

## Tax Table No. 6 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.

The Tax Calculation as follows;

Option 1: Tax on Tax in respect of monthly regular profits from employment

- ✓ Use the Part I of this Table, to compute the tax on tax in respect of monthly regular profits from employment.
- ✓ Determine the tax on tax by the application of the relevant rate percentage on the monthly tax computed under Tax Table No. 01.

**Example:**

*Expatriate Mr. X was employed in Sri Lanka on 01.04.2018. His gross salary for April 2018 is 140,000/-. Employer has undertaken to pay his tax without deducting it from his salary.*

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

	Rs.
Tax payable on Rs. 140,000 for April 2018	1,600
<b><u>Add.</u></b>	
Tax on Tax at 4.17% of Rs. 1,600	<u>67</u>
Total income tax payable for April 2018	<u><u>1,667</u></u>

Option 2: Tax on Tax in respect of lump-sum payments from employment

- ✓ Use Part II of this Table, to compute the tax on tax in relation to lump-sum payments.
- ✓ Compute the tax on tax using the rate applicable on the basis of tax computed under tax Table 2.

**Example:**

*Expatriate Mr. Y was employed in Sri Lanka on 01.04.2018. His gross salary for April 2018 is Rs.145,000. He was paid with bonus of Rs. 290,000 in April, which is 2 months salary. Employer has undertaken to pay his tax without deducting it from his salary.*

*Computation of tax is as follows:*

Tax on monthly gross salary of Rs. 145,000 according to tax Table 01	1,600
Tax on bonus of Rs. 290,000 under Tax Table No. 02 Part M2, $290,000 \times 7.25\%$	21,025
<b><u>Add.</u></b>	
Tax on tax at 4.17% of Rs. 1,600 (tax on tax monthly salary)	67
Tax on tax at 8.70% of Rs. 21,025 (tax on bonus)	<u>1,829</u>
	<u>1,896</u>
Total income tax payable for April 2018	<u><u>24,521</u></u>
<i>(Tax on tax rate applicable on Lump-sum payments tax of 21,025 which computed at the rate of 7.25% is 8.70%)</i>	

## PART - I

Tax on tax rate in respect of all categories of employees.

Monthly Tax (Rs.)	Tax on Tax Rate
0 - 2,000.00	4.17%
2,001.00 - 6,000.00	8.70%
6,001.00 - 12,000.00	13.64%
12,001.00 - 20,000.00	19.05%
20,001.00 - 30,000.00	25.00%
30,001.00 and above	31.58 %

## PART - II

Tax on Tax rates applicable for Lump-sum-payments (e.g. Bonus etc.)

Ranges of applicable Rates on lump-sum-payments	Tax on Tax Rate
Where the applicable rate on lump sum payment is not exceeding 4%	4.17%
Where the applicable rate on lump sum payments exceeds 4.25% but not exceeding 8%	8.70%
Where the applicable rate on lump sum payments exceeds 8.25% but not exceeding 12%	13.64%
Where the applicable rate on lump sum payments exceeds 12.25% but not exceeding 16%	19.05%
Where the applicable rate on lump sum payments exceeds 16.25% but not exceeding 20%	25.00%
Where the applicable rate on lump sum payments exceeds 20%	31.58%

## PART - III

Tax on tax rates applicable for Tax Table 07

Tax Rate applicable on monthly Regular profits from employment	Tax on Tax Rate
10%	11.11%
20%	25.00%