



## Alfalah Investments

### **The amount of tax rebate you can get is dependent on your income tax rate and the amount you wish to invest.**

You can increase your return on your investments in any of our mutual funds by availing a tax advantage; a tax credit is a kind of tax saving that you can get on your income tax for the year if you invest in mutual fund schemes. This tax savings facility can be availed by both salaried and self-employed individuals in accordance with the Income Tax Ordinance 2001.

The amount of tax credit that you will be entitled to will be adjusted from your payable annual income tax for the year thus giving you an overall tax saving. The following illustrations will help you understand how a tax credit is calculated.

For example; if you are a salaried individual and your annual taxable income for the year is PKR.4, 000,000, your average tax rate will be 15%. If you invest up to 20% of your annual income (PKR.800, 000 in this case) you avail a tax rebate up to PKR120, 000. Similarly, if you are self-employed, your tax credit will approximately be PKR144, 500 (based on your annual tax rate of 18.06%). In the same case if you are self-employed, your tax credit approximately will be PKR.183, 500 (based on your annual tax rate of 19.73%).

The only condition is that you need to hold your investment for a period of at least two years (as per the Income Tax Ordinance) applicable on investments in a mutual fund scheme. See table below for more details:

### **Salaried Individual**

S. No.	Per Month Minimum Salary	Annual Taxable Income (ATI)	Tax Amount	Effective Tax Rate	Maximum investment for Tax Credit Mutual Funds (20% of ATI)	Tax Credit Through Mutual Funds (as per sec 62)
1	37,500	450,000	2,500	0.56%	90,000	500
2	45,833	550,000	7,500	1.36%	110,000	1,500
3	58,333	700,000	15,000	2.14%	140,000	3,000
4	75,000	900,000	32,500	3.61%	180,000	6,500
5	100,000	1,200,000	62,500	5.21%	240,000	12,500
6	112,500	1,350,000	77,500	5.74%	270,000	15,500
7	118,333	1,420,000	85,000	5.99%	284,000	17,000

8	120,833	1,450,000	88,750	6.12%	290,000	17,750
9	123,333	1,480,000	92,500	6.25%	296,000	18,500
10	129,167	1,550,000	102,500	6.61%	310,000	20,500
11	137,500	1,650,000	117,500	7.12%	330,000	23,500
12	145,833	1,750,000	132,500	7.57%	350,000	26,500
13	166,667	2,000,000	175,000	8.75%	400,000	35,000
14	183,333	2,200,000	210,000	9.55%	440,000	42,000
15	204,167	2,450,000	253,750	10.36%	490,000	50,750
16	216,667	2,600,000	282,500	10.87%	520,000	56,500
17	233,333	2,800,000	322,500	11.52%	560,000	64,500
18	245,833	2,950,000	352,500	11.95%	590,000	70,500
19	258,333	3,100,000	385,000	12.42%	620,000	77,000
20	279,167	3,350,000	441,250	13.17%	670,000	88,250
21	287,500	3,450,000	463,750	13.44%	690,000	92,750
22	300,000	3,600,000	500,000	13.89%	720,000	100,000
23	316,667	3,800,000	550,000	14.47%	760,000	110,000
24	329,167	3,950,000	587,500	14.87%	790,000	117,500
25	357,000	4,500,000	737,500	16.39%	900,000	147,500
26	458,333	5,500,000	1,012,500	18.41%	1,000,000	184,091
27	541,667	6,500,000	1,287,500	19.81%	1,000,000	198,077
28	666,667	8,000,000	1,725,000	21.56%	1,000,000	215,625
29	750,000	9,000,000	2,025,000	22.50%	1,000,000	225,000
30	833,333	10,000,000	2,325,000	23.25%	1,000,000	232,500

## **Self Employed**

S. No.	Per Month Minimum Income	Annual Taxable Income (ATI)	Tax Amount	Effective Tax Rate	Maximum investment for tax Credit Mutual Funds (20% of ATI)	Tax Credit Through Mutual Funds (as per sec 62)
1	37,500	450,000	5,000	1.11%	90,000	1,000
2	45,833	550,000	15,000	2.73%	110,000	3,000
3	58,333	700,000	30,000	4.29%	140,000	6,000
4	75,000	900,000	57,500	6.39%	180,000	11,500
5	100,000	1,200,000	102,500	8.54%	240,000	20,500
6	125,000	1,500,000	147,500	9.83%	300,000	29,500

7	141,667	1,700,000	187,500	11.03%	340,000	37,500
8	166,667	2,000,000	247,500	12.38%	400,000	49,500
9	200,000	2,400,000	327,500	13.65%	480,000	65,500
10	233,333	2,800,000	422,500	15.09%	560,000	84,500
11	291,667	3,500,000	597,500	17.07%	700,000	119,500
12	316,667	3,800,000	627,500	17.70%	760,000	134,500
13	375,000	4,500,000	872,500	19.39%	900,000	174,500
14	416,667	5,000,000	1,022,500	20.45%	1,000,000	204,500
15	483,333	5,800,000	1,262,500	21.77%	1,000,000	217,672
16	583,333	7,000,000	1,672,500	23.89%	1,000,000	238,929
17	666,667	8,000,000	2,022,500	25.28%	1,000,000	252,813
18	833,333	10,000,000	2,722,500	27.23%	1,000,000	272,250

Effectively, the tax credit is a discount on tax liability given by the government to small and medium tax payers on their applicable tax slab of the taxable income. The tax benefit would be in addition to the **Pure Profits**. Derived from the investments in open-end funds.

\* As per existing tax laws