

TAX TABLE NO: 02

Rates for the Deduction of Tax from Lump-sum Payments

Period: Second three-month Period of the Y/A 2022/2023 (2023.01.01 – 2023.03.31)

(Applicable for all resident and non-resident but citizen employees who have furnished primary declarations to their employers and resident and non-resident but citizen employees have one employment)

This table should be applied for deducting tax on lump-sum payments made to resident and non-resident but citizen employees who have submitted primary declarations to employers. The amount of tax deductible should be computed on the lump-sum payments at the time of making each lump-sum payment to employees during a year of assessment.

Payments such as bonus, leave encashment, medical expenses reimbursements, salary arrears due on service reinstatement, the market value of shares at the time of allotment under an employee share scheme (including shares allotted as a result of the exercise of an option or right to acquire the shares, reduced by the employee's contribution for the shares), etc. are considered as lump-sum payments.

Following steps should be followed in computing the amount of tax deductible on each of the Lump-sum payments:

First, compute the Estimated Gross Aggregate Remunerations (EGAR) from employment during the year of assessment including the Lump-sum payments.

- (A) Ascertain the **aggregate gross monthly remunerations already paid** to the employee during the year of assessment up to and including the month the lump-sum payment is made (excluding any Lump-sum payment/s paid);
- (B) Ascertain the **aggregate gross monthly remunerations payable** to the employee during the year of assessment from the succeeding month the Lump-sum payments is made (excluding any Lump-sum payment/s payable);
- (C) Ascertain the **aggregate gross lump-sum payments already made up to now including the lump-sum payment being made** now, and such Lump-sum amounts payable during the year of assessment (excluding monthly remunerations already counted under above (A) and (B)); and
- (D) Compute the Estimated Gross Aggregate Remunerations (EGAR) including the Lump-sum payments during the year of assessment by aggregating the amounts computed under above (A), (B) and (C).

Computation of Estimated Gross Aggregate Remunerations including the Lump-sum Payments - EGAR

Gross aggregate monthly remunerations already paid during the second three-month period of the Y/A 2022/2023	=(A):	XXX
Gross aggregate monthly remunerations payable during the second three-month period of the Y/A 2022/2023	=(B):	XXX
Gross aggregate Lump-sum payments already made, being made now, & payable during the second three month period of the Y/A 2022/2023	=(C):	<u>XXX</u>
Estimated Gross Aggregate Remunerations EGAR (paid and payable) during the second three month period of the Y/A 2022/2023	=(D):	<u>XXX</u>

Then, the appropriate tax rate applicable for Lump-sum payment being made now should be selected from the tax table 02 given below, based on above Estimated Gross Aggregate Remunerations (EGAR), i.e. **D**. Thereafter, the amount of tax deductible on Lump-sum payment being paid now should be computed giving credit for any amount of tax previously deducted, if any, on Lump-sum payments previously made during the year of assessment. However, all these components are included in the formulae given in the Table No. 02.

Tax Table No. 02 - Tax Deductions on Lump-sum Payments

Estimated Gross Aggregate Remunerations (EGAR) during the second three months of the Y/A 2022/2023 (Rs.)	Amount of Tax Deductible (Rs.)
If <i>D</i> is equal or less than 300,000	Nil
If <i>D</i> is in between 300,001 and 425,000	$(D \times 6\%) - [(18,000 + \text{Aggregate of monthly tax deducted on A} + \text{Aggregate of monthly tax deductible on B, as per Table 01}) + \text{Tax deducted previously on Lump-sum payments, if any}]$
If <i>D</i> is in between 425,001 and 550,000	$(D \times 12\%) - [(43,500 + \text{Aggregate of monthly tax deducted on A} + \text{Aggregate of monthly tax deductible on B, as per Table 01}) + \text{Tax deducted previously on Lump-sum payments, if any}]$
If <i>D</i> is in between 550,001 and 675,000	$(D \times 18\%) - [(76,500 + \text{Aggregate of monthly tax deducted on A} + \text{Aggregate of monthly tax deductible on B, as per Table 01}) + \text{Tax deducted previously on Lump-sum payments, if any}]$
If <i>D</i> is in between 675,001 and 800,000	$(D \times 24\%) - [(117,000 + \text{Aggregate of monthly tax deducted on A} + \text{Aggregate of monthly tax deductible on B, as per Table 01}) + \text{Tax deducted previously on Lump-sum payments, if any}]$
If <i>D</i> is in between 800,001 and 925,000	$(D \times 30\%) - [(165,000 + \text{Aggregate of monthly tax deducted on A} + \text{Aggregate of monthly tax deductible on B, as per Table 01}) + \text{Tax deducted previously on Lump-sum payments, if any}]$
If <i>D</i> is more than 925,000	$(D \times 36\%) - [(220,500 + \text{Aggregate of monthly tax deducted on A} + \text{Aggregate of monthly tax deductible on B, as per Table 01}) + \text{Tax deducted previously on Lump-sum payments, if any}]$

Example 01

Mrs. Fernando who is a resident employee of a government institution, will receive an incentive of Rs. 300,000.00 in January, 2023. Her monthly regular profits and gains from employment (including non-cash benefits) is Rs 110,000.00.

(Hint: The amount of monthly earnings of Mrs. Fernando remains unchanged for the second three-month period)

Tax deductible on the **incentive** payable in January, 2023 should be computed as follows;

Please note that the tax deductible on monthly remunerations should be computed using Tax Table 01, separately.

Computation of tax deductible on the incentive to be paid in January, 2023

Step 01 – Computation of Estimated Gross Aggregate Remunerations during the second three-month period of the Year of Assessment (Y/A) 2022/2023

Gross aggregate monthly remunerations already paid during the second three-month period of the Y/A 2022/2023 (Monthly remuneration of January 2023, i.e. Rs.110,000 x 1)	= (A):	Rs. 110,000
Gross aggregate monthly remunerations payable during the second three-month period of the Y/A 2022/2023 (Monthly remuneration payable for February - March 2023, i.e. Rs. 110,000 x 2)	= (B):	220,000
Gross aggregate Lump-sum payments already made, being made now, & payable during the second three-month period of the Y/A 2022/2023	= (C):	<u>300,000</u>

(Amount of incentive to be received in January 2023, i.e. Rs. 300,000)
 Estimated Gross Aggregate Remunerations EGAR (paid and payable) during the second
 Three-month period of the Y/A 2022/2023 = (D): 630,000

Step 02 – Computation of tax deductible on Lump-sum payment in January, 2023

As the EGAR or **D** falls in between Rs. 550,001 and Rs. 675,000, the following formula should be applied in computing the amount of tax deductible in January, 2023 on the incentive;

$$\begin{aligned}
 & (\mathbf{D} \times 18\%) - [(76,500 + \text{Aggregate of monthly tax deducted on A} + \text{Aggregate of monthly tax deductible on B, as per Table 01}) + \text{Tax deducted previously on Lump-sum payments, if any}] \\
 & = (630,000 \times 18\%) - [(76,500 + (600 \times 1) + (600 \times 2) + 0] \\
 & = 113,400 - [76,500 + 600 + 1200] \\
 & = 35,100
 \end{aligned}$$

Therefore, tax deductible on the incentive in January, 2023 is Rs. 35,100

Example 02

Assuming that Mrs. Fernando in the **Example 01** will receive an incentive arrears (incentive) of Rs. 100,000.00 in March, 2023, tax deductible on this incentive should be computed as follows;

Please note that the tax deductible on monthly remunerations should be computed using Tax Table 01, separately.

Computation of tax deductible on the incentive payable in March, 2023

Step 01 – Computation of Estimated Gross Aggregate Remunerations during the second three months of the Year of Assessment (Y/A) 2022/2023

	Rs.
Gross aggregate monthly remunerations already paid during the second three-month period of the Y/A 2022/2023 (Monthly remuneration for the months for January –March, 2023, i.e. 110,000 x 3)	= (A): 330,000
Gross aggregate monthly remunerations payable during the second-three month period of the Y/A 2022/2023 (Monthly remuneration payable for January - March, 2023, i.e. 110,000 x 0)	= (B): 0
Gross aggregate Lump-sum payments already made, being made now, & payable during the second three-month period of the Y/A 2022/2023 (Amount of incentive received in January, 2023 and to be received in March, 2023, i.e. 300,000+ 100,000)	= (C): <u>400,000</u>
Estimated Gross Aggregate Remunerations EGAR (paid and payable) during the second three-month period of the Y/A 2022/2023	= (D): <u>730,000</u>

Step 02 – Computation of tax deductible on Lump-sum payment in March, 2023

As the EGAR or **D** falls in between Rs. 675,001 and 800,000, the following formula should be applied in computing the amount of tax deductible in March 2023 on the incentive.

$$\begin{aligned}
 & (\mathbf{D} \times 24\%) - [(117,000 + \text{Aggregate of monthly tax deducted on A} + \text{Aggregate of monthly tax deductible on B, as per Table 01}) + \text{Tax deducted previously on Lump-sum payments, if any}] \\
 & = (730,000 \times 24\%) - [(117,000 + (600 \times 3) + (0 \times 0) + 35,100] \\
 & = 175,200 - [117,000 + 1800 + 0 + 35,100] \\
 & = 21,300
 \end{aligned}$$

Therefore, tax deductible on the incentive in March, 2023 is Rs. 21,300

Example 03

Mr. Peiris who is a non-resident but citizen in Sri Lanka, works in DEF (Pvt) Ltd. He will get a bonus valued Rs. 1,000,000.00 in January, 2023. His monthly gross earnings from employment (inclusive non-cash benefits is Rs. 300,000.00.

(Hint: The amount of monthly earnings of Mr. Peiris remains unchanged for the second three month period)

Tax deductible on the bonus payable in January, 2023 should be computed as follows;

Please note that the tax deductible on monthly remunerations should be computed using Tax Table 01, separately.

Computation of tax deductible on bonus to be paid in January, 2023

Step 01 – Computation of Estimated Gross Aggregate Remunerations during the second three month of the Year of Assessment (Y/A) 2022/2023

Gross aggregate monthly remunerations already paid during the second three months (Monthly remuneration for the months for January 2023, i.e. 300,000 x 1)	= (A): 300,000
Gross aggregate monthly remunerations payable during the second three months (Monthly remuneration payable for February 2023 - March, 2023, i.e. 300,000 x 2)	= (B): 600,000
Gross aggregate Lump-sum payments already made, being made now, & payable during the second three months (Amount of Bonus to be received in January 2023 i.e. 1,000,000)	= (C): 1,000,000
Estimated Gross Aggregate Remunerations EGAR (paid and payable) during the second three months	= (D): 1,900,000

Step 02 – Computation of tax deductible on Lump-sum payment in January, 2023

As the EGAR or D more than 925,000, the following formula should be applied in computing the amount of tax deductible in January, 2023 on the bonus.

$$\begin{aligned} & (D \times 36\%) - [(220,500 + \text{Aggregate of monthly tax deducted on A} + \text{Aggregate of monthly tax deductible on B, as per Table 01}) + \text{Tax deducted previously on Lump-sum payments, if any}] \\ & = (1,900,000 \times 36\%) - [(220,500 + (35,000 \times 1) + (35,000 \times 2) + 0] \\ & = 684,000 - [220,500 + 35,000 + 70,000 + 0] \\ & = 358,500 \end{aligned}$$

Therefore, tax deductible on bonus in January 2023 is Rs. 358,500

Example 04

Assuming that Mr. Peiris in the Example 03 will receive another bonus of Rs. 500,000.00 in March, 2023, tax deductible on this bonus should be computed as follows;

Please note that the tax deductible on monthly remunerations should be computed using Tax Table 01, separately.

Computation of tax deductible on bonus payable in March, 2023

Step 01 – Computation of Estimated Gross Aggregate Remunerations during the second three month of the Year of Assessment (Y/A) 2022/2023

Gross aggregate monthly remunerations already paid during the second three months	Rs. = (A): 900,000
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(Monthly remuneration for the months of January – March, 2023, i.e. 300,000 x 3)	
Gross aggregate monthly remunerations payable during the second three months	= (B): 0
(Monthly remuneration payable for January - March, 2023, i.e. 300,000 x 0)	
Gross aggregate Lump-sum payments already made, being made now, & payable during the second three months	
(Amount of Bonus received in January 2023 and to be received in March, 2023, i.e. 1,000,000+ 500,000)	= (C): <u>1,500,000</u>
Estimated Gross Aggregate Remunerations EGAR (paid and payable) during the second three months	= (D): <u>2,400,000</u>

Step 02 – Computation of tax deductible on Lump-sum payment in March, 2023

As the EGAR or **D** falls more than 925,000, the following formula should be applied in computing the amount of tax deductible in March 2023 on the bonus.

$$\begin{aligned}
 & (\mathbf{D} \times 36\%) - [(220,500 + \text{Aggregate of monthly tax deducted on A} + \text{Aggregate of monthly tax deductible on B, as per Table 01}) + \text{Tax deducted previously on Lump-sum payments, if any}] \\
 & = (2,400,000 \times 36\%) - [(220,500 + (35,000 \times 3) + (35,000 \times 0) + 358,500)] \\
 & = 864,000 - [220,500 + 105,000 + 0 + 358,500] \\
 & = 180,000
 \end{aligned}$$

Therefore, tax deductible on Bonus in March, 2023 is Rs. 180,000