenue.
4. Powers regarding extension in warehousing period have been delegated to Additional Collector of Customs to facilitate trade by expediting grant of requests for extension.
5. Option to change consignee name in relation to frustrated cargo has been provided to address the issue of port congestion.
6. Pecuniary jurisdiction of Additional Collector and Deputy Collector has been increased to rationalize the workload of adjudicating authorities and quick disposal of legal cases.
7. To reduce the cost of doing business and rationalize fees charged by the terminal operators, enabling provision has been provided for determination of various charges by customs authorities.
8. Provision has been incorporated to indemnify the officers of provincial governments for their actions taken in good faith to prevent the smuggling of essential commodities under the Customs Act, 1969.

SALIENT FEATURES

BUDGET 2022-23

SALES TAX ACT 1990

The proposed budgetary measures pertaining to Sales Tax for FY 2022-23 are:

RELIEF MEASURES:

1. The condition of CNIC/NTN in case of supply to unregistered person have been removed.
2. Sales Tax exemption has been granted on import and supply of all types of seeds.
3. Sales Tax on Tractor is withdrawn.
4. Exemption has been granted on imports by UN diplomats/diplomatic missions and privileged persons.
5. Import and supply of solar panels (PV module) has been exempted from sales tax.
6. Goods imported by or donated to non-profit charitable hospitals has been exempted. Furthermore, good supplied to charitable hospitals of fifty beds or more have also been exempted from sales tax.
7. Temporary imports have been exempted from the levy of the sales tax.
8. Made up jewellery has been made chargeable to 3% fix tax on local supply and 4% fix tax on imports.
9. Plant and machinery imported by power generation projects that entered into implementation agreement with GoP has been exempted from sales tax.
10. Rs.90 per kg is reduce to Rs.60 per kg on potassium chlorate.
11. Import by EPZ has been exempted from sales tax.

REVENUE MEASURES:

12. The scope of further tax has been enhanced to include non-active taxpayers as well.
13. Regime of other then Tier-1 retailer has been streamlined.
14. VAT has been imposed on compressor scrap, motor scrap and copper cutting scrap even when imported by manufacturers.

SALIENT FEATURES
BUDGET 2022-23
INCOME TAX ORDINANCE 2001

REVENUE MEASURE:

1. Increase in tax rate for banks for tax year 2023 onwards from effective 39% to 45%.
2. Increase in tax rate of banking companies on adverse ADR ratio.
3. Tax on higher earning persons for poverty alleviation for tax year 2022 and onwards.
4. Tax on deemed income from unutilized property above Rs. 25 million including luxury farmhouses and exclusive of one self-occupied house.
5. Increase in rate from 1% to 2% on sale and purchase of property for filers.
6. Increase in rate from 100 percent to 250 percent in case of purchase of property by persons who are not active taxpayers.
7. Increase in rate of 200 from 100 percent in case of purchase of motor vehicles by persons who are not active taxpayers.
8. Level playing field for all classes of assets. Capital gain tax on disposal of securities and real estate synchronized along with incentives for vertical growth of cities.
9. Increase in advance tax rate on private vehicles of 1600 cc and above.
10. Increase in yearly advance tax rate on tax on passenger vehicles.
11. Omission of deductible allowance for profit on debt and tax credit for investment in shares, health insurance and pension funds.
12. Restriction on carry forward of minimum tax in subsequent years.
13. Omission of exemption on flying allowances and submarine allowance.
14. Omission of reduced rate of taxation for investment in Government securities.
15. Withdrawal of Income Tax (Amendment) Ordinance, 2022.

RELIEF MEASURES:

1. Fixed tax regime for retailers and specified service providers.
2. Restriction on frequency of audits to once in four years.

3. Adjustment of tax collected on all materials at import stage for industrial undertaking for own use.
4. Relief on taxation for salaried and business individuals by increasing threshold for taxation.
5. Admissibility of 100% depreciation in first year.
6. Reduction in tax rate from 10% to 5% on Bahbood certificates.
7. Withdrawal of withholding tax on educational expenses payments.
8. Exemption from tax on income of certain non-profit entities.
9. Reduced rate of 3% on provision of services by REIT management company and NCCPL.
10. Withdrawal of withholding tax on rent of machinery.
11. Exemption from advance taxes to exempt entities.

STREAMLINING MEASURES:

1. Requirement for adoption of digital mode of payment for companies.
2. Clarification regarding exempt income of partners if income of AOP is exempt.
3. Introduction of Synchronized Withholding Administration Payment System.
4. Streamlining of audit procedures.
5. Increase in time limitation for best judgment from 5 to 6 years.
6. Enhancement of restriction for passing of order in from 120 to 180 days.
7. Clarification regarding remittance through money transfer operations.

DOCUMENTATION OF ECONOMY MEASURES:

1. Inclusion of concept of beneficial owner.
2. Alignment of Point of Sale regime with Sales Tax provisions and introduction of prize scheme.
3. Increase in scope of tax on payments to non-residents and enhancement of rate from 5% to 10% on offshore digital services.
4. Increase in scope of criteria for becoming tax resident individuals.
5. Introduction of advance adjustable tax on credit/debit card payments.
6. Sharing of information between NADRA and FBR for tax base broadening.

SALIENT FEATURES
BUDGET 2022-23
FEDERAL EXCISE ACT 2005

The proposed budgetary measures pertaining to Federal Excise Duty (FED) for FY 2022-23 are:

REVENUE MEASURES:

1. Rate of FED is enhanced on locally manufactured cigarettes.
2. Rate of FED is enhanced on club, business and first class travel by air is enhanced from Rs. 10,000 to Rs. 50,000.
3. Rate of FED is enhanced on telecommunication services is enhanced from 16% to 19.5%.