

Super Tax on Corporates

The IMF pressure mounts – Tax burden on corporates to rise

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As the country's FX reserves continue to show further depletion to USD 8bn, the IMF “nod” appears to be a non-negotiable and urgent priority of the government. In lieu of the same, Prime Minister Shehbaz Sharif has announced the imposition of an additional super tax, also dubbed as “poverty alleviation tax” on large corporates today, so as to augment tax collection.

Industries to be taxed at 10% for one year include: Cement, Steel, Sugar, Oil and gas exploration, Oil refining, Oil marketing, Pharmaceutical, Fertilizer, Textile, Automobile, Tobacco, Beverages, Packaged milk, Juices, Chemical, Airline and LNG terminals. As a result, the total levy will go up to 39% (29% is the prevailing corporate tax rate).

For CY22 (tax year 2023), Banks will be taxed at corporate tax rate of 45%, alongside tax charge of 4% i.e. poverty alleviation, to be levied on the CY21 profit before tax, since banks are not included in the list above. Clarity will be reached post Finance Act. However, if banks are imposed the same quantum, this 4% will be replaced by 10% super tax.

For the above specified sectors, with a calendar year end, tax charge of 10% will be imposed on CY21 PBT, alongside normal corporate tax rate of 29% for CY22. Whereas for fiscal year end companies, a 10% charge will be levied on the FY22 PBT, alongside normal corporate tax rate of 29% for FY22.

Apart from the aforementioned sectors, calendar year end companies will bear the brunt of 4% levy on CY21 PBT, alongside normal corporate tax rate of 29% for CY22. While fiscal year companies will pay an additional 4% on FY22's PBT, alongside normal corporate tax rate of 29% for FY22.

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Impact on AHL Universe

Exhibit: Impact of 10% Super Tax on EPS (2022) of AHL Universe

	Before	After	Change		Before	After	Change
PKR							
E&P				Chemicals			
PPL	27.56	23.50	-14.7%	LOTCHEM	4.39	3.96	-9.8%
POL	84.78	72.41	-14.6%	EPCL	18.34	16.14	-12.0%
OGDC	37.07	31.52	-15.0%	ICI	97.56	83.89	-14.0%
MARI	293.63	251.90	-14.2%	OGMCs			
Banks				PSO	217.76	186.27	-14.5%
MCB	32.81	29.06	-11.4%	APL	181.54	155.86	-14.1%
UBL	32.50	28.79	-11.4%	SNGP	21.06	18.10	-14.1%
BAFL	12.28	10.90	-11.3%	Autos			
HBL	29.30	26.02	-11.2%	INDU	264.07	227.31	-13.9%
ABL	18.66	16.54	-11.3%	HCAR	17.58	14.58	-17.1%
NBP	18.38	16.27	-11.5%	MTL	81.59	70.44	-13.7%
AKBL	9.66	8.52	-11.8%	Textile			
BOP	4.50	4.01	-10.9%	NML	31.75	27.52	-13.3%
MEBL	23.58	20.89	-11.4%	NCL	29.60	25.81	-12.8%
FABL	6.91	6.13	-11.2%	FML	10.10	8.71	-13.7%
Fertilizer				ILP	10.64	9.15	-14.1%
ENGRO	59.91	54.48	-9.1%	Cement			
FFC	17.74	15.36	-13.4%	ACPL	13.79	11.76	-14.7%
FFBL	5.03	4.14	-17.7%	DGKC	11.85	10.25	-13.5%
EFERT	12.22	9.98	-18.3%	FCCL	4.00	3.42	-14.5%
Steel				KOHC	30.11	25.71	-14.6%
ASTL	8.26	7.30	-11.6%	LUCK	50.74	44.40	-12.5%
AGHA	4.11	3.61	-12.3%	MLCF	5.54	4.76	-14.1%

Source (s): AHL Research

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- Dividend Discount Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

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