

Tax-Free Investment



Who should invest in a Tax-Free Investment?



Children*



Students*



Professionals* / Business people*



Homemakers*



Pensioners* / Retirees*

*With the primary requirement being a South African permanent resident.

Why should I consider a Tax-Free Investment with Al Baraka Bank?



Shariah compliant / permissible returns on investment



Profits will be paid into your Tax-Free Investment account at the beginning of every month without affecting your contribution limit



Secure investments that are socially responsible



Long history of providing consistent returns with shariah investments

Vision

We believe that society needs a fair and equitable financial system, one which rewards effort and contributes to the development of the community.

Mission

To meet the financial needs of communities across the world by conducting business ethically, in accordance with our beliefs, practising the highest professional standards and sharing the mutual benefits with the customers, staff and shareholders who participate in our business success.

Invest Today
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Think Tomorrow.
Think Tax-Free.

Disclaimer - Al Baraka Bank's products and services and the terms under which they are provided are subject to change. Any such change will be communicated to customers and stakeholders in a timely manner. Customers should acquaint themselves with the terms of their contracts, agreements and accounting information. Should you have any questions or require additional information, please contact your nearest branch.

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Albaraka Bank Limited is an authorised financial services and credit provider

What is a Tax-Free Investment?

A Tax-Free Investment is an opportunity for investors to gain full benefit of their capital plus profit earned which is not subjected to any tax implications.

Why should I consider a Tax-Free Investment?

A tax benefit will allow me to:



Save more



Reduce household debt



Avoid financial vulnerability

What are the rules?

Minimum of R1000 when opening the account. Thereafter, minimum deposits of R250 - but must not exceed R33 000 per tax year.

There is a R33 000 contribution per tax year and a R500 000 lifetime contribution limit.

The penalty for exceeding these contribution limits is a 40% tax on the amount that is in excess of the limit.

You will be allowed a maximum of one withdrawal per tax year, with a minimum withdrawal amount of R500 and a maximum withdrawal amount being the total value of your investment.

** Annual and Lifetime contribution limits are subjected to amendment by Legislation from time to time.

How it works

Based on the following assumptions:

Maximum Monthly Debit Order amount	: R 2 750
Limit per tax year	: R 33 000
Assumed rate of return	: 5.5% p.a.
Investment period	: 36 years

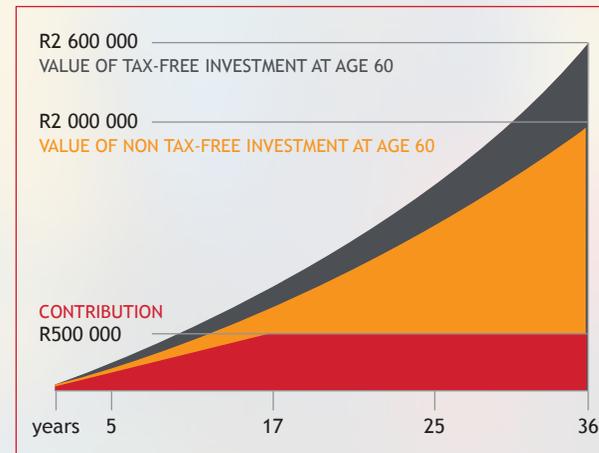
A 24 year-old investor opens a Tax-Free Investment account with Al Baraka Bank with a debit order for the maximum amount of R 2 750 per month.

At the age of 40, the investor would have invested the maximum lifetime contribution R 500 000.

If the investor capitalises his profit, upon his retirement at the age of 60, the investment would pay out a profit of R 2 100 000, calculated at an indicative investment return of 5.5% p.a.

Depending on the investor's tax bracket, the tax saving estimate would be between R240 000 and R600 000.

This example and the values presented are not guaranteed and are for illustrative purposes only. The current nominal profit return of 5.5% p.a. was used to determine this calculation



Lifetime contribution: R500 000

These are the total payments made into a tax-free investment account.

Effective rate of return: 11% (5.5% p.a compounded monthly)

The effective rate of return on the investment is calculated over the investment lifetime: Investment Profit Pay-out / Lifetime Contribution / Number of years in the investment

Investment profit: R2 100 000

This is the profit the investment would yield after 36 years at an effective return of 11% p.a.

Investment return: R2 600 000

This is the investment return (capital plus profit) after 36 years at an effective return of 11% p.a.

Tax saving: R600 000

This is the maximum tax saving on the investment return at a tax rate of 45% at the time of withdrawal.
(Minimum tax saving of R240 000 at a tax rate of 18%)

What do I need?

- Bar-coded identity document or smart card ID
- A utility bill, not older than three months, for the verification of residential address in line with FICA requirements

All deposits and withdrawals will be subject to ABL's banking fees

Frequently Asked Questions

1. What are the current returns on the product?

Islamic investments earn a return based on a profit sharing model. Any income earned through the bank's financing operations are then shared between the shareholders and the bank's depositors. As the income earned by the bank varies week on week, so too would the rate offered on the product.

2. Are the returns on the product competitive?

The returns on the product are marginally different to those of other banking institutions, based on the Shariah-compliance cost involved in offering an Islamic alternative to conventional banks.

3. Do the returns on the product fluctuate?

Profit rates are revised weekly, based on the profit earned through the bank's financing operations during the preceding week. Profit rates, even though revised weekly, are relatively stable.

4. Can I invest in more than one tax-free investment or savings product?

Yes, it is possible to have more than one tax-free investment or savings account at different financial institutions. However, at Al Baraka Bank, we only allow one tax-free account per individual. It is important to note that the annual and lifetime contribution limits across any number of tax-free savings accounts with any number of institutions collectively may not exceed their respective contribution limits.

Kindly note that penalties are applicable for investments that are made which are in excess of the annual and lifetime contribution limits.

Kindly familiarise yourself with all terms and conditions and legal requirements pertaining to the Tax-Free Investment as noted in the regulations in terms of Section 12T of the Income Tax Act of 1962, on the requirements for Tax-Free Investment.