TAX TABLE No. 2

Rates for the Deduction of Tax from Lump-sum Payments

01. The following payments are considered as Lump-sum-payments
    (i) Payments such as bonus,
    (ii) Leave encashment,
    (iii) Gifts received in respect of the employment,
    (iv) Medical expenses reimburesments,
    (v) Salary arrears due to service reinstatement,
    (vi) The fair market value of benefits received or derived by virtue of the employment by an individual or an associate person of the individual,
    (vii) 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.

02. This Table No. 2 comprises 48 Parts, numbered from "M ½" to "M 24".

    - ✓ M ½ is the Part that applies if the amount of cumulative lump sum payments is ½ times the average monthly profits from employment.
    - ✓ Similarly, "M 3½" is the Part that applies if the amount of cumulative 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) Ascertain the nearest half, by dividing the amount of lump-sum-payments *(including any lump-sum-payments made previously during the year)* by the monthly average profits from employment.
    (ii) Select the relevant Part from Tax Table No 02.*(Ascertained nearest half)*
    (iii) Find the rate corresponding to average profits from employment, from that Part of the Table, (excluding lump-sum-payments).
    (iv) Compute the tax by applying such rate on the total lump-sum-payments (including any lump-sum-payment made previously during the year of assessment).
    (v) 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.

04. If you need any Part of Tax Table No. 02 other than "M ½ to M 24", please refer Secratariat of the Inland Revenue Department.

Example:

Mr. Silva receives a bonus of Rs. 220,000 in April 2018. His regular profits from employment for that month are Rs. 150,000. His basic monthly salary is Rs. 120,000 and the monthly average of allowances and the other benefits (liable to tax) is Rs. 30,000 (approximately).

		Rs.
Average regular profits from employment (Gross monthly salary) (120,000+30,000)	-	*150,000*
The tax deduction in April in respect of Rs. 150,000 (according to Table No. 1)	-	*2,000*
The average times of the bonus vs regular profits(bonus/ regular profits)	*220,000 / 150,000 = 1.466666667*	

(i.e. approximately 1.5 times the average monthly profits from employment)

The amount of Bonus is 1.5 times of average regular profits

Therefore, Part M 1.5 of the table is applicable in this instance

According to Part M 1.5 of the table the corresponding rate to average profits from employment excluding lump sum payments (Rs.150,000) is 8.25%.

Tax on Bonus = Bonus x the applicable rate — *220,000 x 8.25% = 18,150.00*

Total tax deductible in April 2018 Rs.(2,000+18,150) — *20,0150.00*