

Tax Table No. 6
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 instruction 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
Monthly Tax on Tax Rates

Monthly Tax (Rs.)	Tax on Tax Rate
0 - 14,100	6.38%
14,101 - 40,500	13.64%
40,501 - and above	21.95%

Example 01

Mr. Perera a resident employee works in a private institution. His monthly gross remuneration for the month of April was 500,000/-. Employer has undertaken to pay his tax without deducting from his remuneration.

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

	Rs.
<i>Tax payable on Rs. 500,000 for the month (as per Table 01)</i>	<i>15,000</i>
<i>Add- Tax on Tax at 13.64% of Rs. 15,000 (as per Table 6.1)</i>	<u><i>2,046</i></u>
<i>Total income tax payable for the month by the employer</i>	<u><u><i>17,046</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

Cumulative Tax (Rs.)			Tax on Tax Rate
0	-	169,200	6.38%
169,201	-	486,000	13.64%
486,001	-	and above	21.95%

Example 02

Let's recall the example given in the Tax Table No. 02.

Mr. Silva is a 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. Now, the employer has undertaken to pay his tax without deducting from his remuneration.

Tax liability on the bonus 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)

Accordingly, Tax payable on the bonus for the month of April	Rs. 300,000
[(By applying the relevant tax rate in Cumulative tax table	
(12% x 8,500,000) – [540,000 + 15,000 + (15,000 x 11)]	
Add- Tax on tax on the bonus at 13.64% of Rs. 300,000 (as per Table 6.1)	<u>40,920</u>
Total income tax payable for the month by the employer	
	<u>340,920</u>

04. Use Table 6.3 for second 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 instruction given under such table as applicable to your case.

Once you computed monthly payable tax, then apply the tax on tax rate given in the table 6.3

Table 6.3
Tax on Tax Rates

Tax (Rs.)	Tax on Tax Rate
On any amount -	21.95%