

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2347  
ANSWERED ON:14.03.2008  
DEDUCTING TAX FROM PENSION OF THE DISABLED EX SERVICEMEN  
Tripathy Shri Braja Kishore

**Will the Minister of FINANCE be pleased to state:**

- (a) whether Reserve Bank of India has investigated the matter of some banks deducting tax from pension of the disabled ex-servicemen;
- (b) if so, the details in this regard and reaction of the Government in this regard; and
- (c) the remedial measures taken by the Government to check the violation of Government instructions in this regard?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (c): It has been reported in the press that some banks were deducting tax from pension of disabled ex-servicemen in violation of Government instructions. Reserve Bank of India (RBI) was requested to have the matter investigated and remedial action taken. RBI had the matter examined and discovered that in one specific instance, due to oversight, the pensioner's disability pension was wrongly taken into account while calculating Income Tax.

RBI has issued instructions to all agency banks vide their circular dated August 30, 2007 to strictly adhere to the provisions of Defence Pension Payment Instructions, 2005 regarding exemption of Income Tax of the disability pension of the pensioners of Armed Forces. Banks have been advised to issue suitable instructions to all their pension disbursing branches that Income Tax should not be deducted from the disability pension paid to the pensioners of the Armed Forces. Further, for giving wide publicity, a press release was also issued by the Government to this effect.