

Extract of Relevant Income Tax Law for the purpose of getting Tax Credit by Investing in Pension Funds

Section 63. Income Tax Ordinance 2001 - Contribution to an Approved Pension Fund

- (1) An eligible person as defined in sub-section (19A) of section 2 deriving income chargeable to tax under the head "Salary" or the head "Income from Business" shall be entitled to a tax credit for a tax year in respect of any contribution or premium paid in the year by the person in approved pension fund under the Voluntary Pension System Rules, 2005.
- (2) The amount of a person's tax credit allowed under sub - section (1) for a tax year shall be computed according to the following formula, namely:

$$(A/B) \times C$$

Where.

- A** is the amount of tax assessed to the person for the tax year, before allowance of any tax credit
- B** is the person's taxable income for the tax year; and
- C** is the lesser of
- (i) the total contribution or premium referred to in sub-section (1) paid by the person in the year; or
 - (ii) twenty percent of the eligible person's taxable income for the relevant tax year; Provided that an eligible person joining the pension fund at the age of forty-one years or above, shall be allowed additional contribution of 2% per annum for each year of age exceeding forty years upto the 30th June 2019, subject to the condition that the total contribution allowed to such person shall not exceed thirty percent of the total taxable income of the preceding year.
- (3) The transfer by the members of approved employment pension or annuity scheme or approved occupational saving scheme of their existing balance to their individual pension accounts maintained with one or more pension fund managers shall not qualify for tax credit under this section.

Definitions

"Eligible Person" - **Section 2 (19A) of Income Tax Ordinance 2001.**

Eligible person for the purpose of Voluntary Pension System Rules, 2005, means an individual Pakistani who holds a valid National Tax Number or Computerized National Identity Card or National Identity Card for Overseas Pakistanis issued by the National Database and Registration Authority.

Provided that the total tax credit available for the contribution.

made to approved employment pension or annuity scheme and approved pension fund under Voluntary Pension system Rules, 2005, should not exceed the limit prescribed or specified in section 63.

For More Information

0800-20002  INVEST to 9995  info@nbpfunds.com

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