



TAX CHANGES 2022

BASED ON INLAND REVENUE
(AMENDMENT) BILL 2022

CORPORATE INCOME TAX



CORPORATE INCOME TAX

- The standard rate of corporate income tax is increased from 24% to **30%**
- The concessionary rate of tax applicable to SMEs, Healthcare, Construction, Exports, etc is removed, and will be taxed at the Standard Rate of **30%**
- Tax on betting, gaming, liquor and tobacco will continue to remain at **40%**
- Capital Gains Tax on Realization of Investment Assets will also increase to the standard rate of **30%**
- Dividend tax is increased to **15%** from 14%, and the exemption granted to non-residents is removed
- The above changes are expected to be effective from 1st October 2022, which means there will be two rates of taxation for the year of assessment 2022/23. The legislation states that Companies may pro-rate their income for the two periods, in calculating the tax payable.

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REMOVAL OF EXEMPTIONS

- Notable exemptions to be **removed** with effect from 1st April 2023
 - Profits from the business of providing IT and IT Enabled Services
 - Profits from the business of exporting gem or jewelery
- Tax exemptions for agro farming and income from foreign sources, are expected to remain in place.

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INDIVIDUAL INCOME TAX



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- The tax-free threshold has been reduced from Rs 3,000,000/= per annum to **Rs 1,200,000/=** per annum with effect from 1st October 2022
- Annual Expenditure Allowance of Rs 1,200,000/= claimable on Medical Insurance, Equity Investments, Education, etc is **revoked** with effect from 1st October 2022.
- The tax slabs have been revised as follows :

<u>SLAB</u>	<u>TAX RATE</u>
Upto Rs 1.2 Mn	Exempt
Next Rs 500,000/=	6%
Next Rs 500,000/=	12%
Next Rs 500,000/=	18%
Next Rs 500,000/=	24%
Next Rs 500,000/=	30%
Balance	36%

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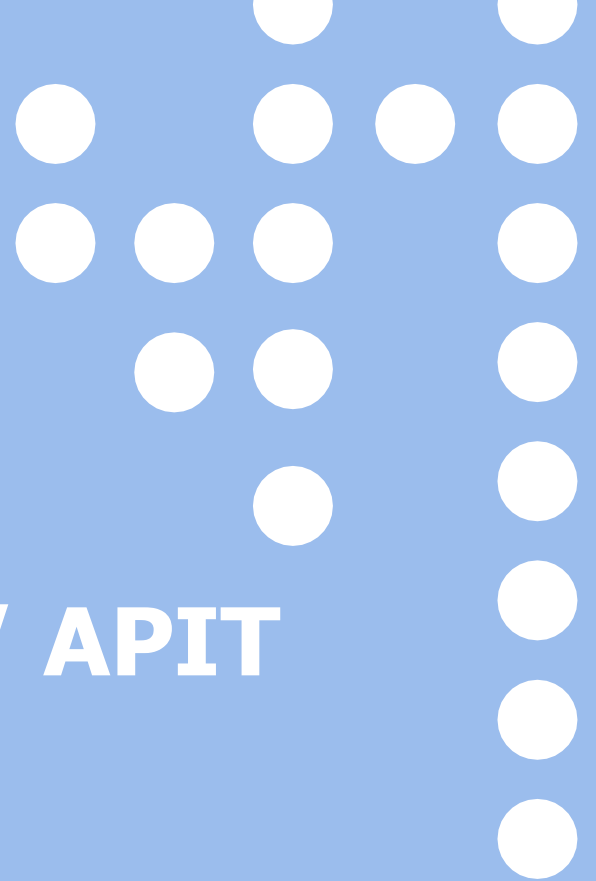
ILLUSTRATIVE TAX CALCULATIONS

<u>ANNUAL LIABLE INCOME</u>	<u>ANNUAL TAX PREVAILING RATES</u>	<u>ANNUAL TAX PROPOSED RATES</u>
Rs 3,000,000/=	NIL	Rs 252,000/=
Rs 6,000,000/=	Rs 180,000/=	Rs 1,278,000/=
Rs 9,000,000/=	Rs 540,000/=	Rs 2,358,000/=
Rs 15,000,000/=	Rs 1,620,000/=	Rs 4,518,000/=

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PAYE / APIT

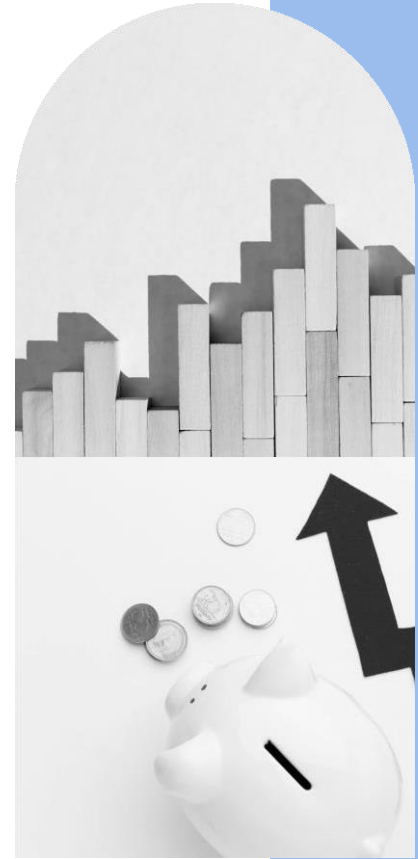


PAYE / APIT

- APIT deduction will be made mandatory on all tax-payers whose annual income exceeds Rs 1,200,000/=, with effect from 1st October 2022. At present, it is optional at the discretion of the employee.
- APIT tax rates and tables will change in line with the changes to individual tax rates, set out previously.
- No changes have been proposed on taxes on terminal benefits. At the moment, terminal benefits upto Rs 10,000,000/=, are exempt from income tax.

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WITHHOLDING TAX



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- WHT is proposed to be re-introduced, with effect from 1st October 2022, at the following rates :

-	Interest	5%	Not a Final Tax
-	Dividends	15%	Final Tax for Individuals and Companies
-	Rent	10%	on Rent Exceeding Rs 100,000/= per month
-	Services	5%	on Service Payments to Individuals Exceeding Rs 100,000/= per month

- No changes have been proposed to loan interest payable to non-residents, which is presently exempt from income tax.
- Also, no changes were proposed to the partnership tax threshold or partnership tax rates.

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May we emphasize that the proposals need to be given legal effect by Parliamentary procedure, before they come into law.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity.

Please feel free to contact us should you require any clarification on this document.



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