

Pension system in India, Srilanka, Bangladesh and Pakistan:
Invest India Economic Foundation, New Delhi, June 2006

India

1.GENERAL

Schemes for private sector workers:

<i>Scheme for private sector workers¹</i>	<i>Type of the scheme</i>	<i>Legal coverage</i>
Employees' Pension Scheme	Defined benefit ²	Employees in firms with 20 or more workers
Employees' Provident Fund	Defined contribution ³	Employees in firms with 20 or more workers

Note: Voluntary pension schemes are not included here

Indexation

Formal pension in most of the cases (except employee pension scheme) are indexed to inflation in the form of Dearness Allowance and/or Dearness Pay. Dearness Allowance / Pay increases at the rate of increase in the relevant price index⁴. In addition to price indexation, Central and State Government pensions are also indexed to changes in their basic salary brought about by successive Pay Commissions or by other means.

¹ EPF and EPS also apply to public sector institutions like ONGC, BHEL, etc.

² Employees' Pension Scheme is a defined benefit scheme where monthly pensions are paid to the members after they retire. In case of death of the member, a pension is paid to the widow and children (upto age 25 for children). The scheme commenced in November 1995 and replaced the Family Pension Scheme, 1971.

³ Benefits under the EPF are paid as a lump sum at retirement. The benefit payments are from the contribution and returns thereon. However, the calculation of member's benefit is an administered exercise.

⁴ In most of the cases, the price index used is Consumer price index (CPI) for industrial workers (1982=100)

2. ECONOMIC VARIABLES

Average earning in the economy⁵

	Average primary income from primary occupation (2004-05 prices)	Standard error of the mean
Urban	58875	845
Rural	36192	309
Total	41811	317

Figures are in INR

Average earnings of the individuals covered by the relevant pension schemes⁶

	Average primary income from primary occupation (2004-05 prices)	Standard error of the mean
Civil Service Pension [Government employees (Central and State government)]	80482	861
EPS 95 (Private firms with 20 or more workers)	49230	1427

Figures are in INR

⁵ Indian Retirement, Earning and Savings Survey 2004, commissioned under the ADB technical assistance to the Indian Government in 2004-05

⁶ Indian Retirement, Earning and Savings Survey 2004, commissioned under the ADB technical assistance to the Indian Government in 2004-05

3. QUALIFYING CONDITIONS

Current normal pension ages for men and women

Scheme	Current normal pension ages for men and women
Employees' Pension Scheme	58 (both men and women)
Civil Service Pension Scheme	60 (both men and women)
Public Sector Bank Pension Schemes	60 (both men and women)
National Old Age Pension Scheme	65 (both men and women)

Long term normal pension ages for men and women:

There is no such change

Early pension ages for men and women, currently and in the long run

Scheme	Early pension ages for men and women	Early pension ages for men and women in the long run
Employee Pension Scheme	50	There is no such change
Civil Service Pension Scheme	This is not age specific ⁷	There is no such change
Public sector bank pension scheme (excluding state bank of India)	This is not age specific ⁸	There is no such change

Number of years of contribution required for retirement at normal pension age and at early pension age

Scheme	Retirement at normal pension age	Retirement at early pension age
Employee Pension Scheme	10 years	10 years
Civil Service Pension Scheme	Not applicable	Not applicable
Public sector bank pension scheme	Not applicable	Not applicable

⁷ A minimum of 10 years of service is required in this regard

⁸ A minimum of 10 years of service is required in this regard (Source: Brochure on pension Scheme in Banks, India Bank's Association)

4. FIRST TIER SCHEMES

4.a. Basic pension

OECD definition: In basic pension schemes, the benefit is either flat-rate, i.e., the same amount is paid to every retiree, or it depends only on years of work (but not on past earnings). Additional income from other sources does not change the entitlement to the basic pension.

Indian scheme which matches this definition: No such scheme exists in India

4.b. Minimum pension:

OECD definition: Minimum pensions, as they are defined here, are part of the rules of the second-tier, earnings-related pension provision. Usually, retirees must have paid contributions for a minimum number of years in order to receive this benefit.

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Level of minimum pension

1) Employee pension scheme

(a) Exit under normal cases: In case of a member recruited after 1995, there is no level of minimum pension. For other category of members, the level of minimum pension is given by the following table

Member age as on 16.11.1995	Member service as on 16.11.95	Minimum pension/month
<=48	<24	450
	>=24	800
49-53	<24	325
	>=24	600
>53	<24	265
	>=24	500

(b) Exit due to disability (100%): Rs. 250/month

(c) Widow/survivor pension: Rs. 450/month

2) Civil service pension scheme

(a) Exit under normal cases:Rs. 1275/month

(b) Exit due to disability (100%): Under normal cases (the cause of disability are not related to the working conditions), there are no specific rules for minimum pension.

(c)Widow/survivor pension: Rs. 1275/month

3) Public sector bank scheme (excluding state bank of India)

(a) Exit under normal cases: The minimum amount of pension received is Rs.375 per month in case of a member who retired before 1st November, 1993, Rs.720 per month for those retiring after 1st November, 1993 and Rs. 1015/month in case of a person who retires after 1st April 1998.

(b) Exit due to disability (100%): same as normal conditions

(c)Widow/survivor pension: Rs. : As given by the table below

Retirement date	Scale of pay/month	Minimum pension/month
Before 1993	<=1500	375
	1501-3000	450
	>3000	600
1993-1998	<=2870	720
	2871-5740	860
	>5740	1150
After 1998	<=4040	1015
	4041-8080	1212
	>8080	1616

Indexation procedure for minimum pension level:

Scheme	Indexation procedure for minimum pension level
Employees' Pension Scheme	There is no formal procedure
Civil Service Pension Scheme	There is no formal procedure
Public sector bank (excluding state bank of India)	There is no formal procedure

• **Withdrawal rate against earnings-related pension:**
Not applicable

Any adjustment of entitlements against other income/assets:

Not applicable

4.c. Targeted scheme/ social assistance

OECD definition: Targeted plans pay a higher benefit to poorer pensioners and reduced benefits to better-off retirees. The targeting takes three different forms. First, benefits can be pension-income tested (where the value depends only on the level of pension income a retiree receives), broader-income tested (reducing payments if, for example, a retiree has income from savings) or broader means-tested (reducing the pension to take account of both income and assets).

Indian scheme which matches this definition: There is no such scheme in which benefits are inversely related to the existing economic well being of a retiree. However there exist a closely similar scheme (National old age pension scheme⁹) in which a flat amount is given to those aged persons who fulfill some economic criterias¹⁰.

Target Minimum Income level

For claiming central assistance: The applicant must be a destitute in the sense of having little or no regular means of subsistence from his/her own sources of income or through financial support from family members or other sources. In order to determine destitution, the criteria, if any, currently in force in the States/UTs Governments may also be followed.

*For claiming state assistance*¹¹

<i>State</i>	<i>Target Minimum Income Level</i>	<i>Assistance from the state government / month</i>
Andhra Pradesh	Not available	75
Arunachal Pradesh	family income should be below Rs. 5000/year	150
Assam	Not available	60
Bihar	Not available	100
Chandigadh	Not available	200
Chhatisgadh	Destitute and unable to earn livelihood	

⁹ Under National Old Age Pension Scheme, Central Assistance of Rs. 75/- per month plus a flat amount from the respective state government (varies from state to state) is granted to destitute older male or female above 65 years. The person must not have any regular means of subsistence from any source.

¹⁰ These also includes those criteria s which indirectly have an impact on the economic well being of an individual

¹¹ Helpage India

Delhi	No means of earning/ no support from family. Incapable of any remunerative work. Family's per capita income should be below Rs. 50 per month or combined income including his pension is less than Rs. 200 per month	200
Gujarat	income should be below Rs. 2500/year, family income should be below Rs.4500/year.	Not available
Harayana	Not available	100
Himachal Pradesh	have no adequate means of livelihood, annual income from all sources should not exceed Rs. 6000. Annual income of adult son(s) or daughter(s) should not exceed Rs. 11,000	150
Jharkhand	Income should be below Rs 5000/year in rural and Rs. 5500/year in urban, family income not to exceed Rs. 6000/year	Not available
Jammu and Kashmir	Not available	125
Kerala	Family income below Rs. 11,000 per annum	110
Madhya Pradesh	Not available	150
Manipur	Not available	Not available
Meghalaya	Family income should not exceed Rs. 5000/year	Not available
Mizoram	Not available	100
Orrissa	Not available	100
Punjab	Rs. 12000/year. for single people and Rs. 1800/year. in case of a couple	200
Rajasthan	Not available	Not available
Sikkim	Not available	Not available
Tamilnadu	destitute or those incapacitated due to blindness,paralysis, nutritious leprosy & Insanity, these people should not be professional beggars, should have no income and value of the property, if any should not be more than Rs. 5000/ and no support from children.	150
Uttar Pradesh	Monthly income below Rs 1,000; (Rural areas: own not more than 2.5 acres of land)	125
Uttaranchal	Living below poverty line with no financial support	
West Bengal	Not available	300

Indexation procedure for minimum income level:

No such procedure

Sources of income/assets included in the targeting:

Not applicable

Withdrawal rate of entitlement against other income sources

Not applicable

5. BENEFIT FORMULA: SECOND TIER SCHEMES**Types of scheme: defined benefit, points, notional accounts, defined contribution**

Scheme Type	Scheme Titles
Defined benefit	Civil Service Pensions, Employee Pension Scheme, Public Sector Pension Schemes
Points-based	No Scheme exists in India
Notional accounts	General Provident Fund, Contributory Provident Fund
Defined contribution	Employees' Provident Fund (EPFO), New Pension System for newly recruited government employees, occupational provident funds (Coal Mines Provident Fund, Assam Tea Plantations Provident fund, Jammu and Kashmir Provident Fund, Seamen's Provident Fund)

Floor and/or ceilings on pensionable earnings; and indexation of these values

Scheme	Floor and/or ceilings on pensionable earnings;	Indexation
Employee Pension scheme	The scheme is not mandatory for employee whose salary exceed 6500/month , where salary includes basic wage,with dearness allowances, retaining allowance and cash value of food concessions.	No formal procedure exist
Civil service pension scheme	No floor/ceilings	Not applicable
Public sector pension scheme	No floor/ceilings	Not applicable
General provident fund	No floor/ceilings	Not applicable
Contributory provident fund	No floor/ceilings	Not applicable
New Pension scheme for newly recruited government employees	No floor/ceilings	Not applicable
Occupational provident funds	No floor/ceilings	Not applicable

Indexation of pensions in payment

Scheme	Indexation of pensions in payment
Employee Pension scheme	No such rule
Civil service pension scheme	Indexed to inflation and wage increase by pay commission
Public sector pension scheme	Indexed to inflation
General provident fund	Not applicable
Contributory provident fund	Not applicable
New Pension scheme for newly recruited government employees	Not applicable
Occupational provident funds	Not applicable

5.a. Defined benefit:

Accrual rate for benefits per year of service

Scheme	Accrual rate for benefits per year of service
Civil service service pension scheme	Min{[(completed years of service/66)(Earning measure)], 50% of earning measure}
Employee pension scheme	(pensionable service/70)*pensionable salary
Public sector banks pension schemes	The formula for calculating pension is (half of the average emoluments X number of years of qualifying service)/33.

Earning Measures

Scheme	Earning measure
Civil service service pension scheme	This is equal to average basic pay drawn by the Government servant during the last ten months of his service. For some States, pension is calculated with reference to the last drawn pay.
Employee pension scheme	This is equal to average monthly pay drawn during the contributory period of service in the span of 12 months preceding the date of exit from the membership of the scheme
Public sector banks pension schemes	This is equal to average monthly pay drawn during the contributory period of service in the span of 10 months preceding the date of exit from the membership of the scheme

Valorization: This is not applicable

Maximum pension and indexation:

Scheme	Maximum pension/month	Indexation of maximum pension
Civil service service pension scheme	min{50% of the average basic pay of last 10 months, 15000 ¹² }	It is indexed by successive pay commissions
Employee pension scheme	There is no limit	Not applicable
Public sector banks pension schemes	There is no limit	Not applicable

Maximum replacement rate and number of years of coverage:

Scheme	Maximum replacement rate	Number of years of coverage
Civil service service pension scheme	50.00%	33
Employee pension scheme	50.00%	35
Public sector banks pension schemes	50.00%	33

5.b. Points scheme:

Not applicable

¹² In case of survivor pension, this is equal to 9000/month.

5c. Notional accounts

Applicable schemes in India: General provident fund, Contributory provident fund¹³

Total contribution rate and split between employee and employer:

Scheme	Employee contribution rate	Employer contribution rate
General provident fund	The subscriber can choose to contribute any thing) between 6% and 100% of his emoluments. In case of those subscriber, who has previously been contributing to CPF at the higher rate of 8.33%, then that employee is bound to contribute more than equal to 8.33% of his emoluments.	No contribution
Contributory provident fund	The subscriber can choose to contribute any thing between 10% and 100% of his emoluments.	The employer is required to make a matching contribution to the CPF account of a subscriber subject to the constraint that the employer s contribution does not exceed 10% of subscriber's emoluments.

Notional interest rate:

Scheme	Notional interest rate
General provident fund	8% per annum
Contributory provident fund	8% per annum

Annuity factor:

This is not applicable as the entire accumulation at retirement is paid to the employee in both the schemes.

¹³ This scheme is not applicable to individuals joining after 1986.

5d. Defined contribution plans

Applicable schemes in India: New pension scheme for newly recruited government employees, Employee provident fund, occupational provident funds¹⁴

Total contribution rate and split between employee and employer:

<i>Scheme</i>	<i>Employee contribution</i>	<i>Employer contribution</i>	<i>Any other</i>
New pension scheme for newly recruited government employees	10% of basic salary plus dearness allowances and dearness pay	10% of basic salary plus dearness allowances and dearness pay	No
Employee provident fund	12% of the basic pay	3.67% of the basic pay	No
Seamen's Provident Fund	No	12% of the wages, leave wages, seniority supplement and 10% of supplement payable to the seaman.	Equal (to the employer) contribution by the Seamen's Provident fund organization
Jammu and Kashmir Provident Fund	Not available	Not available	No
Coal Mines Provident Fund	12% of the wages	12% of the wages	No
Assam Plantation Provident Fund	Not available	Not available	No

Calculation of annuity factor:

<i>Scheme</i>	<i>Annuity factor</i>
New pension scheme for newly recruited government employees	Not yet decided
Employee provident fund	The entire accumulation in the member account is paid to the member at the point of retirement
Seamen provident fund	The entire accumulation in the member account is paid to the member at the point of retirement
Jammu and Kashnir provident fund	The entire accumulation in the member account is paid to the member at the point of retirement
Coal mines provident fund	The entire accumulation in the member account is paid to the member at the point of retirement
Assam plantation provident fund	The entire accumulation in the member account is paid to the member at the point of retirement

¹⁴ The member benefits in this case are administered.

6. EARLY AND LATE RETIREMENT

6.a. Early retirement (As given in Qualifying conditions)

Current normal pension ages for men and women

Scheme	Current normal pension ages for men and women
Employees' Pension Scheme	58 (both men and women)
Civil Service Pension Scheme	60 (both men and women)
Public Sector Bank Pension Schemes	60 (both men and women)
National Old Age Pension Scheme	65 (both men and women)

Early pension ages for men and women, currently and in the long run

Scheme	Early pension ages for men and women	Early pension ages for men and women in the long run
Employee Pension Scheme	50	There is no such change
Civil Service Pension Scheme	This is not age specific ¹⁵	There is no such change
Public sector bank pension scheme (excluding state bank of India)	This is not age specific ¹⁶	There is no such change

6.b. Late retirement (Not applicable)

¹⁵ A minimum of 10 years of service is required in this regard

¹⁶ A minimum of 10 years of service is required in this regard (Source: Brochure on pension Scheme in Banks, India Bank's Association)

7. PERSONAL INCOME TAX AND SOCIAL SECURITY CONTRIBUTION

7.a. Personal income tax for workers

Personal income tax schedule¹⁷

1) In case of individual and Hindu undivided family (HUF)

<i>Annual income (INR)</i>	<i>Tax rate</i>
Where the total income does not exceed Rs.1,00,000/-.	Nil
Where the total income exceeds Rs.1,00,000/- but does not exceed Rs.1,50,000/-.	10% of the amount in excess of Rs.1,00,000/-.
Where the total income exceeds Rs.1,50,000/- but does not exceed Rs.2,50,000/-.	Rs.5,000/- + 20% of the amount by which total income exceeds Rs.2,50,000/-.
Where the total income exceeds Rs.2,50,000/-.	Rs.25,000/- + 30% of the amount by which total income exceeds Rs.2,50,000/-.

2) In case of individual being a woman resident in India and below 65 years at any time during the previous year :-

<i>Annual income (INR)</i>	<i>Tax rate</i>
Where the total income does not exceed Rs.1,35,000/-.	Nil
Where total income exceeds Rs.1,35,000/- but does not exceed Rs.1,50,000/-.	10% of the amount in excess of Rs.1,35,000/-.
Where the total income exceeds Rs.1,50,000/- but does not exceed Rs.2,50,000/-.	Rs.1,500/- + 20% of the amount by which total income exceeds Rs.1,50,000/-.
Where the total income exceeds Rs.2,50,000/-.	Rs.21,000/- + 30% of the amount by which the total income exceeds Rs.2,50,000/-.

¹⁷ Source: http://incometaxindia.gov.in/taxation/taxation_index.asp#

3) In case of an individual resident who is of the age of 65 years or more at any time during the previous year :-

<i>Annual income (INR)</i>	<i>Tax rate</i>
Where the total income does not exceed Rs.1,85,000/-.	Nil
Where the total income exceeds Rs.1,85,000/- but does not exceed Rs.2,50,000/-	20% of the amount by which the total income exceeds Rs.1,85,000/-.
Where the total income exceeds Rs.2,50,000/-.	Rs.13,000/- + 30% of the amount by which the total income exceeds Rs.2,50,000/-.

Standard income tax reliefs

1) Deduction from salary income:

Deductions applicable to salaried individuals:¹⁸

<i>Section</i>	<i>Deduction type</i>	<i>Applicability</i>
80D	Payment of medical insurance premium. Deduction is available upto Rs.10,000/	The premium is to be paid by cheque and the insurance scheme should be framed by the General Insurance Corporation of India & approved by the Central Govt. or any other insurer and approved by the insurance Regulatory & Development authority. The premium should be paid in respect of health insurance of the assessee or his family members.
80DD	Deduction of Rs.40,000/- in respect of (a) expenditure incurred on medical treatment, (including nursing), training and rehabilitation of handicapped dependant relative. (b) Payment or deposit to specified scheme for maintenance of dependant handicapped relative. W.e.f. 01.04.2004 the deduction under this section has been enhanced to Rs.50,000/-. Further, if the dependant is a person with severe disability a deduction of Rs.75,000/- shall be available under this section.	The handicapped dependent should be a dependent relative suffering from a permanent disability (including blindness) or mentally retarded, as certified by a specified physician or psychiatrist. Note: A person with 'severe disability' means a person with 80% or more of one or more disabilities as outlined in section 56(4) of the 'Persons with disabilities (Equal opportunities, protection of rights and full participation)' Act..

¹⁸ Source: http://incometaxindia.gov.in/taxation/taxation_index.asp#

<i>Section</i>	<i>Deduction type</i>	<i>Applicability</i>
80DDB	Deduction of Rs.40,000 in respect of medical expenditure incurred. W.e.f. 01.04.2004, deduction under this section shall be available to the extent of Rs.40,000/- or the amount actually paid, whichever is less.	Expenditure must be actually incurred by resident assessee on himself or dependent relative for medical treatment of specified disease or ailment. The diseases have been specified in Rule 11DD. A certificate in form 10 I is to be furnished by the assessee from any Registered Doctor.
80E	Deduction in respect of repayment of loan or interest on such loan taken for higher studies upto Rs.40,000 per year.	This provision has been introduced to provide relief to students taking loans for higher studies. The repayment of the principal amount of loan and interest thereon will be allowed as deduction upto Rs.3.2 lakhs over a period of 8 years. This section has been amended by the Finance Act,2005. Thus w.e.f. 01.04.2006, deduction shall be allowed only in respect of interest on loan taken for pursuing higher education. The ceiling of Rs.40,000/- has been done away with.
80G	Donation to certain funds, charitable institutions etc.	The various donations specified in Sec. 80G are eligible for deduction upto either 100% or 50% with or without restriction as provided in Sec. 80G
80GG	Deduction available is the least of (i) Rent paid less 10% of total income(ii) Rs.2000 per month (iii)25% of total income	(1)Assessee or his spouse or minor child should not own residential accommodation at the place of employment. (2)He should not be in receipt of house rent allowance. (3)He should not have a self occupied residential premises in any other place.

<i>Section</i>	<i>Deduction type</i>	<i>Applicability</i>
80L	Interest/Dividend/Income from (a) any Govt. Security(Central or State) (b)NSC, VI, VII & VIII issues. (c)Notified debentures of public sector undertakings, cooperative societies/land mortgage bank or land development bank. (d)Notified National Deposit Scheme. (e)Any other deposit Scheme framed by Central Govt. and notified. (f)Deposit under Post Office Monthly Income Account rules, 1987. (g)Deposits with banking companies, banking co-op. societies, land mortgage or land development bank. (h)Deposits with banks established under any law made by Parliament. (i)Deposits with financial corporations approved by Central Government. (j)Deposits with any authority constituted in India under any law for planning, development or improvement of cities, towns and villages etc. (k)Deposits with co-operative societies. (l)Deposits with any public companies providing long term finance for construction or purchase of houses. (m)Income from U.T.I. (n)Income from Units of Mutual fund specified under clause(23D) of Sec. 10.	Rs.9000 plus an addition deduction of Rs.3000 allowed in respect of interest on any Central/ State Govt. Securities. W.e.f. 01.04.2004, no deduction u/s 80L shall be available in respect of dividends from an Indian company, income received in respect of units from the UTI and income received in respect of units of a Mutual Fund u/s 10 (23D). This section has been omitted by the Finance Act,2005. Thus, no deduction under this section shall be available w.e.f. 01.04.2006.
80U	Deduction of Rs.40,000/- to an individual who suffers from a physical disability(including blindness) or mental retardation. W.e.f. 01.04.2004 deduction of Rs.50,000/- shall be available under this section. Further, if the individual is a person with severe disability, deduction of Rs.75,000/- shall be available u/s 80U.	Certificate should be obtained from a Govt. Doctor. The relevant rule is Rule 11D

<i>Section</i>	<i>Deduction type</i>	<i>Applicability</i>
80R	Deduction on remuneration received from any foreign university, educational institution or any association set up outside India of an amount equal to 75% of such remuneration brought to India in convertible foreign exchange within 6 months from the end of the previous year or within the extended time allowed by the Chief Commissioner or Commissioner of Income-tax. From assessment year 2001-2002 the above deduction will be available as: (i) Deduction of 60% of such remuneration for assessment year 2001-2002. (ii) Deduction of 45% of such remuneration for assessment year 2002-2003. (iii) Deduction of 30% of such remuneration for assessment year 2003-2004. (iv) Deduction of 15% of such remuneration for assessment year 2004-2005.	Available to professors, teachers or research workers. Certificate in Form 10H to be furnished. No deduction shall be allowed in respect of A.Y. 2005-06 onwards.
80RR	Deduction in remuneration received from foreign sources including Government of a foreign state or any person not residing in India of an amount equal to 75% of such remuneration as is brought to India subject to conditions specified as S80R. From assessment year 2001-2002 the above deduction will be available as : (i) Deduction of 60% of such remuneration for assessment year 2001-2002. (ii) Deduction of 45% of such remuneration for assessment year 2002-2003. (iii) Deduction of 30% of such remuneration for assessment year 2003-2004. (iv) Deduction of 15% of such remuneration for assessment year 2004-2005.	Available to individual residents in India being authors, playwrights, artists, musician, actor or sportsman. Certificate in Form 10H to be furnished. No deduction shall be allowed in respect of A.Y. 2005-06 onwards.

<i>Section</i>	<i>Deduction type</i>	<i>Applicability</i>
80RRA	Deduction on remuneration received from any employer (Foreign or Indian) for services rendered outside India of an amount equal to 75% of such remuneration subject to conditions mentioned aforesaid. From assessment year 2001-2002 the above deduction will be available as: (i) Deduction of 60% of such remuneration for assessment year 2001-2002. (ii) Deduction of 45% of such remuneration for assessment year 2002-2003. (iii) Deduction of 30% of such remuneration for assessment year 2003-2004. (iv) Deduction of 15% of such remuneration for assessment year 2004-2005.	Certificate in Form 10H to be furnished. No deduction shall be allowed in respect of A.Y.2005-06 onwards.
80RRB	Deduction in respect of any income by way of royalty is respect of a patent registered on or after 01.04.2003 under the Patents Act 1970 shall be available as :- Rs. 3 lacs or the income received, whichever is less.	The assessee must be an individual resident is India who is a patentee. The assessee must furnish a certificate in the prescribed form duly signed by the prescribed authority.
80QQB	Deduction is respect of royalty or copyright income received in consideration for authoring any books of literary, artistic or scientific nature other than text book shall be available to the extent of Rs. 3 lacs or income received, whichever is less.	The assessee must be an individual resident in India who receives such income in exercise of his profession. To avail of this deduction, the assessee must furnish a certificate in the prescribed form along with the return of income.
80C	Life Insurance Premium	For individual, policy must be in self or spouses or any child's name. For HUF, it may be on life of any member of HUF.
80C	Payments for life insurance premium, deferred annuity, sum deducted from salary to payments to deferred annuity, Public provident fund, recognized provident fund, sum deposited in 10/15 years Post Office saving accounts,	The total deduction under this section is limited to Rs.1 lakh only.

<i>Section</i>	<i>Deduction type</i>	<i>Applicability</i>
80C	Contribution to notified deposit scheme/Pension fund set up by the National Housing Scheme, Certain payment made by way of instalment or part payment of loan taken for purchase/construction of residential house property, Contribution to notified annuity Plan of LIC(e.g. Jeevan Dhara) or Units of UTI/notified Mutual Fund., Subscription to units of a Mutual Fund notified u/s 10(23D), Subscription to deposit scheme of a public sector, company engaged in providing housing finance, Subscription to equity shares/debentures forming part of any approved eligible issue of capital made by a public company or public financial institutions, Tuition fees paid at the time of admission or otherwise to any school, college, university or other educational institution situated within India for the purpose of full time education of any two children	

2) exemptions on allowances

Tax exemption on allowances to salaried individuals:¹⁹

<i>Allowance type</i>	<i>Exemptions</i>
House	Minimum (House rent received, Rent paid less 10% of salary, 40% of Salary)
Leave travel allowances	The amount incurred on performance of travel on leave to any place in India by the shortest route to that place is exempt. This is subject to a maximum of the air economy fare or AC 1st Class fair (if journey is performed by mode other than air). This is subject to the condition that the exemption shall be available only for two journeys performed in a block of 4 calendar years.
Leave Compensatory Allowance or high altitude allowance or climate allowance	Rs.800 common for various areas of North East ,Hilly areas of U.P.,H.P. & J&K and Rs. 7000 per month for Siachen area of J&K and Rs.300 common for all places at a height of 1000 mts or more other than the above places.
A border area allowance or remote area allowance or a difficult area allowance or disturbed area allowance	Various amounts ranging from Rs.200 per month to Rs.1300 per month are exempt for various areas specified in Rule 2BB

¹⁹ Source: http://incometaxindia.gov.in/taxation/taxation_index.asp#

<i>Allowance type</i>	<i>Exemptions</i>
Tribal area allowance. Available in M.P., Assam, U.P., Karnataka, West Bengal, Bihar, Orissa	Rs. 200/month
Any allowance granted to an employee working in any transport system to meet his personal expenditure during duty performed in the course of running of such transport from one place to another	70% of such allowance upto a maximum of Rs.6000 per month
Children education allowance	Rs.100 per month per child upto a maximum 2 children.
Allowance granted to meet hostel expenditure or employee's child.	Rs.300 per month per child upto a maximum two children.
Compensatory field area allowance available in various areas of Arunachal Pradesh, Manipur Nagaland, Sikim, H.P., U.P. & J&K	Rs. 2600/month
Compensatory modified field area allowance available in specified areas of Punjab, Rajasthan, Haryana, U.P., J&K, H.P. & North East	Rs. 1000/month
Counter insurgency allowance to members of Armed Forces.	Rs. 3900/month
Transport Allowance granted to an employee to meet his expenditure for the purpose of commuting between the place of residence & duty	Rs. 800/month
Transport allowance granted to physically disabled blind employee for the purpose of commuting between place of duty and residence	Rs. 1600/month
Underground allowance granted to an employee working in under ground coal mines	Rs. 1800/month
Special allowance in the nature of high altitude allowance granted to member of the armed forces	Rs.1060 p.m.(for altitude of 9000-15000ft.)
Special allowance granted to members of armed forces in the nature of island duty allowance.	Rs. 3250/month

Deduction for work related expenses

As given in table “Tax exemption on allowances to salaried individuals”

Deductibility of pension and other social security contributions

As given in the table “Deductions applicable to salaried individuals”

7.b. Personal income tax for pensioners

Existence of additional standard reliefs for older people and their value. Age at which this apply

1. Section 88 of Finance Act, 1992, provides income tax rebate of upto INR15,000 or actual tax whichever is less to senior citizens who have attained the age of 65 years at any time during the relevant previous year.
2. For Senior Citizen, the deduction in respect of medical insurance premia is upto INR15,000/- under Section 80 D.
3. RBI has permitted higher rates of interest on saving schemes of Senior Citizens (persons having the age of 65 years and above). Accordingly, w.e.f. 15.05.01, Banks permitted 0.5 per cent higher rate of interest on fixed deposits.

Are public and private pension income subject to personal income tax?

1. *Accumulation in provident fund:*
Any payment received from a Statutory Provident Fund, is exempt. Any payment from any other provident fund notified by the Central Govt. is also exempt.
2. *Monthly pension:* Yes, they are taxed

7c. Pension and social security contribution

Not applicable

Srilanka

General

1. Scheme for private sector workers

1. Formal Private sector: Employee private fund, Employee trust fund, Approved private sector provident fund
2. Self employed: Farmer's pension scheme, Fishermen's pension scheme, Pension scheme for self employed workers

Indexation rule:

Scheme	Indexation rule
Employee provident fund	Not applicable
Employee trust fund	Not applicable
Approved private sector provident fund	Not applicable
Farmers and Fishermen pension scheme	No indexation
Pension scheme for self employed workers	No indexation

2.Economic variables

Average earnings in the economy:

The per capita income is Rs. 3141/month (2002 prices)²⁰

Average earnings of the individuals covered by the relevant pension schemes:

Not available

²⁰ Household Income and Expenditure Survey – 2002; (Department of Census and Statistics, Government of Srilanka)

3. Qualifying conditions

Current normal pension ages for men and women

Scheme	Current normal pension ages for men and women
Public sector pension scheme ²¹	60 years ²²
Farmers and Fishermen pension scheme	60 years
Pension scheme for self employed workers	60 years

Long term normal pension ages for men and women:

There is no such change

Early pension ages for men and women, currently and in the long run:

Scheme	Current early pension ages for men and women	Early pension ages for men and women in the long run
Public sector pension scheme	55 years	There is no such change
Farmers and Fishermen pension scheme	Data not available	Data not available
Pension scheme for self employed workers	Data not available	Data not available

Number of years of contribution required for retirement at normal pension age and at early pension age:

Not applicable

²¹ This scheme has been closed for entrants since 2002. The Contributory Pension Fund (CPF) will replace the PSPS and will cover the public sector employees who join the public service after January 2003.

²² Review of Superannuation benefits programmes in Sri Lanka, May 19, 2000, Finance and PSD Sector Unit, South Asia Region, World bank

4.First tier schemes

4.a. Basic pension:

Not applicable

4.b. Minimum pension

Scheme	Minimum pension
Public sector pension scheme	40% of last salary ²³
Farmers and Fishermen pension scheme	Not applicable ²⁴
Pension scheme for self employed workers	Not applicable ²⁵

4c. Targeted schemes/social assistance:

Not applicable

5. Second Tier benefit schemes

5.a. Defined Benefit

The prevailing defined benefit schemes are as follows:

- 1) Public sector pension scheme
- 2) Farmer's pension scheme
- 3) Fishermen's pension scheme
- 4) Pension scheme for self employed workers

Accrual rate for benefits per year of service. If this varies with age, years of service, or earnings, the full accrual rate schedule:

A) Accrual rate in Public sector pension scheme²⁶:

Case 1: Public officer who has completed 10 years of pensionable service, but has less than 20 years of service, will be eligible on retirement to receive a pension calculated on the basis of 90% of his salary at retirement as follows:-

²³ To get a pension, at least 10 years of service are required. The replacement rate by rule in this case is equal to 40% of last salary

²⁴ This is fixed given the age at enrollment.

²⁵ This is fixed given the age at enrollment.

²⁶ Public Administration Circular No: 44/90 (Ministry of Public Administration, Provincial Councils & Home Affairs, Independence Square, Colombo 07, 18th October, 1990)

the commuted pension on retirement, and the reduced monthly pension (i.e. 80% of the salary at retirement) when he completes 20 years from the date of his first appointment, or on completion of 55 years of age, whichever occurs earlier. He will be entitled to the restoration of the unreduced monthly pension (90% of salary) after completion of 120 months from the date of commencement of the reduced monthly pension.

Case 2: A Public Officer who has completed 20 years of pension able service, but has less than 30 years service, will be eligible, on retirement, to received a pension calculated at 90% of his salary at retirement, as follows:

the commuted pension and the reduced monthly pension, (i.e. 80% of the last drawn salary) on retirement. He will be entitled to the restoration of the unreduced monthly pension (90% of salary) on completion of 120 months from the date of commencement of the reduced monthly pension.

Case 3: A public Officer who has completed 30 years of service and over, will be eligible, on retirement, to received a pension calculated on the basis of 90% of his salary at retirement as follows.

the commuted pension and the unreduced monthly pension (90% of salary at retirement) notwithstanding the fact that he has drawn a commuted pension, on retirement.

B) Accrual rate in Farmers and Fishermen Pension scheme: The benefit in this case is a fixed amount given the age at enrollment. Promised monthly pension at various ages at enrollment are shown below²⁷.

Age at enrollment	Promised monthly pension (Rs.)
18	4167
25	2500
35	1333
40	1250
55-59	1000

•
C) Accrual rate for self employed workers:

²⁷ Population Ageing, Elderly Welfare, and Extending Retirement Cover: The Case Study of Sri Lanka, Nirosha Gaminiratne, Economic and Statistics Analysis Unit, Overseas Development Institute, London

There are three schedules (A, C and D) to this scheme. Accrual rates differ from schedule to schedule. A contributor, who joins the scheme under Schedule **A** at the age of 18 years is required to pay a quarterly installment of Rs. 50 (186 installments) and is entitled to a monthly pension of Rs. 2,500 at retirement. Under Schedule **C**, a person, who join at the same age but contributes a monthly payment of Rs. 100 (504 installments) will be entitled to a monthly pension of Rs. 5,000. According to Schedule **D**, a contributor should pay Rs.155 as the monthly installment (totally 504 installments) in order to receive a monthly pension payment of Rs. 8,000. Further, the Act has given permission to contributors to pay their total contribution as a lump sum. Again, the monthly pension entitlement differs according to each schedule and the age of joining the scheme.

Earnings measure

Scheme	Earning measure
Public sector pension scheme	Last drawn salary
Farmers and Fishermen pension scheme	Not applicable
Pension scheme for self employed workers	Not applicable

Valorisation (preretirementindexation of pensionable earnings in schemes that are not based on final year's salary)

Information not available

Maximum pension; and indexation

Scheme	Maximum pension	Indexation rule
Public sector pension scheme	In terms of limit on absolute amount, no data is available	No formal indexation to wage and price changes
Farmers and Fishermen pension scheme	4170/month	No indexation rule
Pension scheme for self employed workers	2500/month (schedule A), 5000/month (schedule C), 8000/month (schedule D)	No indexation rule

Maximum replacement rate or number of years of coverage

Scheme	Maximum replacement rate or number of years of coverage	Number of years of coverage
Public sector pension scheme	90% of last drawn salary	30
Farmers and Fishermen pension scheme	Not applicable	42
Pension scheme for self employed workers	Not applicable	42

5.b. Point scheme:

Not applicable

5.c. Notional accounts:

Not applicable

5.d. Defined contribution plans:

The prevailing defined contribution plans are as follows:

- Employee provident fund²⁸
- Employee trust fund²⁹
- Approved Private Provident Fund³⁰
- Contributory Pension scheme³¹

²⁸ This is a fully funded defined-contribution scheme covering workers in the formal private sector.

²⁹ The Employee trust fund, a DC plan set up in 1981, is administered by the ETF Board and supervised by the Ministry of Labor and Vocational Training. The fund covers the employees of private sector enterprises.

³⁰ Legislation introduced in 1995 allowed employers to opt out of the EPF and establish private provident funds.

³¹ This is contributory but defined benefit type social security scheme which replaced the PSPS in January 2003. It covers new employees in the public service or provincial public service, who are recruited on a permanent basis.

. Total contribution rate and split between employer and employee

Scheme	Employee contribution	Employer contribution
Employee provident fund	8% of the wage	12% of the wage
Employee trust fund	No contribution	3% of the wages
Approved private provident fund ³²	At least 8% of the wage	At least 10% of the wage
Contributory Pension scheme	8% of the wage	12% of the wage

³² Some funds contribute to a total of 25 per cent; 15 per cent by employer and 10 per cent by employee, of an employee's wage. However, there is a requirement that the rate of contribution cannot be lower than the one required by the EPF.

Calculation of annuity factor to convert capital into flow of pension benefits (e.g., discount rate used, mortality rates, unisex or sexspecific annuities); other withdrawal options, such as scheduled withdrawals etc.

Scheme	Annuity factor	Withdrawal option
Employee provident fund	The entire lumpsum is paid at the time of exit	Active members ³³ are eligible for housing loans up to 75% of their member balances from approved lending institutions.
Employee trust fund	The entire lumpsum is paid at the time of exit	Information not available
Approved private provident fund ³⁴	The entire lumpsum is paid at the time of exit	Information not available
Contributory Pension scheme	Not applicable ³⁵	Information not available

³³ Inactive members who have not contributed to the Fund throughout the preceding year are eligible for a loan of 50% of the balance lying to their credit in one or more of his EPF accounts.

³⁴ Some funds contribute to a total of 25 per cent; 15 per cent by employer and 10 per cent by employee, of an employee's wage. However, there is a requirement that the rate of contribution cannot be lower than the one required by the EPF.

³⁵ The monthly pension is no way related to accumulation in the fund but to the years of contribution.

6. Early and late retirement:

6a. Early retirement

As given in Section 3 (Qualifying conditions)

6b. Late retirement

Not applicable

7. Personal income taxes and social security contributions:

7.a. Personal income tax for workers

Personal income tax schedule (i.e., rates and bands)

The information given below is as of 01.01.2005 and has been in effect from 01.04.2004³⁶

Annual income band (Rs.)	Tax rate
<=300,000	0
300001-540000	10%
540001-780000	20%
>780000	30%

Standard income tax reliefs (e.g., allowances, credits or zero rate bands)

information not available

Deductions for work related expenses

information not available

³⁶ <http://www.treasury.gov.lk/FPPFM/fpd/pdfdocs/TaxExemptions.pdf>

Deductibility of pension and other social security contributions

The tax treatment of provident funds³⁷:

Employers' contributions to Employees Provident Fund, Employees Trust Fund and Approved Private Provident Funds are expensed up to a maximum of 25% of taxable wages. Employees' contributions are deductible up to a limit of Rs. 25,000 per annum.

7. b. Personal income tax for pensioners

Existence of additional standard reliefs for older people and their value. Age at which these apply

Terminal benefits on retirement are taxed at the following rates³⁸

Terminal wealth	Tax rate
<= 2,000,000	0
2,000,001-25,00,000	5%
25,00,001-30,00,000	10%
>30,00,000	15%

Are public and private pension income subject to the personal income tax?

Civil services pensions are fully exempted from tax ³⁹:

7c. Pension and social security contributions

Employer and employee rates of contributions for pensions and other social security benefits, split where available

Not applicable

³⁷ This information may be outdated as it is from a world bank document,2000 (Review of Superannuation benefits programmes in Srilanka, May 19, 2000)

³⁸ <http://www.treasury.gov.lk/FPPFM/fpd/pdfdocs/TaxExemptions.pdf>

³⁹ This information may be outdated as it is from a world bank document,2000 (Review of Superannuation benefits programmes in Srilanka, May 19, 2000)

Bangladesh⁴⁰

⁴⁰ The information given from this country is primarily based on two papers “Economics of Pension and Social Security in South Asia, Special Focus on India, Srilanka and Bangladesh, **S Irudaya Rajan , Myrtle Perera and Sharifa Begum**” and “Retirement and Pension System in Bangladesh” published in the Proceedings of International Society for Labour and Social Security Law, 8th Asian Regional Congress”

1. Scheme for private sector workers:

There is no uniform retirement benefit scheme (such as employee provident fund of India) for private sector workers. However, some companies run their own retirement benefit schemes (provident fund schemes).

Indexation rule:

Not applicable

2. Economic variables

Average earnings in the economy:

The per capita income in Bangladesh is \$US 362 (2002)⁴¹

Average earnings of the individuals covered by the relevant pension schemes:

Information not available

3. Qualifying conditions

Current normal pension ages for men and women

Currently only government civil servant and railway employees are having a pension system for them. Employment with State owned enterprises, sector corporations and autonomous bodies are non-pensionable employment. As per Bangladesh Service Rules (BSR), a government employee is to retire at the age of 57 or voluntarily after the completion of 25 years of service, whichever comes first.

Long term normal pension ages for men and women:

There is no such change

Early pension ages for men and women, currently and in the long run:

This is not age specific⁴². There are no legislated changes for the long run.

⁴¹ http://www.ccsindia.org/people_rw_differences.asp

⁴² This requires a minimum service of 10 years after the age of 18.

Number of years of contribution required for retirement at normal pension age and at early pension age:

Not applicable

4.First tier schemes

4.a. Basic pension:

Not applicable

4.b. Minimum pension

Not applicable

4c. Targeted schemes/social assistance

Currently there are two such schemes:

- 1) Old age allowance scheme⁴³
- (2) Assistance Program me for Widowed and Destitute Women (APWDW)

Target minimum income level:

The old age allowance pension is paid to the 10 oldest and poorest members (5 men and 5 women) of each ward of the country, the lowest level district⁴⁴. The APWDW adds a further 5 beneficiaries per ward.

Indexation procedure for minimum income level:

There is no formal indexation procedure. However the benefits have been changed from time to time⁴⁵

⁴³ Under the program the elderly persons incapable of physical work and the destitute women of the country are receiving allowance from the government on monthly basis. During 2003-2004, 1 million persons received 1800 million Taka at the rate of 150 per month.

⁴⁴ Barrientos (2004)

⁴⁵ In the years 1997-98 about 4,03,110 elderly people received Taka 125 million at the rate of Tk. 100 per. During 2002-03,4,99,662 old aged persons were given Tk. 750 million as old age allowance at the rate of Tk. 125 per month. During 2003-2004 1 million persons received 1800 million Taka at the rate of 150 per month.

Sources of income/assets included in the targeting:

Land and cash income are included in the targeting

5. 2nd Tier benefit schemes Benefit formula

5.a. Defined Benefit

Defined benefit scheme for government civil servant:

Accrual rate for benefits per year of service. If this varies with age, years of service, or earnings, the full accrual rate schedule

Pension is determined at a rate prescribed by the Ministry of Finance and presented in a document known as 'pension table' which shows varying amounts of entitlement to pension depending upon the length of service of the employee. There are as many as sixteen varying rates. The admissibility of pension starts with ten years of service and goes on to twenty-five years. The percentage of pension entitlement in terms of last pay drawn varies between 32% for those completing ten years of service to 80% for those completing twenty-five years of service. The pension table is shown in the table given below.

Pension table⁴⁶

Years of service	Percentage of last pay
11	35%
12	38%
13	42%
14	45%
15	48%
16	51%
17	54%
18	58%
19	61%
20	64%
21	67%
22	70%
23	74%

⁴⁶ “BACKGROUND NOTES ON PENSION & OTHER RETIREMENT SAVING INSTRUMENTS IN BANGLADESH, Yawer Sayeed, World Bank, 2004

24	77%
25	80%

Earnings measure (e.g., final year, , best five years, lifetime average):

Final year salary

Valorisation (preretirement indexation of pensionable earnings in schemes that are not based on final year's salary)

Not applicable

Maximum pension; and indexation

Information not available

Maximum replacement rate or number of years of coverage

80% of the last drawn salary

5.b. Point scheme:

Not applicable

5.c. Notional accounts:

Currently there are two notional accounts in Bangladesh:

- 1) General provident fund⁴⁷
- 2) Contributory provident fund⁴⁸

Total contribution rate and split between employer and employee

Scheme	Employee contribution	Employer contribution
General provident fund	2% of pay to 10% of pay ⁴⁹	No contribution
Contributory provident fund	8.33% of pay	8.33% of pay

⁴⁷ The General Provident Fund (GPF) is applicable only for pensionable government employees.

⁴⁸ A Contributory Provident Fund (CPF) is applicable for all public servants in non-pensionable employment. Employment with SoEs, sector corporations and autonomous bodies are non-pensionable employment.

⁴⁹ These are the minimum rates at the lowest and highest pay respectively

Notional interest rate

Scheme	Notional interest rate
General provident fund	12.5% since July 2002
Contributory provident fund	12.5% since July 2002

Annuity factor

Not applicable

5.d. Defined contribution plans:

Currently there are no mandated contribution plans in Bangladesh. However there are some private companies who run such plan.

. Total contribution rate and split between employer and employee⁵⁰

Scheme	Employee contribution	Employer contribution
Contributory provident fund run by private companies	7.5% to 10% of basic salary	7.5% to 10% of basic salary

Calculation of annuity factor to convert capital into flow of pension benefits (e.g., discount rate used, mortality rates, unisex or sex specific annuities); other withdrawal options, such as scheduled withdrawals etc.

Not applicable

⁵⁰ “Background notes on Pension & other Retirement saving instruments in Bangladesh, Yawer Sayeed, World Bank, 2004

6. Early and late retirement

6a. Early retirement

Age of eligibility for early retirement

25 years of service are required

Other-qualifying conditions for early retirement, such as years of contributions

Not applicable

Reduction of benefits for early retirement (‘actuarial adjustments’)

Information not available

6b. Late retirement

Not applicable

7. Personal income taxes and social security contributions

7.a. Personal income tax for workers for the financial year 2006-07⁵¹

Annual income (Takka)	Tax rate
<=120,000	0
120,001-370,000	10%
370,001-670,000	15%
670,001-10,20,000	20%
>10,20,000	25%

Standard income tax relief (e.g., allowances, credits or zero rate bands)

Data not available

⁵¹ http://www.mof.gov.bd/budget/Bgt_Combin-Speech-06-English.htm

Deductions for work related expenses

Data not available

Deductibility of pension and other social security contributions

There is no tax on contribution, withdrawal or interest accrued on provident fund.

7 b. Personal income tax for pensioners

Existence of additional standard reliefs for older people and their value. Age at which these apply.

Information not available

Are public and private pension income subject to the personal income tax?

Pensions are fully exempted from taxes

7c. Pension and social security contributions

Employer and employee rates of contributions for pensions and other social security benefits, split where available.

Information not available

Pakistan

1. Scheme for private sector workers:

Currently the retirement benefit schemes in private sector are as follows

- 1) Employee old age benefit institution (EOBI) scheme for companies with more than 10 employees
- 2) Pension and provident fund benefits for other companies⁵²
- 3) Voluntary pension scheme⁵³

Indexation rule:

Indexation rules are not formal but discretionary

2. Economic variables

Average earnings in the economy:

The per capita income (at market price) in Pakistan is Rs 43,748/year.⁵⁴

Average earnings of the individuals covered by the relevant pension schemes:

Information related to earnings of the individuals covered by retirement benefit schemes in the private sector is not available. We here give the latest basic pay scale of individuals covered by civil service pension scheme. Besides basic pay, the civil servants are also entitled to various allowances such as house conveyance and grade specific.

⁵² These schemes are regulated by SECP (Security and Exchange commission of Pakistan)

⁵³ This is regulated by SECP. All Pakistani citizens older than 18 years of age and who are registered tax-payers are eligible to be a part of this scheme provided they are not a member of any occupational pension scheme.

⁵⁴ Federal Bureau of Statistics; Government of Pakistan (Provision estimate for FY 2005)

Basic pay structure of civil servants in Pakistan⁵⁵

Basic pay scale ⁵⁶	Minimum	Annual Increment	Maximum	Stages ⁵⁷
1	2150	65	4100	30
2	2200	75	4450	30
3	2275	85	4825	30
4	2345	100	5345	30
5	2415	115	5865	30
6	2485	125	6235	30
7	2555	140	6755	30
8	2655	150	7155	30
9	2770	165	7720	30
10	2865	185	8415	30
11	2980	200	8980	30
12	3155	225	9905	30
13	3365	245	10715	30
14	3565	275	11815	30
15	3780	305	12930	30
16	4375	340	14575	30
17	7140	535	17840	20
18	9355	675	22855	20
19	14260	705	28360	20
20	16915	1095	32245	14
21	18750	1230	35970	14
22	20055	1440	40215	14

⁵⁵ Office of memorandum number No.F.1(1)/Imp/2005, Government of Pakistan, Finance Division, 01/07/2005

⁵⁶ The pay structure comprises of twenty-two basic pay scales (BPS) adopted by the 1972 Civil Services Reform Commission.

⁵⁷ The length of the pay scales is reflected in the number of stages to reach the maximum of the scale.

3. Qualifying conditions

Current normal pension ages for men and women

Pension scheme	Current normal pension age for men	Current normal pension age for women
EOBI	60	55
Civil service pension	60	60
Private sector pension schemes	Retirement age ⁵⁸	Retirement age ⁵⁹
Voluntary pension system	Members are allowed to select a retirement age between 60 years-70 years ⁶⁰	Members are allowed to select a retirement age between 60 years-70 years ⁶¹

Long term normal pension ages for men and women:

There is no such change

Early pension ages for men and women, currently and in the long run:

Pension scheme	Current early pension ages for men
EOBI	55(men), 50 (women) ⁶²
Civil service pension	At least a minimum service of 25 years is required ⁶³
Private sector pension schemes	Information not available
Voluntary pension system	Members are allowed to select a retirement age between 60 years-70 years ⁶⁴

⁵⁸ www.secp.gov.pk/Events/pdf/OmerMorshed.pdf

⁵⁹ www.secp.gov.pk/Events/pdf/OmerMorshed.pdf

⁶⁰ www.secp.gov.pk/news/Presentation/ Presentation_Nasim_Beg.ppt

⁶¹ www.secp.gov.pk/news/Presentation/ Presentation_Nasim_Beg.ppt

⁶² www.ssa.gov/policy/docs/progdesc/ ssptw/2004-2005/asia/pakistan.html

⁶³ Report No. **18386-PAK**, Pakistan, A Framework for Civil Service Reform in Pakistan, December 15 (1998), Poverty Reduction and Economic Management, South Asia Region, World bank

⁶⁴ www.secp.gov.pk/news/Presentation/ Presentation_Nasim_Beg.ppt

Number of years of contribution required for retirement at normal pension age and at early pension age:

Pension scheme	Number of years of contribution required for retirement at normal pension age	Number of years of contribution required for early pension age
EOBI	15 ⁶⁵	15 ⁶⁶
Civil service pension	Not applicable ⁶⁷	Not applicable ⁶⁸
Private sector pension schemes	Not applicable ⁶⁹	Not applicable ⁷⁰
Voluntary pension system	Information not available	Information not available

4.First tier schemes

4.a. Basic pension:

Not applicable

4.b. Minimum pension

Pension scheme	Level of minimum pension	Indexation rule
EOBI	1000/month ⁷¹	There are no formal indexation rules. However the level of minimum pension have been changed from time to time. From November 2001 to 2005, the amount of minimum pension was equal to Rs. 700/month.
Civil service pension	No lower limit exist	Not applicable
Private sector pension schemes	Information not available	Information not available
Voluntary pension system	Not applicable	Not applicable

⁶⁵ www.ssa.gov/policy/docs/progdesc/ssptw/2004-2005/asia/pakistan.html

⁶⁶ www.ssa.gov/policy/docs/progdesc/ssptw/2004-2005/asia/pakistan.html

⁶⁷ This is defined benefit scheme where benefit are determined by wage levels and years of service.

⁶⁸ This is defined benefit scheme where benefit are determined by wage levels and years of service.

⁶⁹ These are mainly defined benefit schemes.

⁷⁰ These are mainly defined benefit schemes.

⁷¹ <http://www.eobi.gov.pk/amendment/AMENDED76-2005.htm>

4c. Targeted schemes/social assistance

Not applicable

5. 2nd Tier benefit schemes Benefit formula

5.a. Defined Benefit

Currently, the defined benefit schemes are as follows:

- Civil service pension
- Private sector pension
- EOBI

Accrual rate for benefits per year of service. If this varies with age, years of service, or earnings, the full accrual rate schedule

1) Accrual rate in civil service pension

Pension table⁷²

Completed years of qualifying service	Pension as percentage of Relevant earning measure ⁷³
10	23.33
11	25.67
12	28.00
13	30.33
14	32.67
15	35.00
16	37.33
17	39.67
18	42.00
19	44.33
20	46.67
21	49.00
22	51.33
23	53.67
24	56.00
25	58.33
26	60.67
27	63.00
28	65.33
29	67.67
30 and above	70.00

⁷² <http://www.secp.gov.pk/Events/pdf/MuhammadRaziq.pdf>

⁷³ However under normal cases, pension is not admissible if the period of service is less than 25 years.

2) Accrual rate in private sector pension

Information not available

3) EOBI pension scheme:

The monthly rate of old-age pension or invalidity pension payable to an insured person shall be calculated in accordance with the following formula⁷⁴ :

$$\frac{\text{Average monthly wages}^{75} \times \text{Number of years of insurable employment}}{50}$$

However the above formula is not applicable, if either of the conditions are not fulfilled:

1. The insured person is at least 60 years of age (55 years in case of women) and
2. has contributed for at least 15 years.

Earnings measure (e.g., final year, , best five years, lifetime average):

Scheme	Relevant earning measure
Civil service pension scheme	The relevant earning measure is final year average emoluments. However, pension calculation applies only to basic pay plus certain non-wage pay. Various allowances that are part of the compensation package are not included in the compensation base for pensions. A study by the world bank shows that the relevant earning measure is not more than 41% of the total wage. ⁷⁶
EOBI pension scheme	Average monthly wages ⁷⁷
Private sector pension scheme	Information not available

⁷⁴ <http://www.eobi.gov.pk/amendment/AMENDED76-2005.htm>

⁷⁵ The average monthly wages of an insured person is calculated on the twelve calendar months immediately preceding the date on which the insured person retires

⁷⁶ Report No. **18386-PAK**, Pakistan, A Framework for Civil Service Reform in Pakistan, December 15 (1998), Poverty Reduction and Economic Management, South Asia Region, World bank

⁷⁷ The average monthly wages of an insured person is calculated on the twelve calendar months immediately preceding the date on which the insured person retires

Valorisation (preretirement indexation of pensionable earnings in schemes that are not based on final year's salary)

Not applicable

Maximum pension; and indexation

Scheme	Maximum pension	Indexation
Civil service pension scheme	There is no upper limit	Not applicable
EOBI pension scheme	There is no upper limit	Not applicable
Private sector pension scheme	Information not available	Information not available

Maximum replacement rate or number of years of coverage

Scheme	Maximum replacement rate	Numbers of years of coverage
Civil service pension scheme	70% ⁷⁸	30 ⁷⁹
EOBI pension scheme	There is no upper limit	Not applicable
Private sector pension scheme	Information not available	Information not available

5.b. Point scheme:

Not applicable

5.c. Notional accounts:

The General provident fund for civil service employees (federal government and provincial government) can be classified as Notional account.

⁷⁸ <http://www.secp.gov.pk/Events/pdf/MuhammadRaziq.pdf>

⁷⁹ <http://www.secp.gov.pk/Events/pdf/MuhammadRaziq.pdf>

Total contribution rate and split between employer and employee

1) The employer do not contribute to the fund

2) Employee contribution: The contribution rate for entire set of federal government and provincial government employees is not available. The table given below gives the contribution details in case of employees of the provincial government of North West Frontier Province (NWFP):

GPF contribution rate (Provincial employees of NWFP)⁸⁰

Scale	Monthly subscription (Rs.)
1	50
2	85
3	85
4	90
5	95
6	100
7	100
8	110
9	120
10	125
11	130
12	145
13	250
14	265
15	285
16	325
17	450
18	560
19	780
20	920
21	1040
22	1120

Notional interest rate

The Government pays an interest rate 30 percent higher than market rates.⁸¹

Annuity factor

Not applicable,

⁸⁰ A Hand Book of Rules & Instructions, Applicable to NWFP Government Employees, 2000 by Amir Badshah, Accounts Officer, Audit & Accounts Training Institute, Peshawar.

⁸¹ Report No. **18386-PAK**, Pakistan, A Framework for Civil Service Reform in Pakistan, December 15 (1998), Poverty Reduction and Economic Management, South Asia Region, World bank

5.d. Defined contribution plans:

Currently there are no mandated contribution plans in Bangladesh. However there are some private companies who run such plan.

. Total contribution rate and split between employer and employee

Scheme	Employee contribution	Employer contribution
Contributory provident fund run by private companies	5% to 10% of basic salary ⁸²	Matching contribution ⁸³

. Calculation of annuity factor to convert capital into flow of pension benefits (e.g., discount rate used, mortality rates, unisex or sex specific annuities); other withdrawal options, such as scheduled withdrawals etc.

Not applicable

6. Early and late retirement

6a. Early retirement

Age of eligibility for early retirement

Employee category	Age of eligibility of early retirement
Civil service employee	55(men) and 50 (women)
Private sector employee	Information not available

Other-qualifying conditions for early retirement, such as years of contributions

Not applicable

Reduction of benefits for early retirement (‘actuarial adjustments’)

Replacement rate gets reduced by 2.33 points for each year less

6b. Late retirement

Not applicable

⁸² www.secp.gov.pk/Events/pdf/OmerMorshed.pdf

⁸³ www.secp.gov.pk/Events/pdf/OmerMorshed.pdf

7. Personal income taxes and social security contributions

7.a. Personal income tax for workers⁸⁴

1) Income tax rate for the individuals whose salaried income is not more than 50% of their total taxable income

Taxable income.	Rate of tax.
Where taxable income does not exceed Rs. 100,000.	0%
Where taxable income exceeds Rs. 100,000 but does not exceed Rs. 150,000	7.5% of the amount exceeding Rs. 100,000
Where taxable income exceeds Rs. 150,000 but does not exceed Rs. 300,000.	3,750 plus 12.5% of the amount exceeding Rs. 150,000
Where taxable income exceeds Rs. 300,000 but does not exceed Rs. 400,000.	22,500 plus 20% of the amount exceeding Rs. 300,000.
Where taxable income exceeds Rs. 400,000 but does not exceed Rs. 700,000.	42,500 plus 25% of the amount exceeding Rs. 400,000.
Where taxable income exceeds Rs. 700,000.	117,500 plus 35% of the amount exceeding Rs. 700,000.]

2) Income tax rate for the individuals whose salaried income is not more than 50% of their total taxable income

Taxable income.	Rate of tax.
Where taxable income does not exceed Rs. 100,000	Nil
Where taxable income exceeds Rs. 100,000 but does not exceed Rs. 200,000	3.5% of the amount exceeding Rs. 100,000
Where taxable income exceeds Rs. 200,000 but does not exceed Rs. 400,000	Rs. 3,500 plus 12% of the amount exceeding Rs. 200,000
Where taxable income exceeds Rs. 400,000 but does not exceed Rs. 700,000	Rs. 27,500 plus 25% of the amount exceeding Rs. 400,000
Where taxable income exceeds Rs. 700,000	Rs. 102,500 plus 30% of the amount exceeding Rs. 700,000.]

⁸⁴ **Source:** Income tax manual, part 1, Income tax ordinance, 2001, (XLIX of 2001), amended upto June 2005, Government of Pakistan, Central Board of Revenue, Government of Pakistan (revenue Division)

3) Income tax rate for the individuals whose agricultural income exceed 80,000 per year

Taxable income	Rate of tax.
Where taxable income does not exceed Rs.150,000	7.5%
Where taxable income exceeds Rs.150,000 but does not exceed Rs.300,000	Rs.11,250 plus 12.5% of the amount exceeding Rs.150,000.
Where taxable income exceeds Rs.300,000 but does not exceed Rs.400,000	Rs.30,000 plus 20% of the amount exceeding Rs.150,000.
Where taxable income exceeds Rs.400,000 but does not exceed Rs.700,000	Rs.50,000 plus 25% of the amount exceeding Rs.400,000
Where taxable income exceeds Rs.700,000	Rs.125,000 plus 35% of the amount exceeding Rs.700,000

Standard income tax relief (e.g., allowances, credits or zero rate bands)

1) Tax credits:

*a) **Donations:** A person is entitled to a tax credit in respect of any sum paid, or any property given by the person in the tax year as a donation to some specified institutions. The amount of a person's tax credit in this case is calculated by the formula $[(A^{85}/B^{86}) \times C^{87}]$.*

*b) **Investment in shares:** A person is entitled to a tax credit for a tax year in respect of the cost of acquiring in the year new shares offered to the public by a public company listed on a stock exchange in Pakistan where the person is the original allottee of the shares or the shares are acquired from the Privatization Commission of Pakistan. The amount of a person's tax credit in this case is calculated by the formula $[(A^{88}/B^{89}) \times C^{90}]$.*

⁸⁵ A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part.

⁸⁶ B is the person's taxable income for the tax year.

⁸⁷ C=minimum (total amount of the person's donations, 30% of the taxable income for the year).

⁸⁸ A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part.

⁸⁹ B is the person's taxable income for the tax year.

⁹⁰ C=minimum (the total cost of acquiring the shares, 10% of the taxable income for the year, Rs. 100,000).

*c) **Contribution to an Approved Pension Fund.** – A person is entitled to a tax credit for a tax year in respect of any contribution or premium paid in the year by the person in approved pension fund under the Voluntary Pension System Rules, 2005. The amount of a person's tax credit in this case is calculated by the formula $[(A^{91}/B^{92}) \times C^{93}]$.*

*d) **Profit on debt:** A person is entitled to a tax credit for a tax year in respect of any profit or share in rent and share in appreciation for value of house paid by the person in the year on a loan by a scheduled bank or non-banking finance institution regulated by the Securities and Exchange Commission of Pakistan or advanced by Government or the local authority where the person utilizes the loan for the construction of a new house or the acquisition of a house. The amount of a person's tax credit in this case is calculated by the formula $[(A^{94}/B^{95}) \times C^{96}]$.*

2) Tax Allowances:

*a) **Zakat**⁹⁷: A person is entitled to a deductible allowance for the amount of any Zakat paid by the person in a tax year under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).*

*b) **Workers Welfare fund:** A person is entitled to a deductible allowance for the amount of any Workers' Welfare Fund paid by the person in tax year under Workers' Welfare Fund Ordinance, 1971 (XXXVI of 1971)*

*c) **Workers' Participation Fund.**- A person is entitled to a deductible allowance for the amount of any Workers' Participation Fund paid by the person in a tax year in accordance with the provisions of the Companies Profit (Workers' Participation) Act, 1968 (XII of 1968).*

⁹¹ A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part.

⁹² B is the person's taxable income for the tax year.

⁹³ C=minimum (the total contribution, twenty per cent of the person's taxable income for the relevant tax year; Provided that a person joining the pension fund at the age of forty-one years or above, during the first ten years of the notification of the Voluntary Pension System Rules, 2005, shall be allowed additional contribution of 2% per annum for each year of age exceeding forty years. Provided further that the total contribution allowed to such person shall not exceed 50% of the total taxable income of the preceding year, Rs, 500,000).

⁹⁴ A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part.

⁹⁵ B is the person's taxable income for the tax year.

⁹⁶ C=minimum (the total profit in this case, 40% of the person's taxable income for the relevant tax year; Rs, 500,000).

⁹⁷ As a traditional religious institution, *zakat* involves both the payment and the distribution of an alms tax given by [Muslims](#) who enjoy some surplus to certain kinds of deserving poor Muslims.

Deductions for work related expenses

While calculating the taxable income under the category “Income from business”, any expenditure incurred by the person in the year [wholly and exclusively for the purposes of business] is deducted. However there are specific rules regarding expenditure on depreciation.

Deductibility of pension and other social security contributions

A person is entitled to a tax credit for a **tax year in** respect of any contribution or premium paid in the year by the person in approved pension fund under the Voluntary Pension System Rules, 2005. The amount of a person’s tax credit in this case is calculated by the formula

$$[(A^{98}/B^{99}) \times C^{100}].$$

7 b. Personal income tax for pensioners

Existence of additional standard reliefs for older people and their value. Age at which these apply.

Information not available

Are public and private pension income subject to the personal income tax?

Pensions are not exempted from taxes. However if a person receives a pension from former employer, other than where the person continues to work for the employer (or an associate of the employer), this pension is exempted from taxes. Provided that where the person receives more than one such pension, the exemption applies only to the higher of the pensions received.

⁹⁸ A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part.

⁹⁹ B is the person’s taxable income for the tax year.

¹⁰⁰ C=minimum (the total contribution, twenty per cent of the person’s taxable income for the relevant tax year; Provided that a person joining the pension fund at the age of forty-one years or above, during the first ten years of the notification of the Voluntary Pension System Rules, 2005, shall be allowed additional contribution of 2% per annum for each year of age exceeding forty years. Provided further that the total contribution allowed to such person shall not exceed 50% of the total taxable income of the preceding year, Rs, 500,000).

7c. Pension and social security contributions

Employer and employee rates of contributions for pensions and other social security benefits, split where available.

Information not available

