

Economy

Budget 2022-23: One time super tax imposed by Government on 13 industries

Super tax to be charged to raise additional revenue: Prime Minister of Pakistan has announced imposition of super tax on 13 large scale industries to raise additional revenue. The imposition of super tax would be ranging from 4% to 10%. To note, poverty alleviation tax has also been increased to 4% for annual income above PKR 300mn which was previously proposed at 2% in Budget 2022-23, while for individuals earnings more than PKR 150mn, PKR 200mn and PKR 250mn will be charged poverty alleviation tax of 1%, 2% and 3% respectively. The 4% poverty alleviation tax would apply to all sectors (having annual income of above PKR 300mn) while 6% additional super tax would be imposed on 13 industries bringing total increase in tax rate by 10% for these industries.

13 Industries to be charged 10% super tax: As per news report, the 13 industries which will bear the brunt of additional 6% super tax include Oil & Gas, Banking, Cement, Steel, Sugar, Fertilizer, Textile, Automobile, Tobacco, LNG Terminals, Beverages, Airlines and Chemicals. This will bring total corporate tax for these sector (excluding Banks) to 39% from current 29%.

All other sectors: However, for all other sectors (having annual income above PKR 300mn) applicable tax rate would rise to 33% from current 29%. Furthermore, turnover tax rate for OMC sector has been reduced to 0.5% from previous 0.75%.

Banks and oil & gas exploration: For Banks, tax rate will rise to 55% from earlier proposed 47% in the Budget 2022-23, however, further clarity is needed on applicability of tax proposed in Budget 2022-23 on income from government securities. Similarly, we await clarity for Oil & Gas Exploration sector as tax rates are governed through Policies and super tax imposed will be charged on total income or non-core income (other income).

We await further clarity on this matter once amended Finance Bill is made available.

Analyst

IGI Research

research@igi.com.pk

Tel: +92 21 111 234 234 Ext: 810

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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Contact Details

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Syeda Mahrukh Hameed	Branch Manager (Lahore)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Zaid Farook	Branch Manager (Stock Exchange) Karachi	Tel: (+92-21) 32462651-52	zaid.farook@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Aariz Raza	Analyst	Tel: (+92-21) 111-234-234 Ext: 810	Aariz.raza@igi.com.pk
Ajay Kumar	Analyst	Tel: (+92-21) 111-234-234 Ext: 912	ajay.kumar@igi.com.pk
Huzaifa Yaseen	Analyst	Tel: (+92-21) 111-234-234 Ext: 912	huzaifa.yaseen@igi.com.pk

IGI Finex Securities Limited

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Corporate member of Pakistan Mercantile Exchange Limited

Website: www.igisecurities.com.pk

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
 Khayaban-e-Jami Block-09, Clifton, Karachi-75600
 UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
 Fax: (+92-21) 35309169, 35301780

Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,
 Stock Exchange Road, Karachi.
 Tel: (+92-21) 32429613-4, 32462651-2
 Fax: (+92-21) 32429607

Lahore Office

Shop # G-009, Ground Floor,
 Packages Mall
 Tel: (+92-42) 38303560-69
 Fax: (+92-42) 38303559

Faisalabad Office

Room #: 515-516, 5th Floor, State Life
 Building, 2- Liaqat Road
 Tel: (+92-41) 2540843-45
 Fax: (+92-41) 2540815

Multan Office

Mezzanine Floor, Abdali Tower,
 Abdali Road
 Tel: (92-61) 4512003, 4571183

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
 Block- B, Jinnah Avenue, Blue Area
 Tel: (+92-51) 2604861-2, 2604864, 2273439
 Fax: (+92-51) 2273861

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
 Model Town, Town Hall Road
 Tel: (+92-68) 5871652-3
 Fax: (+92-68) 5871651

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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