

Tax Table No. 6

Tax on Tax Rates

- (1) Instances where tax on tax arise.
- (i) When an employer or any other person settles income tax of an employee, without it being deducted from his salary.
- (ii) Reimbursement by the employer of Income Tax already deducted and paid from employee's salary.
- (2) Use the part I, to compute the tax on tax in respect of monthly remuneration.

Determine the tax on tax by the application of the relevant rate percentage on the monthly tax under tax table 01.

Example 1: Expatriate Mr. X was employed in Sri Lanka on 01.04.2003. His gross salary for April 2009 is 100,000/-. Employer has undertaken to pay his tax without deducting it from his salary. Computation of tax is as follows:-

	Rs.
Tax payable on Rs. 100,000 for April 2009	5313
Add. Tax on Tax at 17.65% of Rs. 100,000	<u>928</u>
Total income tax payable for April 2009	<u>6251</u>

- (3) Use part II, to compute the tax on tax in relation to lump-sum payments.

Compute the tax on tax using the rate per centum applicable on the basis of tax computed under tax table 2.

Example (2) Expatriate Mr. Y was employed in Sri Lanka on 01.04.2003. His gross salary for April 2009 is Rs. 100,000. He was paid with bonus of Rs. 200,000 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. 100,000 according to tax table 01	}	5313
tax on bonus of Rs. 200,000 under tax table M2		
$(\frac{2000000 \times 27.3}{100})$	=	55000
Add. Tax on tax at 17.65% of Rs. 5313 tax	=	938
Tax on tax at 42.85% of Rs. 55000 tax	=	<u>23567</u>
Total income tax payable for April 2009		<u>84818</u>

(tax on tax rate applicable to Lump-sum payments which includes the rate per centum of 27.5 computed on 55000 tax = 42.85%)

Part I

Rate of tax on tax in respect of Sri Lankan employees and non-citizen employees who have exceeded the five year period.

Monthly Tax Rs.	Tax on Tax Rate
01 - 1,667	5.26%
1,668 - 5,000	11%
5,001 - 10,000	17.65%
10,001 - 18,333	25%
18,334 - 28,750	33.33%
28,751 - 41,250	42.85%
41,251 and above	53.85%

Part II

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

<u>Rate per centum applicable to lump-sum-payment</u>		<u>Tax on Tax Rate</u>
From	To	
0.0%	- 5%	5.26%
5.5%	- 10%	11%
10.5%	- 15%	17.65%
15.5%	- 20%	25%
20.5%	- 25%	33.33%
25.5%	- 30%	42.85%
30.5%	& and above	53.85%