

TAX TABLE NO. 06

Tax-on-tax Rates

Tax-on-tax arises in the following instances:

- i. When an employer or any other person settles income tax liability of an employee on gains and profits from employment, without being deducted from his salary,
 - ii. Reimbursement by the employer of Income Tax already deducted from employee's salary.
01. Use Table 6.1 for computing tax-on-tax where 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 who have one employment, in respect of the tax liability is computed on monthly remuneration of employee for any month in the year of assessment.

Tax payable by the employer can be directly obtained by applying the Table 6.1.

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

Monthly Remuneration (Rs.)	Tax payable by Employer (Rs.)
0 – 100,000	Relief from Tax
100,001 – 139,167	(Monthly Remuneration X 6.38%) - 6,380
139,168 – 175,833	(Monthly Remuneration X 13.64%) - 16,482
175,834 – 210,000	(Monthly Remuneration X 21.95%) - 31,095
210,001 – 241,667	(Monthly Remuneration X 31.58%) - 51,318
241,668 – 270,833	(Monthly Remuneration X 42.86%) - 78,578
270,834 and above	(Monthly Remuneration X 56.25%) - 114,844

Example 01

Mr. Maharooof, a resident employee works in a private institution. His monthly gross remuneration for the month of April 2023 was Rs. 200,000/-. His employer has undertaken to pay his tax without deducting from his remuneration.

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

Mr. Maharooof's monthly remuneration, Rs. 200,000, falls within the range of Rs. 175,834 – 210,000.

Applying the corresponding equation;

$$\begin{aligned} &= (\text{Monthly Remuneration} * 21.95\%) - 31,095 \\ &= (200,000 * 21.95\%) - 31,095 \\ &= 43,900 - 31,095 \\ &= 12,805 \end{aligned}$$

Tax payable by the employer is Rs.12,805

02. Use Table 6.2 for computing tax-on-tax where 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 who have one employment, in respect of the tax liability of employee is computed on cumulative basis for the year of assessment. Determine the Estimated

Gross Aggregate Remunerations (EGAR) for lump-sum payments as per the Tax Table No.02 or Terminal Benefits under normal Rates as per Tax Table No. 03, by following the instructions given under such tables as applicable to your case.

Table 6.2: Cumulative Tax-on-tax Table for Lump-sum Payments or Terminal Benefits (under Normal Rates) from Employment

Estimated Gross Aggregate Remunerations (EGAR) / Terminal Benefits for the Y/A (Rs.)	Amount of Tax Deductible (Rs.)
If <i>D</i> is equal or less than 1,200,000	Nil
If <i>D</i> is in between 1,200,001 and 1,670,000	$(D \times 6.38\%) - [(76,560 + \text{Aggregate of monthly tax deducted on A, as per Table 6.1} + \text{Aggregate of monthly tax deductible on B, as per Table 6.1}) + \text{Tax deducted previously on Lump-sum payments, if any, as per Table 6.1}]$
If <i>D</i> is in between 1,670,001 and 2,110,000	$(D \times 13.64\%) - [(197,788 + \text{Aggregate of monthly tax deducted on A, as per Table 6.1} + \text{Aggregate of monthly tax deductible on B, as per Table 6.1}) + \text{Tax deducted previously on Lump-sum payments, if any, as per Table 6.1}]$
If <i>D</i> is in between 2,110,001 and 2,520,000	$(D \times 21.95\%) - [(373,145 + \text{Aggregate of monthly tax deducted on A, as per Table 6.1} + \text{Aggregate of monthly tax deductible on B, as per Table 6.1}) + \text{Tax deducted previously on Lump-sum payments, if any, as per Table 6.1}]$
If <i>D</i> is in between 2,520,001 and 2,900,000	$(D \times 31.58\%) - [(615,816 + \text{Aggregate of monthly tax deducted on A, as per Table 6.1} + \text{Aggregate of monthly tax deductible on B, as per Table 6.1}) + \text{Tax deducted previously on Lump-sum payments, if any, as per Table 6.1}]$
If <i>D</i> is in between 2,900,001 and 3,250,000	$(D \times 42.86\%) - [(942,940 + \text{Aggregate of monthly tax deducted on A, as per Table 6.1} + \text{Aggregate of monthly tax deductible on B, as per Table 6.1}) + \text{Tax deducted previously on Lump-sum payments, if any, as per Table 6.1}]$
If <i>D</i> is more than 3,250,000	$(D \times 56.25\%) - [(1,378,125 + \text{Aggregate of monthly tax deducted on A, as per Table 6.1} + \text{Aggregate of monthly tax deductible on B, as per Table 6.1}) + \text{Tax deducted previously on Lump-sum payments, if any, as per Table 6.1}]$

Example 02

Mrs. Andrea who is a resident employee of a private institution, will receive a bonus of Rs. 400,000.00 in April, 2023. Her monthly regular profits and gains from employment (including non-cash benefits) is Rs 120,000.00.

(Hint: The amount of monthly earnings of Mrs. Andrea remains unchanged for the year of assessment)

Tax liability on the bonus including tax-on-tax should be computed as follows:

Please note that the tax deductible on monthly remunerations should be computed using Tax Table 6.1, separately.

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

Step 01 – Computation of Estimated Gross Aggregate Remunerations during the Year of Assessment (Y/A) 2023/2024

	Rs.
Gross aggregate monthly remunerations already paid during the Y/A 2023/2024 (Monthly remuneration of April, 2023, i.e. Rs.120,000 x 1)	= (A): 120,000
Gross aggregate monthly remunerations payable during the Y/A 2023/2024 (Monthly remuneration payable for May, 2023 –March, 2024, i.e. Rs. 120,000 x 11)	= (B): 1,320,000
Gross aggregate Lump-sum payments already made, being made now, & payable during the Y/A 2023/2024 (Amount of bonus to be received in April, 2023, i.e. Rs. 400,000)	= (C): <u>400,000</u>
Estimated Gross Aggregate Remunerations EGAR (paid and payable) during the Y/A 2023/2024	= (D): <u>1,840,000</u>

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

As the EGAR or D falls in between Rs. 1,670,001 and 2,110,000, the following formula should be applied in computing the amount of tax deductible in April, 2023 on the incentive;

$$\begin{aligned} & (D \times 13.64\%) - [(197,788 + \text{Aggregate of monthly tax deducted on A, as per Table 6.1} + \\ & \text{Aggregate of monthly tax deductible on B, as per Table 6.1)} + \text{Tax deducted previously on} \\ & \text{Lump-sum payments, if any, as per Table 6.1}] \\ & = (1,840,000 \times 13.64\%) - [(197,788 + (1,276 \times 1) + (1,276 \times 11) + 0] \\ & = 250,976 - [197,788 + 1,276 + 14,036 + 0] \\ & = 37,876 \end{aligned}$$

Therefore, tax deductible on the bonus in April, 2023 is **Rs. 37,876**

03. Use Table 6.3 for secondary employment by any of non-resident employees, in respect of the tax liability is computed on monthly remuneration of such employee for any month in the Year of Assessment.

Table 6.3: Tax-on-tax Rate on Secondary Employment of any Non-resident

Monthly Remuneration from Secondary Employment (Rs.)	Tax Payable by the Employer
On any amount of monthly remuneration from secondary employment	(Monthly Remuneration X 1.5625) X 36%