

Mr S.S. Akhtar died on 11 Jul 2009

We are deeply grieved that one of the founders of our firm, Mr S.S. Akhtar, M.Sc, FIA, died on 11 July 2009, aged 80. May Allah grant him *maghfirat*, and grant Mrs Akhtar, their children Haroon and Sheba, and all family members and friends, *sabr e jamil* to bear this loss. *Âmîn*.

Akhtar Sahib and Samee-ul-Hasan set up Akhtar, Hasan & Co, Consulting Actuaries, on 1 Oct 1975. A Memoir by Samee is enclosed.

22% official inflation predicted for Fiscal Year to June 2009 likely to prove correct

In 2008, officials predicted 22% inflation for Fiscal Year 2009, 13% for FY 2010, reducing to 9.5% in FY 2011. As we write, official inflation for June 2009 is not available. But it seems the official prediction for FY 2009 will prove more or less correct.

Predicted inflation for FY 2010 and 2011 works out to an average of 11.25% pa.

SSC and Bahbood returns lowered again, from 1 July 2009

Issue date	SSC's, yields pa, paid half yearly		Bahbood/Pensioners, yields pa, paid monthly
	1 st 5 half years	6 th half year	
1 Apr 09 - 30 Jun 09	13.0 %	14.2 %	16.104 %
1 July 09 onwards	11.6%	12.0%	14.460%

With-holding income tax at 10% (and zakat, where applicable) is deducted on the income of Special Savings Certificates (SSC's), except for

exempt bodies like Recognised Provident Funds, Approved Pension and Gratuity Funds, and approved charities. For individuals, this 10% is final. For limited companies and other entities, it is adjustable against their income tax liability.

Ignoring mathematical niceties, the average yield on SSC's over their 3 years term is 11.67% pa. For individuals, with-holding tax reduces this to 10.50% pa. Going by average officially predicted inflation of 11.25% pa for FY's 2010 and 2011, SSC's are likely to produce a negative real yield, net of tax and inflation.

In real terms, the 10% with-holding tax is a tax on capital, not on income.

No with-holding income tax (or zakat) is deducted from Bahbood/Pensioners. The income should be offered for tax in tax returns. But the tax on this income has a cap of 10%. It is impossible to forecast the real yield net of inflation and tax over their 10 years term.

We have said before that the real yield on fixed return investments is a gamble on inflation.

Amended IT Rule 97 omits reference to Rs 1,000 pm salary limit, for Employer Provident Fund contributions up to double Employee contributions.

But Rs 500 salary limit in ITO, 2001, remains in force

Rule 2 (c) of Part I of the Sixth Schedule to the Income Tax Ordinance, 2001, as amended to 31 July 2008 (as per www.fbr.gov.pk) limits an employer's Provident Fund contributions to "the amount of the contributions of the employee". But subject to Income Tax Rules, proviso (i) authorises the Commissioner of Income Tax to permit the payment of larger contributions for "employees whose salaries do not, in each case, exceed five hundred rupees per month".

Rule 97 of the Income Tax Rules was framed under the foregoing provision of the ITO, 2001.

It allowed the CIT to permit the Employer to make up to double Employee contributions, for an employee "*whose salary does not exceed Rs 1,000 per month.*"

The italicised words were deleted by SRO 392 of 19 May 2009. This gives the impression that the CIT may now permit double Employer contributions, irrespective of salary.

But we doubt this. The italicised figures were in conflict with the parent ITO, 2001, as amended to 31 July 2008. Para 36 of SRO 392 simply removed the previous conflict with the ITO, 2001. Readers who wish to apply for double Employer contributions irrespective of salary limit should take expert legal advice.

Former UK Bank CEO gives up over £ 200,000 pa out of £ 703,000 pa pension.

The Akhtar & Hasan Letter No 86 of April 2009 mentioned the outcry over a pension of £ 703,000 pa for the former CEO of a British Bank, which was rescued by the UK Government at a cost of over £ 80 billion.

In June 2009, as a result of public pressure, he gave up more than £ 200,000 pa. of his pension.

Homicide rates in various countries

The UN Office for Drugs and Crimes publishes intentional homicide rates p.a. per 100,000 population, for 198 countries. The latest tabulation is for 2004, (though for some countries the figures relate to earlier years).

For most countries, two estimates are given, one from police crime statistics, and one from hospitals and other health sources. For some countries, there is only a single estimate.

In some cases, crime statistics show higher rates. In others, health sources show higher rates. For Pakistan, police statistics show 6.3/100,000, and

health sources show 3.6/100,000. From our general knowledge, the police figure is closer to the truth. For India, the police reported only 3.0/100,000, but health sources report 5.5/100,000. It is cynical but realistic to assume that the higher figure is always more accurate.

We selected 50 major and/or representative countries. Using "high estimates", Pakistan is No 25. The reported "high estimates" for some countries out of the 50 are:

	High Estimate of homicides p.a. per 100,000 population
Japan	0.5 (lowest)
UAE	0.7
Singapore	1.3
Eng & Wales	1.6
Canada	2.0
China	2.2
Iran	2.9
Saudi Arabia	3.2
India	5.5
USA	5.9
Pakistan	6.3
Sri Lanka	7.2
Bangladesh	7.8
Russia	29.7
Colombia	61.1
South Africa	69.0 (highest)

Useless information: Babur, not Babar

The first Mughal Emperor of India was Zaheeruddin. He was nick-named Babur, which means beaver, because he "beavered away".

The "u" in Babur is usually pronounced like the "a" in "equal". In fact, it should be pronounced like the u in "put". But who cares now?

Readers should take expert advice on legal, tax and investment matters

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