

Investor Note – Tax updates

Dear Valued Investor,

We would like to take this opportunity to extend our sincere gratitude for your continued trust and support as a member of the MCB Funds family.

The Finance Act, 2024 introduces key tax changes in the Income Tax Ordinance, 2001 for the Tax Year 2025. These tax changes affect taxation of Mutual Funds with effect from 1st July 2024. This note outlines the updates on capital gains tax on disposal of units in Mutual Funds, tax on dividends from Mutual Funds, and tax credits in Voluntary Pension Schemes (“VPS”).

Capital Gain Tax on Disposal of Units of Mutual Funds Under Section 37A of the Income Tax Ordinance, 2001

| FY 2024-2025 | | |
|-------------------|-------------------|-------------------|
| Category | Stock Funds | Other Funds |
| | Filer & Non-Filer | Filer & Non-Filer |
| Individual & AOPs | 15% | 15% |
| Company | 15% | 25% |

Note:

1. The Capital Gain tax rates for Filer and Non-Filer for the Tax Year 2025 are same as per NCCPL Circular which may subject to change as per changes in Income Tax Ordinance, 2001.
2. Provided that no capital gain tax shall be deducted if the holding period exceeds 6 years and units of the fund were acquired on or before 30th June 2024.

Tax on Dividends by Mutual Funds* Under Section 150 of the Income Tax Ordinance, 2001

| FY 2024-2025 | | |
|-------------------|-------------|-------------|
| Category | Stock Funds | Other Funds |
| | Filer | Filer |
| Individual & AOPs | 15% | 25% |
| Company | 15% | 25% |

*Provided that the rate of tax on dividend received from mutual funds deriving fifty percent or more income from profit on debt shall be 25%.

Note:

3. For Non-Filers, the rate of tax on dividend has been increased by 100%. Non-Filers refers to investors **Not appearing in Active Tax Payers List**.

Voluntary Pension Schemes

There is no change in taxation for Voluntary Pension Schemes. Therefore, participants in VPS managed by MCB Funds are still able to avail tax credit every year on their annual contribution under section 63 of the Income Tax Ordinance, 2001 and up to 50% tax free withdrawal at the time of retirement.

Sincerely,
Investor Services Department

Disclaimer:

The information in this literature is issued for informational purposes only and nothing herein should be construed as a solicitation, recommendation or an offer to buy or sell any Scheme. All investments in Collective Investment Schemes and Voluntary Pension Schemes are subject to market risks. Past performance is not necessarily indicative of the future results. Please read the Offering Document to understand the investment policies and the risks involved. The tax information provided in this literature is based on interpretation and understanding of MCB Investment Management Limited. Investors are advised to make their own appraisal of the investment opportunity, tax implications and consult their own financial, legal, taxation and/or other professional advisors prior to making any investment in Collective Investment Scheme and/or Voluntary Pension Scheme. Withdrawal from Voluntary Pension Schemes before retirement shall have tax implications.