

## TAX TABLE NO. 06

### Tax-on-tax Rates

#### Tax-on-tax Rates

01. Tax-on-tax arises in the following instances:
  - i. When an employer or any other person settles income tax liability of an employee, without being deducted from his salary,
  - ii. Reimbursement by the employer of Income Tax already deducted from employee's salary.
02. Use Table 6.1 for computing tax-on-tax where applicable, in respect of the tax liability is computed on monthly emoluments of employee for any month. Determine the tax payable for the month in accordance with the Tax Table No. 01, Tax Table No. 04 (Table 4.1), Tax Table No. 05 or Tax Table No. 07 (Table 7.1); as the case may be; by following the instructions given under any of such table as applicable to your case.

Once you computed monthly payable tax and such amount falls within any range given in the Table 6.1, then apply the corresponding tax on tax rate given in the table.

**Table 6.1: Tax-on-tax Rates for Monthly gains and Profits from Employment**

Monthly Tax (Rs.)	Tax-on-tax Rate
0 – 2,500	6.38%
2,501 – 7,500	13.64%
7,501 – 15,000	21.95%
15,001 – 25,000	31.58%
25,001 – 37,500	42.86%
37,501 and above	56.25%

#### **Example 01**

*Mr. Mohamed a resident employee works in a private institution. His monthly gross remuneration for the month of January 2023 was 125,000/-. His employer has undertaken to pay his tax without deducting from his remuneration.*

*Computation of tax payable by the employer is as follows: -*

	<i>Rs.</i>
<i>Tax payable on Rs. 125,000 for January 2023 (as per Tax Table No.01)</i>	<i>1,500</i>
<i>Add- Tax-on-tax at 6.38% of Rs. 1,500 (as per Table 6.1)</i>	<u><i>96</i></u>
<i>Total income tax payable for the month by the employer</i>	<u><u><i>1,596</i></u></u>

03. Use Table 6.2 for computing tax-on-tax where applicable, in respect of the tax liability of employee is computed on cumulative basis for any year of assessment. Determine the tax payable for the annum in accordance with the Tax Table No. 02 or Tax Table No. 03, by following the instruction given under such tables as applicable to your case.

Once you computed annual payable tax and such amount falls within any range given in the table 6.2, then apply the corresponding tax-on-tax rate given in the table.

**Table 6.2: Cumulative Tax-on-tax Rates for Lump-sum Payments from Employment**

Cumulative Tax (Rs.)	Tax-on-tax Rate
0 – 7,500	6.38%
7,501 – 22,500	13.64%
22,501 – 45,000	21.95%
45,001 – 75,000	31.58%
75,001 – 112,500	42.86%
112,501 and above	56.25%

**Example 02**

Consider the Example 01 given under Tax Table No. 02.

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 liability on the **incentive including tax-on-tax** should be computed as follows:

(Please note that on the regular profit, you have to compute the tax on tax liability **separately** using Tax Table 6.1)

	Rs.
Tax payable on the incentive for the month of January 2023	35,100
[(By applying the relevant tax rate in Tax Table 02: Tax deductions on Lump-sum payments)	
(630,000 x 18%) - [(76,500 + (600x 1) + (600 x 2) + 0)]	
<b>Add: Tax-on-tax on the incentive at 21.95% of Rs. 35,100 (as per Table 6.2)</b>	<u>7,705</u>
<b>Total income tax payable for the month by the employer</b>	<u><u>42,805</u></u>

04. Use Table 6.3 for secondary employment by any of non-resident employees, in respect of the tax liability is computed on monthly emoluments of such employee for any month. Determine the tax payable for the month in accordance with the Tax Table No. 07 (Table 7.2), by following the instructions given under such table as applicable to your case.

Once monthly payable tax is computed, the tax-on-tax rate given in the Table 6.3 should be applied.

**Table 6.3: Tax-on-tax Rate on Secondary Employment of Any Non-resident Employee**

Tax (Rs.)	Tax-on-tax Rate
On any amount	56.25%