



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

Section 62. of Income Tax Ordinance 2001 - Tax credit for investment in shares and insurance.

- (1) A resident person other than a company shall be entitled to a tax credit for a tax year either:
- In respect of the cost of acquiring in the year new shares offered to the public by a public company listed on a stock exchange in Pakistan, provided the resident person is the original allottee of the shares or the shares are acquired from the Privatization Commission of Pakistan;
- or**
- In respect of any life insurance premium paid on a policy to a life insurance company registered by the Securities and Exchange Commission of Pakistan under the Insurance Ordinance, 2000 (XXXIX of 2000), provided the resident person is deriving income chargeable to tax under the head "salary" or "income from business".
- (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
- the total cost of acquiring the shares, or the total contribution or premium paid by the person referred to in sub-section (1) in the year;
 - twenty percent of the person's taxable income for the year; or
 - one and a half million rupees.
- (3) Where a person has been allowed a tax credit under sub-section (1) in a tax year in respect of the purchase of a share and the person has made a disposal of the share within twenty-four months of the date of acquisition, the amount of tax payable by the person for the tax year in which the shares were disposed of shall be increased by the amount of the credit allowed.

Definitions

"Share" - Section 2 (58) of Income Tax Ordinance 2001.

Share in relation to a company, includes a modaraba certificate and the interest of a beneficiary in a trust (including unit in a trust).


"Public Company" - Section 2 (47) of Income Tax Ordinance 2001.

"Public company" means

- a company in which not less than fifty per cent of the shares are held by the Federal Government or Provincial Government;
 - a company in which not less than fifty per cent of the shares are held by a foreign Government, or a foreign company owned by a foreign Government;
 - a company whose shares were traded on a registered stock exchange in Pakistan at any time in the tax year and which remained listed on that exchange at the end of that year;
- or**
- a unit trust whose units are widely available to the public and any other trust as defined in the Trusts Act, 1882 (II of 1882);

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