

TAX TABLE No. 2

Rates for the Deduction of Tax from Lump-sum Payments

How to use this table:

01. Bonus, Leave encashment etc., generally paid annually are considered as Lump-sum-payments.
02. This Table No. 2 comprises 24 parts, numbered from "M ½" to "M 12". M ½ is the part that applies if the amount of lump sum payments is ½ times the average monthly profits from employment. Similarly, "M 3½" is the part that applies if the amount of lump sum payments is 3½ times of that average and; so on.
03. Follow the following steps to compute the tax on Lump-sum-payments, in relation to an employee:
 - (i) Divide the amount of lump-sum-payments (including any lump-sum-payments made previously during the year) by the average profits from employment to ascertain to the nearest half, what multiple of the average, the amount of lump-sum-payments is. Then select the relevant part of Tax Table. Eg: If the multiple is 1.5 (or 1.3 etc.) then the relevant part is Part "M 1½".
 - (ii) Find from that part of the Table, the rate per centum corresponding to average profits from employment (excluding lump-sum-payments).
 - (iii) Ascertain the tax by application of this rate per centum on the total lump-sum-payments (including any lump-sum-payment made previously during the year of assessment).
 - (iv) Deduct from the tax so ascertained, the tax paid, if any, on any lump-sum-payment made previously during the year of assessment and ascertain the net tax payable on lump-sum-payments being made now.

Example: Mr. Silva receives a bonus of Rs. 38,000 in April 2009. His regular profit from employment for that month is Rs. 34,000. His basic monthly salary is Rs. 32,000 and the monthly average of allowances and the other benefits (liable to tax) is Rs. 3000 (approximately).

The deduction in April in respect of Rs. 34,000 (according to Table No. 1)	Rs. 314
Average regular profits from employment 35,000 (32,000 + 3,000)	
The amount of Bonus is 1.08 times of average regular profits (i.e. approximately 1 times the average monthly profits from employment)	
$\frac{38,000}{35,000} = 1.08$	
Under M 1 part of the Table, the rate applicable to bonus is 5%	
Tax on Bonus = 38,000 x 5%	<u>1,900</u>
Total tax deductible in April 2009	<u><u>2,214</u></u>