

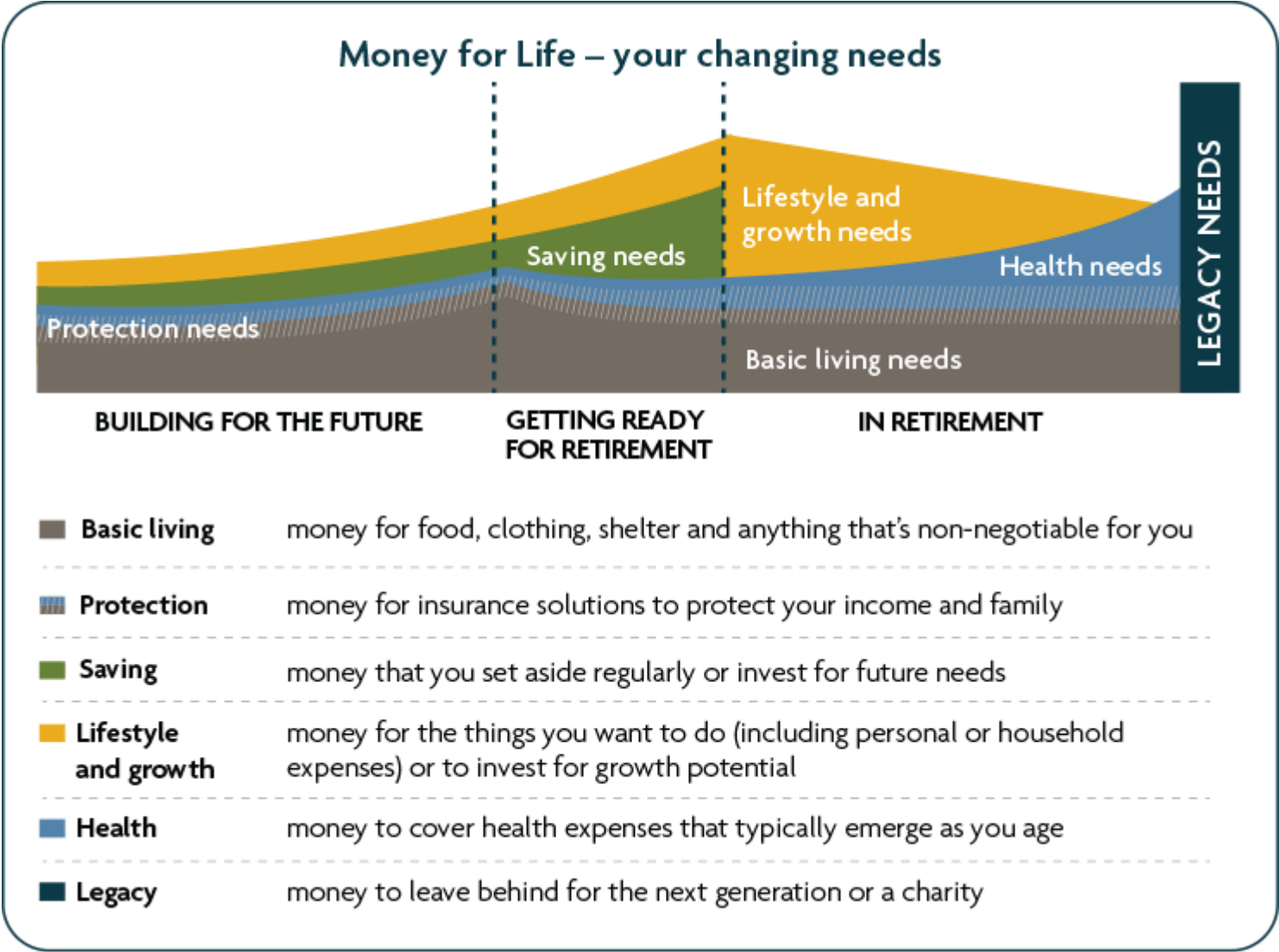


Financial Planning & Taxation

Financial Plan

- **What is a financial plan?**
 - A financial plan is simply a list of the things that are important to you now, the things you want to work towards and an outline of how you're going to use your money to achieve your goals.
- A financial plan can help you:
 - **Save** to meet your short and long-term goals
 - **Manage** your debt repayment
 - **Protect** yourself and your loved ones
 - **Plan** for retirement
 - **Maximize** your estate
 - **Leave a legacy** for your family

Financial Plan



Financial Planning Process

- Understanding needs based on Life stage
- To achieve financial stability financial priorities should be set in required order:
 - First priority should be to cover basic living needs
 - Second Priority should be protection needs to cover uncontrollable events
 - Third Priority should be savings to accumulate wealth and plan for future expenses and retirement
 - Life style changes should be made after ensuring that other priorities are taken care of

Taxation*

- Currently service tax is not applicable on Individual Life Insurance Premium, however there is a possibility that such tax may become applicable in future
- In case of non-filers, 1% adjustable withholding tax is applicable on annual premium of greater than PKR 200,000 (Section 236U of Income Tax Ordinance 2001)

Tax Credit

- Tax credit is available on Life Insurance Premium (Section 62 of Income Tax Ordinance 2001)
- Tax Credit Can be computed through a simple formula (applicable for 2018-19):

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

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
- ii) 20% of taxable income for the year
- iii) Fixed cap of PKR 2,000,000

* This information may become invalid subject to changes in laws and regulations