

# TAX



Frequently Asked Questions

**Q: What is a Tax Credit on Life Insurance Policy ?**

A: Tax Credit is a financial relief allowed by the Government of Pakistan (under Section 62 of Income Tax Ordinance 2001) for those individuals who invest their savings in Life Insurance policy offered by any Life Insurance Company that is registered with Securities and Exchange Commission of Pakistan.

**Q: Who can avail this Tax Credit on Life Insurance Policy ?**

A: The Tax credit on Life Insurance Policy can be availed by Pakistani residents having National Tax Number (NTN) and deriving income chargeable under the head "Salary" or "Income from Business".

**Q: I am a Salaried Individual, How can I avail the Tax Credit on my Life Insurance Policy ?**

A: You may inform your Human Resources (HR) or Finance Department about your Jubilee Life insurance policy (along with a copy of your premium payment receipt) and ask them to adjust your tax credit from the monthly income tax deductions made from your salary.

**Q: I am a Self-Employed, How can I avail the Tax Credit on my Life Insurance Policy ?**

A: You can compute and adjust your tax payable and mention it in your Tax Return. Do enclose a copy of your premium payment receipt along with your documents. deriving income chargeable under the head "Salary" or "Income from Business".

**Q: From which date is this tax credit effective ?**

A: The tax credit is effective for all premium payments on life insurance policies from 1 July, 2011 onwards. Tax credit is also applicable on policies being purchased prior

to July 2011 but the tax credit can only be availed on premium payments from July 2011 onwards.

**Q: When is tax credit assessed ?**

A: The period for assessment of tax credit is same as that of tax year, i.e. from 1st July to the following 30th June.

**Q: Can I avail Tax Credit on both Insurance premium and investments in Mutual Funds or Shares at the same time ?**

A: No, you can avail tax credit either on your life insurance premium or on any investment in mutual funds or shares during a tax year.

**Q: What is the period for assessment of tax credit ?**

A: The period is same as a tax year, which is July 1 to June 30 of the following year.

**Q: Can I adjust my tax credit from the premium payment of my life insurance policy and pay the net premium amount to Jubilee Life ?**

A: No, you cannot adjust your tax credit from your premium. You only need to assess actual tax liability and adjust your tax deductions accordingly.

**Q: Is tax credit facility applicable on all Jubilee Life plans ?**

A: Yes, all Jubilee Life plans are eligible for tax credit.

**Q: What is the period for assessment of tax credit ?**

A: The period is the same as a tax year, which is 1 July to the following 30 June.

**Q: I have multiple life insurance policies, can I avail tax credit on all policies ?**

**A:** Tax credit can be availed on total premium payments made against one or more life insurance policies. It means all of your life insurance policies are eligible to avail tax credit.

**Q: If I select to pay premium half yearly, quarterly or monthly, how should I calculate my tax credit?**

**A:** Tax credit is calculated as per given formula in Section 62 of Income Tax Ordinance 2001. No matter what is the frequency of your premium payments, the tax credit is calculated on total amount of premium paid during a year.

# Tax is no more a Burden!

Save Tax up to Rs. 100,000  
with  
Jubilee Life Insurance Plans

Taxes are excruciating whether you are a salaried individual or self-employed. With Jubilee Life Insurance plans, you can reduce your tax burden up to Rs.100,000 (depending on the amount of insurance premium paid).



## How do I Calculate Tax Credit

Tax Credit can be computed through a simple formula:

$$\text{Tax Credit} = (A / B) \times C$$

Where **A** is the tax liability of the person.

**B** is the taxable income under the head "Salary" or "Income from Business"

**C** is the lesser of

- total premium paid by the person or
- 15% of taxable income for the year or
- Fixed cap of Rs. 500,000/=

### Example :

Mr. Fahad Suleman is drawing Rs. 90,000 monthly salary.

**B :** His annual Taxable Income is Rs. 1,080,000

**A :** Tax Payable for the year before allowance for any tax credit is Rs. 108,000

He invested a sum of Rs. 150,000 in a Jubilee life insurance plan as an annual premium.

**C :** Lesser of

i) Total premium paid during the year = 150,000

ii) 15% of Taxable Income = 162,000

iii) Fixed cap = 500,000

Tax Credit =  $(A / B) \times C$

Tax Credit =  $(108,000 / 1,080,000) \times 150,000$

Tax Credit = 15,000

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