

TAX



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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 under the Insurance Ordinance, 2000 (XXXIX of 2000).

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 is deriving income chargeable to tax 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: Please 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. 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: 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: 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.

Tax is no more a Burden!

Save your hard earned money with Jubilee Life Insurance Plans

Taxes are excruciating whether you are a salaried individual or self-employed. You can reduce your tax burden and save your taxable income by opting for Jubilee Life Insurance Plans.



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

- i) total premium paid by the person or
- ii) 20% of taxable income for the year or
- iii) Fixed cap of Rs. 2,000,000/=

Example :

Mr. Fahad Suleman is drawing Rs. 200,000 monthly salary.
B : His annual Taxable Income is Rs. 2,400,000
A : Tax Payable for the year before allowance for any tax credit is Rs. 1,80,000
He invested a sum of Rs. 300,000 in a Jubilee life insurance plan as an annual premium.

C : lesser of

- i) Total premium paid during the year = 300,000
 - ii) 20% of Taxable Income = 480,000
 - iii) Fixed cap = 2,000,000
- Tax Credit = (A / B) x C
Tax Credit = (1,80,000 / 2,400,000) x 300,000
Tax Credit = 22,500