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## TAX TABLE

### **Deduction of Tax on Cumulative Income from Employment For the period 01.01.2020 – 31.03.2020**

This table should be applied for deducting tax on cumulative gains and profits from employment of any employee who agreed for deduction of tax by his employer on his gains and profits from employment. The gains and profits from employment constitutes,

- Monthly regular profits from the employment (Cash and Non-Cash benefits) and
- Lump sum payments

(For value of non-cash benefit, please refer to the Guideline already published)

Above mentioned payments received from January 01, 2020 to March 31, 2020 (hereinafter referred to as “the period”) should be considered under this table.

Following steps should be followed in computing the tax liability.

#### **01. Tax Computation for the Period**

The tax computation should be made as set out below.

Monthly regular profits from the employment (Cash and Non-Cash benefits)	XXX
Lump sum payments	<u>XX</u>
Cumulative gains and profits from employment for the period	<u>XXX</u>

Tax payable for the period should be computed on the cumulative gains and profits in accordance with the Table 01 given below.

**Table – 01 - Cumulative Tax Table**

Cumulative Gains and Profits from the Employment (Rs.)	Tax
0 – 750,000	Nil
750,001 – 1,500,000	6% of Cumulative Income from employment less Rs. 45,000/-
1,500,001 – 2,250,000	12% of Cumulative Income from employment less Rs. 135,000/-
2,250,001 – and above	18% of Cumulative Income from employment less Rs 270,000/-

#### **Example 01**

*Mr. Silva is a resident employee of a private institution and total of his last 3 months regular profits from employment (including non-Cash Benefits) was Rs 960,000. He received a bonus payment of Rs. 640,000 in February 2020.*

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*Tax liability should be computed as follows:*

**Tax Computation for the Period (January –March, 2020)**

	<i>Rs.</i>
<i>Gross regular employment income for the period</i>	<i>960,000</i>
<i>Bonus received in February</i>	<u><i>640,000</i></u>
<i>Gross payments for the period</i>	<u><u><i>1,600,000</i></u></u>
<i>Tax payable for the period</i>	<i>57,000</i>
<i>(By applying the relevant tax rate in Cumulative tax table (1,600,000 X 12%) – 135,000)</i>	

**02. 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, without being deducted from his salary,
- ii. Reimbursement by the employer of Income Tax already deducted from employee's salary.

Determine the tax payable for the period in accordance with the Table 01 by following the instruction given under item 01 above.

Use Table 02 for computing tax on tax where applicable, in respect of the tax liability on cumulative emoluments of employee for the period.

**Table – 02 - Tax on Tax Rates**

<b>January to March Tax (Rs.)</b>			<b>Tax on Tax Rate</b>
0	-	42,300	6.38%
42,301	-	121,500	13.64%
121,501	-	and above	21.95%

**Example 02**

*Mr. Perera's gross remuneration for the period from 01.01.2020 to 31.03.2020 was 2,600,000/-. 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. 2,600,000 for the period (as per Table 01)</i>	<i>198,000</i>
<i>Add- Tax on Tax at 21.95% of Rs. 198,000 (as per Table 02)</i>	<u><i>43,461</i></u>
<i>Total income tax payable for the period by the employer</i>	<u><u><i>241,461</i></u></u>

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### **03. Deduction of Tax on Cumulative Income from Second Employment**

This table should be applied for the deduction of tax from the cumulative income from employment of any employee who has not furnished the primary employment declaration, or in respect of income from employment of any employee employed under more than one employer, where such income from employment is paid by any employer other than the primary employer for the period from 01.01.2020 to 31.03.2020 subject to the consent of the respective employee.

#### **01. Standard Rate**

The income from second employment may also constitute, monthly regular gains and profits (Cash and Non-Cash benefits) and Lump sum payments if any received or derived from January 01, 2020 to March 31, 2020 by the employee. (For value of non-cash benefit, please refer to the Guideline already published)

Tax deduction should be made by applying the rates as follows.

<b>Cumulative Employment income from <u>Primary Employment</u> for the Period of 01.01.2020 to 31.03.2020 (Rs.)</b>	<b>Cumulative Income from <u>Second Employment</u> for the Period of 01.01.2020 to 31.03.2020</b>	<b>Applicable Tax Rate</b> (on the Income from Second Employment)
750,000 - 1,500,000	Cumulative Second Employment Income	6%
1,500,001 - 2,250,000	Cumulative Second Employment Income	12%
2,250,001 - And above	Cumulative Second Employment Income	18%

#### **02. Tax on Tax Rate**

If an employer or any other person settles income tax liability of the second employment income of an employee, without being deducted from his remuneration, or reimbursed the income tax payments of the employee, applicable rates will be changed as follows.

<b>Cumulative Employment income from <u>Primary Employment</u> for the Period of 01.01.2020 to 31.03.2020 (Rs.)</b>	<b>Income from <u>Second Employment</u> for the Period of 01.01.2020 to 31.03.2020</b>	<b>Applicable Tax Rate</b> (on the Income from Second Employment)
750,000 - 1,500,000	Cumulative Second Employment Income	6.38%
1,500,001 - 2,250,000	Cumulative Second Employment Income	13.64%
2,250,001 - And above	Cumulative Second Employment Income	21.95%

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### 03. Example

Mr. Silva is the director of Company A and B. He has provided his Primary Employment Declaration (Form: -PAYE\_001\_E) to company A. He has given consent to both companies and agreed for the deduction of tax from his remuneration. Following gains and profits received from employment and both companies paying his income tax on behalf of him.

	Rs.
Monthly Salary from A	= 400,000
Bonus received from A during the month of March 2020	= 600,000
Monthly Salary from B	= 200,000
Bonus received from B during the month of March 2020	= 500,000

Tax liability should be computed as follows.

i. **Tax Computation for the Period (January –March, 2020) by the Primary Employer (Company A)**

	Rs.
Cumulative employment income for the period [(400,000 x 3) + 600,000]	= 1,800,000
Tax Payable by A = (1,800,000 X 12%)- 135,000	= 81,000
Tax on Tax as per Table 2 = 81,000 X 13.64%	= 11,048
<u>Total Tax should be paid by A</u>	<u>= 92,048</u>

ii. **Tax Computation for the Period (January –March, 2020) by the Second Employer (Company B)**

	Rs.
Cumulative employment income for the period [(200,000 x 3) + 500,000]	= 1,100,000
Tax Payable by B including tax on tax = (1,100,000 X 13.64%)	= 150,040
(since his primary employment income in between Rs.1,500,001 and 2,250,000)	