

## LTBA asks FBR to provide relief to widows, pensioners by withdrawing Circular 06 of 2017

Lahore Tax Bar Association (LTBA) has requested the Federal Board of Revenue (FBR) to withdraw the clarification issued through the Circular No.06 of 2017.

In a letter sent to the Secretary Income Tax Clarification, FBR, the LTBA stated that under section 7B of Income Tax Ordinance, 2001, a tax shall be imposed on every person other than a company, who receives a profit on debt from any person mentioned in clause (a) to (d) of sub-section (I) of section 151. It added that this portion of section 7B, inserted by Finance Act 2015, unambiguously showed that it covered only such profit on debt that was mentioned in clause (a) to (d) of sub-section (I) of section 151 of the Ordinance.

In the case of Bahbood Saving Certificates and Pensioner's Benefit account only section 151(I) (a) is relevant in this case. However, the said circular has ignored the clause (36A), Part IV of Second Schedule to the Ordinance, which reads as under: "The provisions of clause (a) of sub-section (I) of section 151 shall not apply in respect of any amount paid as yield or profit on investment in Bahbood Saving Certificate or Pensioner's Benefit Account."

The LTBA said that it was clear from above that for profit/income from Bahbood Saving Certificate and Pensioner's Benefit Account, section 151 (1) (a) of the Ordinance has no implication. Since these two instruments have been taken out from the scope of section 7B of the Ordinance, the same cannot be subjected to tax as per table in Division IIIA of Part 1 of First Schedule to Ordinance where three slabs have been provided.

It said that the correct position was that income from Bahbood Saving Certificate and Pensioner's Benefit Account came under section 39 (income from other source).

Since it is income from other source, the reduced rate provided under clause (6) of Part-III of Second Schedule to the Ordinance is applicable which reads as under: "The tax payable under clause (c) of sub-section (I) of section 39, in respect of any amount paid as yield or profit on investment in Bahbood Saving Certificate or Pensioner's Benefit Account shall not exceed 10% of such profit.

Therefore, income from Bahbood Saving Certificate and Pensioner's Benefit Account falls in section 39 but not section 7B of the Ordinance.

Furthermore, the letter said that due to inadvertent oversight, clause (36A) of Part IV of Second Schedule to the Ordinance escaped the attention of FBR. It said that the conjunct reading of section 7B, clause (6) of Part-III and clause (36A), Part IV of Second Schedule to the Ordinance confirmed beyond any doubt that normal tax rates would apply but it shall not exceed 10 percent of profit/income.

The LTBA said that the provisions of clause (36A) of Part IV and clause (6) of Part III of Second Schedule to the Ordinance were meant to protect widows and pensioners and by virtue of clarification issued by the FBR (which was against the law) they would suffer heavy taxation.

It said that for instance, if a widow earned profit from Bahbood Saving Certificate of Rs 350,000, no tax was payable on this income as the same fell below taxable limit. However, according to clarification issued by FBR, she will have to pay tax of Rs 35000. Similarly, if a pensioner who earned pension of Rs 150,000 and profit from Pensioner's Benefit Account of Rs 500,000, he/she pays only Rs 3,500 as income tax after taking senior citizen rebate whereas according to clarification, they are liable to pay income tax of Rs 50,000. Keeping the said in view, the LTBA has requested the board to withdraw the circulation to provide facilitation at maximum.

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