

Government of Pakistan
Revenue Division
Federal Board of Revenue

C.No. 1(96)R&S/2017

Islamabad, the 29th September, 2017

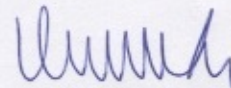
Circular No.06 of 2017
(Income Tax)

Subject: **Clarification on Bahbood certificates/Pensioners Benefit Account**

Clarifications have been sought from the Board regarding tax treatment of yield or profit on investment in Bahbood certificates/Pensioners Benefit Account. As per section 7B of the Income Tax Ordinance, 2001, a tax shall be imposed at the rate specified in Division IIIA of Part I of the First Schedule on every person, other than a company, who receives a profit on debt from any person mentioned in clauses (a) to (d) of sub-section (1) of section 151. The tax shall be computed by applying the relevant rate of tax on the gross amount of the profit on debt. As per law, persons deriving income from yield/ profit on investment in Bahbood certificates/Pensioners Benefit Account are chargeable to tax under section 7B.

2. As per clause (36A) of the Part IV of the Second Schedule, amount paid as yield or profit on such accounts is not subject to withholding tax under section 151. Therefore the amount chargeable to tax under section 7B as per rates specified in Division IIIA of Part I of the First Schedule is to be paid at the time of filing of return of income.

3. However, as per clause (6) of Part III of the Second Schedule, the tax payable on any amount paid as yield or profit on investment in Bahbood Savings Certificate or Pensioners Benefit Account shall not exceed 10 percent of such profit. Although there are three progressive slabs of tax imposed under section 7B with the lowest being ten percent for profit on debt up to Rs.25,000,000 and the highest rate for profit on debt exceeding Rs.50,000,000 is Rs.5,625,000 plus fifteen percent of the amount exceeding Rs.50,000,000, the rate of tax for Bahbood Savings Certificate or Pensioners Benefit Account is not to exceed ten percent as per clause (6), Part III of the Second Schedule. The rate of tax also cannot be lower than ten percent because the minimum rate on the gross amount of profit on debt in Division IIIA of Part I of the First Schedule is ten percent. Therefore, persons deriving income from Bahbood certificates/Pensioners Benefit Account are required to pay tax at the rate of ten percent on gross amount of profit on debt on such accounts.



(Usman Ahmed Khan)
Secretary (Income Tax Clarification)