

TAX TABLE NO. 4

Tax deduction from any profits from employment of non-resident employees who are non-citizens in Sri Lanka

The deduction of tax should be made irrespective of the consent given by any non-resident employee.

1. In the case of any non-resident employee who is not a citizen in Sri Lanka, on any regular gains and profits from employment (cash and non-cash benefits), table 4.1 should be applied.

Table 4.1

| Monthly regular profits from employment | Tax |
|--|--|
| 1. Monthly regular profits from employment up to Rs. 250,000/- | 6% of monthly regular profits from employment |
| 2. Monthly regular profits from employment exceeding Rs. 250,000/- but not Exceeding Rs. 500,000/- | 12% of monthly regular profits from employment less Rs. 15,000/- |
| 3. Monthly regular profits from employment exceeding Rs. 500,000/- | 18% of monthly regular profits from employment less Rs 45,000/- |

2. In the case of any **non-resident employee who is not a citizen** in Sri Lanka, on any gains and profits from employment of lump-sum payments (bonus etc.), table 4.2 should be applied.

Following steps should be followed in computing the tax liability on the lump sum payments.

Tax Computation

The tax computation should be made as set out below.

| | | |
|--|-----|-------------------|
| Gross Monthly Income already paid in the Y/A x No. of months | (A) | XXXXXXXXXX |
| Gross Monthly Income to be paid in the Y/A x No. of months | (B) | XXXXXXXXXX |
| Lum sum Payment paid/payable during this month | (C) | <u>XXXXXXXXXX</u> |
| Cumulative Expected Income for the Y/A | (D) | XXXXXXXXXX |

Tax payable for the month on the lump sum payment should be computed on the cumulative gains and profits in accordance with the Table 4.2 given below.

Table 4.2

| Cumulative Expected Income for the Y/A from the Employment (Rs.) | Tax |
|--|---|
| if (D) ≤ 3,000,000 | (6% x D) – Aggregated Tax as per table 4.1 for each month in (A) & (B)] |
| 3,000,000 < if (D) ≤ 6,000,000 | (12% x D) – [180,000 + Aggregated Tax as per table 4.1 for each month in (A) & (B)] |
| 6,000,000 < if (D) | (18% x D) – [540,000 + Aggregated Tax as per table 4.1 for each month in (A) & (B)] |

Example 01

Mr. Jing is a non-resident employee of a private institution and his regular profits (remuneration) for each month is Rs 500,000 from employment (including non-Cash Benefits) and such remuneration for April 2020 was paid. He received a bonus payment of Rs. 2,500,000 also in April 2020. Further, he expects to be Sri Lanka till end of July of the Year of assessment.

Tax liability on the bonus should be computed as follows:

Tax Computation

| | | Rs. |
|--|-----|------------------|
| Gross Monthly Income already paid in the Y/A (500,000 x 1) | (A) | 500,000 |
| Gross Monthly Income to be paid in the Y/A (500,000 x 3) | (B) | 1,500,000 |
| Lum sum Payment paid/payable during this month | (C) | <u>2,500,000</u> |
| Cumulative Expected Income for the Y/A | (D) | 4,500,000 |

Tax payable on the bonus for the month of April Rs. 180,000

By applying the relevant tax rate in Cumulative tax table

$(12\% \times 4,500,000) - [180,000 + 45,000 + (45,000 \times 3)]$