

⁵**62. 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—

¹ The word “fifteen” substituted by the Finance Act, 2009.

² Inserted by the Finance Act, 2002.

³ Added by the Finance Act, 2003.

⁴ The words “Central Board of Revenue” substituted by the Finance Act, 2007.

⁵ Section 62 substituted by the Finance Act, 2011. The substituted section 62 read as follows:

“62. Investment in shares.— (1) A person ⁵[other than a company] shall be entitled to a tax credit for a tax year 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 where the person ⁵[other than a company] is the original allottee of the shares or the shares are acquired from the Privatization Commission of Pakistan.

(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 under this Part;

B is the person’s taxable income for the tax year; and

C is the lesser of —

(a) the total cost of acquiring the shares referred to in sub-section (1) in the year;

(b) ten per cent of the person’s ⁵[taxable] income for the year; or

(c) ⁵[three] hundred thousand rupees.

(3) Where —

(a) a person has ⁵[been allowed] a tax credit under sub-section (1) in a tax year in respect of the purchase of a share; and

(b) the person has made a disposal of the share within twelve 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.”

- (i) 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
- (ii) 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 under this Part;
- B** is the person’s taxable income for the tax year; and
- C** is the lesser of —
 - (a) 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;
 - (b) fifteen per cent of the person’s taxable income for the year; or
 - (c) five hundred thousand rupees.

(3) Where —

- (a) 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
- (b) the person has made a disposal of the share within thirty six 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.]

¹**[63. 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 under this Part;
- B** is the person’s taxable income for the tax year; and
- C** is the lesser of —

¹ Section 63 substituted by the Finance Act, 2005. The original section 63 read as follows:

“63. Retirement annuity scheme. – (1) Subject to sub-section (3), a resident individual 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 under a contract of annuity scheme approved by, Securities and Exchange Commission of Pakistan] of an insurance company duly registered under the Insurance Ordinance, 2000 (XXXIX of 2000), having its main object the provision to the person of an annuity in old age.

(2) The amount of a resident individual’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 under this Part;
- B** is the person’s taxable income for the tax year; and
- C** is the lesser of –
 - (a) the total contribution or premium referred to in sub-section (1) paid by the individual in the year;
 - (b) ten percent of the person’s taxable income for the tax year; or
 - (c) two hundred thousand rupees.
- (3) A person shall not be entitled to a tax credit under sub-section (1) in respect of a contract of annuity which provides –
 - (a) for the payment during the life of the person of any amount besides an annuity;
 - (b) for the annuity payable to the person to commence before the person attains the age of sixty years;
 - (c) that the annuity is capable, in whole or part, of surrender, commutation, or assignment; or for payment of the annuity outside Pakistan.”

- (i) the total contribution or premium referred to in sub-section (1) paid by the person in the year; or
- (ii) twenty per cent of the ¹[eligible] person's taxable income for the relevant tax year; Provided that ²[an eligible person] joining the pension fund at the age of forty-one years or above, during the first ten years ³[starting from July 1, 2006] shall be allowed additional contribution of 2% per annum for each year of age exceeding forty years. Provided further that the total contribution allowed to such person shall not exceed 50% of the total taxable income of the preceding year ⁴[.]]

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⁶[(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.]

¹ Inserted by the Finance Act, 2006.

² The words "a person" substituted by the Finance Act, 2006.

³ The words, figure and commas "of the notification of the Voluntary Pension System Rules, 2005," substituted by the Finance Act, 2006.

⁴ The semi-colon and the word "or" substituted by the Finance Act, 2011.

⁵ Clause (iii) omitted by the Finance Act, 2011. The omitted clause (iii) read as follows:
 "(iii) five hundred thousand rupees."

⁶ Added by the Finance Act, 2006.

⁷ Sub-section (1) substituted by the Finance Act, 2003. The substituted sub-section (1) read as follows:

"(1) A person shall be entitled to a tax credit for a tax year in respect of any profit or share in rent and share in appreciation of value of house paid by the person in the year on a loan by a scheduled bank under a house finance scheme approved by the State Bank of Pakistan or advanced by Government, the local authority or House Building Finance Corporation where the person utilizes the loan for the construction of a new house or the acquisition of a house."

⁸ The words "local authority" substituted by the Finance Act, 2008.

⁹ Inserted by the Finance Act, 2004.