

## TAX TABLE NO: 02

### Rates for the Deduction of Tax from Lump-sum Payments

(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)

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, 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 Y/A	= (A):	XXX
Gross aggregate monthly remunerations payable during the Y/A	=(B):	XXX
Gross aggregate Lump-sum payments already made, being made now, & payable during the Y/A	=(C):	<u>XXX</u>
Estimated Gross Aggregate Remunerations EGAR (paid and payable) during the Y/A	=(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 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 1,700,000	$(D \times 6\%) - [(72,000 + \text{Aggregate of monthly tax deducted on } A + \text{Aggregate of monthly tax deductible on } B, \text{ as per Table 01}) + \text{Tax deducted previously on Lump-sum payments, if any}]$
If <i>D</i> is in between 1,700,001 and 2,200,000	$(D \times 12\%) - [(174,000 + \text{Aggregate of monthly tax deducted on } A + \text{Aggregate of monthly tax deductible on } B, \text{ as per Table 01}) + \text{Tax deducted previously on Lump-sum payments, if any}]$
If <i>D</i> is in between 2,200,001 and 2,700,000	$(D \times 18\%) - [(306,000 + \text{Aggregate of monthly tax deducted on } A + \text{Aggregate of monthly tax deductible on } B, \text{ as per Table 01}) + \text{Tax deducted previously on Lump-sum payments, if any}]$
If <i>D</i> is in between 2,700,001 and 3,200,000	$(D \times 24\%) - [(468,000 + \text{Aggregate of monthly tax deducted on } A + \text{Aggregate of monthly tax deductible on } B, \text{ as per Table 01}) + \text{Tax deducted previously on Lump-sum payments, if any}]$
If <i>D</i> is in between 3,200,001 and 3,700,000	$(D \times 30\%) - [(660,000 + \text{Aggregate of monthly tax deducted on } A + \text{Aggregate of monthly tax deductible on } B, \text{ as per Table 01}) + \text{Tax deducted previously on Lump-sum payments, if any}]$
If <i>D</i> is more than 3,700,000	$(D \times 36\%) - [(882,000 + \text{Aggregate of monthly tax deducted on } A + \text{Aggregate of monthly tax deductible on } B, \text{ as per Table 01}) + \text{Tax deducted previously on Lump-sum payments, if any}]$

### Example 01

Mrs. Alwis who is a resident employee of a government institution, will receive an incentive 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. Alwis remains unchanged for the Y/A 2023/2024)

Tax deductible on the **incentive** payable in April, 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 April, 2023

#### Step 01 –Computation of Estimated Gross Aggregate Remunerations during the Y/A 2023/2024

Gross aggregate monthly remunerations already paid during the Y/A 2023/2024 (Monthly remuneration of April 2023, i.e. Rs.120,000 x 1)	Rs. = (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 incentive to be received in April, 2023, i.e. Rs. 400,000)	= (C): 400,000
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. 1,700,001 and Rs. 2,200,000, the following formula should be applied in computing the amount of tax deductible in April, 2023 on the incentive;

$$\begin{aligned} & (D \times 12\%) - [(174,000 + \text{Aggregate of monthly tax deducted on A} + \text{Aggregate of monthly tax deductible on B, as per Table 01}) + \text{Tax deducted previously on Lump-sum payments, if any}] \\ & = (1,840,000 \times 12\%) - [(174,000 + (1,200 \times 1) + (1,200 \times 11) + 0] \\ & = 220,800 - [174,000 + 1,200 + 13,200] \\ & = 32,400 \end{aligned}$$

Therefore, tax deductible on the incentive in April, 2023 is Rs. 32,400

### **Example 02**

Assuming that Mrs. Alwis in the **Example 01** will receive **another incentive** of Rs. 450,000.00 in December, 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 December, 2023**

#### **Step 01–Computation of Estimated Gross Aggregate Remunerations during the Y/A 2023/2024**

	Rs.
Gross aggregate monthly remunerations already paid during the Y/A 2023/2024 (Monthly remuneration for the months for April –December 2023, i.e. 120,000 x 9)	= (A): 1,080,000
Gross aggregate monthly remunerations payable during the Y/A 2023/2024 (Monthly remuneration payable for January - March, 2024, i.e. 120,000 x 3)	= (B): 360,000
Gross aggregate lump-sum payments already made, being made now, & payable during the Y/A 2023/2024 (Amount of incentive received in April, 2023 and to be received in December, 2023, i.e. 400,000+ 450,000)	= (C): <u>850,000</u>
Estimated Gross Aggregate Remunerations EGAR (paid and payable) during the Y/A 2023/2024	= (D): <u>2,290,000</u>

### **Step 02 – Computation of tax deductible on Lump-sum payment in December, 2023**

As the EGAR or **D** falls in between Rs. 2,200,001 and 2,700,000, the following formula should be applied in computing the amount of tax deductible in December, 2023 on the incentive.

$$\begin{aligned} & (D \times 18\%) - [(306,000 + \text{Aggregate of monthly tax deducted on A} + \text{Aggregate of monthly tax deductible on B, as per Table 01}) + \text{Tax deducted previously on Lump-sum payments, if any}] \\ & = (2,290,000 \times 18\%) - [(306,000 + (1,200 \times 9) + (1,200 \times 3) + 32,400] \\ & = 412,200 - [306,000 + 10,800 + 3,600 + 32,400] \\ & = 59,400 \end{aligned}$$

Therefore, tax deductible on the incentive in December, 2023 is Rs. 59,400

### **Example 03**

Mr. Bandara who is a non-resident but citizen in Sri Lanka, works in Incor Private Limited. He will get a bonus valued Rs. 500,000.00 in May, 2023. His monthly gross earnings from employment (inclusive non-cash benefits) is Rs. 250,000.00.

(Hint: The amount of monthly earnings of Mr. Bandara remains unchanged for the Y/A)

Tax deductible on the **bonus** payable in May, 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 May, 2023**

#### **Step 01–Computation of Estimated Gross Aggregate Remunerations during the Y/A 2023/2024**

	Rs.
Gross aggregate monthly remunerations already paid during the Y/A 2023/2024 (Monthly remuneration for the months April and May, 2023, i.e. 250,000 x 2)	= (A): 500,000
Gross aggregate monthly remunerations payable during the Y/A 2023/2024 (Monthly remuneration payable for June, 2023 - March, 2024, i.e. 250,000 x 10)	= (B): 2,500,000
Gross aggregate Lump-sum payments already made, being made now, & payable during the Y/A 2023/2024 (Amount of Bonus to be received in May, 2023 i.e. 500,000)	= (C): <u>500,000</u>
Estimated Gross Aggregate Remunerations EGAR (paid and payable) during the Y/A 2023/2024	= (D): <u>3,500,000</u>

#### **Step 02 – Computation of tax deductible on Lump-sum payment in May, 2023**

As the EGAR or **D** is between 3,200,001 and 3,700,000, the following formula should be applied in computing the amount of tax deductible in May, 2023 on the bonus.

$$\begin{aligned} & (D \times 30\%) - [(660,000 + \text{Aggregate of monthly tax deducted on A} + \text{Aggregate of monthly tax} \\ & \text{deductible on B, as per Table 01)} + \text{Tax deducted previously on Lump-sum payments, if any}] \\ & = (3,500,000 \times 30\%) - [(660,000 + (21,000 \times 2) + (21,000 \times 10) + 0] \\ & = 1,050,000 - [660,000 + 42,000 + 210,000 + 0] \\ & = 138,000 \end{aligned}$$

Therefore, tax deductible on bonus in May 2023 is Rs. 138,000

#### **Example 04**

Assuming that Mr. Bandara in the **Example 03** will receive **another bonus** of Rs. 750,000.00 in January, 2024, 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 January, 2024**

#### **Step 01–Computation of Estimated Gross Aggregate Remunerations during the Y/A 2023/2024**

	Rs.
Gross aggregate monthly remunerations already paid during the Y/A 2023/2024 (Monthly remuneration for the months of April, 2023 – January, 2024, i.e. 250,000 x 10)	= (A): 2,500,000
Gross aggregate monthly remunerations payable during the Y/A 2023/2024 (Monthly remuneration payable for February - March, 2024, i.e. 250,000 x 2)	= (B): 500,000
Gross aggregate Lump-sum payments already made, being made now, & payable during the Y/A 2023/2024 (Amount of Bonus received in May, 2023 and to be received in January, 2024, i.e. 500,000+ 750,000)	= (C): <u>1,250,000</u>
Estimated Gross Aggregate Remunerations EGAR (paid and payable) during Y/A 2023/2024	= (D): <u>4,250,000</u>

#### **Step 02 – Computation of tax deductible on Lump-sum payment in January, 2024**

*As the EGAR or **D** falls more than 3,700,000, the following formula should be applied in computing the amount of tax deductible in January, 2024 on the bonus.*

$$\begin{aligned} & (\mathbf{D} \times 36\%) - [(882,000 + \text{Aggregate of monthly tax deducted on } \mathbf{A} + \text{Aggregate of monthly tax} \\ & \text{deductible on } \mathbf{B}, \text{ as per Table 01)} + \text{Tax deducted previously on Lump-sum payments, if any}] \\ & = (4,250,000 \times 36\%) - [(882,000 + (21,000 \times 10) + (21,000 \times 2) + 138,000)] \\ & = 1,530,000 - [882,000 + 210,000 + 42,000 + 138,000] \\ & = 258,000 \end{aligned}$$

*Therefore, tax deductible on Bonus in January, 2024 is Rs. 258,000*