



## CALCULATION OF ESTIMATED TAX PAYABLE AND QUATERLY INSTALLMENT PAYMENTS

### YEAR OF ASEESSMENT 2019/2020

In terms of Sections 90, 91, and 92 of the Inland Revenue Act, No. 24 of 2017, every person who is liable to pay income tax, is required to submit Statement of Estimated Tax Payable Form for the year of assessment 2019/2020 on or before the 15<sup>th</sup> August, 2019. Furthermore, the estimated tax should be paid in four installments.

This Guideline consists of two parts;

**PART I: CALCULATION OF ESTIMATED TAX PAYABLE, and  
PART II: CALCULATION OF QUARTERLY INSTALLMENT PAYMENTS.**

#### 1. PART 1 - CALCULATION OF ESTIMATED TAX PAYABLE

##### Example 01:

Mr. Nimal is an employee and his expected employment income is Rs. 800,000 (which is not subject to tax under PAYE since employment income is less than Rs.1, 00,000) and his estimated business income is Rs. 1,000,000.

Calculation of estimated tax payable is as follows;

Calculation of estimated tax payable

	Rs.
Employment Income	800,000
Business Income	1,000,000
<b>Total Estimated Income</b>	<b>1,800,000</b>
<b>Less –</b>	
Total Tax Relief Entitlement (P.R 500,000 + E. R 700,000)	(1,200,000)
Estimated Taxable Income	600,000
<b>Estimated Tax Payable (Rs. 600,000*4%)</b>	<b>24,000</b>

P.R = Individual Relief    E.R = Employment Relief

**Example 02:**

Mr. Nimal is an employee and his expected employment income is Rs. 600,000 (which is not subject to tax under PAYE since employment income is less than Rs. 1,200,000) and his estimated business income amounts to Rs. 1,000,000.

Calculation of estimated tax payable is as follows;

	<b>Rs.</b>
Employment Income	600,000
Business Income	1,000,000
<b>Total Estimated Income</b>	<b>1,600,000</b>
<b>Less-</b>	
Total Tax Relief Entitlements (P.R 500,000 + E. R 600,000)	(1,100,000)
Estimated Taxable Income	500,000
<b>Estimated Tax Payable (500,000*4%)</b>	<b>20,000</b>

P.R = Individual Relief    E.R = Employment Relief

Employment relief would be Rs. 700,000 or actual employment income, whichever is lower.

As such, tax relief for the employment income limits to **Rs. 600,000** and the total tax relief available would be Rs. 500,000 + Rs. 600,000 = 1,100,000.

**Example 03:**

Mr. A is an employee of company B and his estimated employment income for the Y/A 2019/2020 is Rs. 2,300,000 and estimated business income amounts to Rs. 500,000 and estimated rent income is Rs. 120,000.

**Calculation of Estimated Tax Payable**

	<b>Rs.</b>
Employment Income	2,300,000
Business Income	500,000
Investment Income	120,000
<b>Total Estimated Income</b>	<b>2,920,000</b>
<b>Less –</b>	
Total Tax Relief Entitlement (P.R 500,000 + E. R 700,000)	(1,200,000)
Estimated Taxable Income	1,720,000
<b>Gross Estimated Tax Payable*</b>	<b>134,400</b>
Less – Estimated PAYE Deductions **	(64,000)
<b>Estimated Tax Liability (Cage 80)</b>	<b>70,400</b>

P.R = Individual Relief    E.R = Employment Relief

\* Calculated by application of progressive tax rates.

**\*\*Calculation of Estimated PAYE Deductions**

**Rs.**

Estimated Employment income	2,300,000
Less- Total Tax Relief Entitlement (Rs. 500,000+ Rs. 700,000)	<u>1,200,000</u>
Taxable Employment Income	<u>1,100,000</u>

**Tax on Taxable Employment Income**

First Rs. 600,000	24,000
Next Rs. 500,000	<u>40,000</u>

**Estimated PAYE Deductions**

**64,000**

PART – I: CALCULATION OF ESTIMATED INCOME TAX PAYABLE															
Sources of Income	Case	Rupees										Cents			
Employment	10				2	3	0	0	0	0	0	0	0	0	0
Business	20					5	0	0	0	0	0	0	0	0	0
Investment	30					1	2	0	0	0	0	0	0	0	0
Other Income	40														
<b>Estimated Assessable Income</b> (10+20+30+40)	<b>50</b>				2	9	2	0	0	0	0	0	0	0	0
Total Estimated Deductible Qualifying Payments and Reliefs	60				1	2	0	0	0	0	0	0	0	0	0
Estimated Taxable Income (50-60)	70				1	7	2	0	0	0	0	0	0	0	0
Estimated Tax Liability	80						7	0	4	0	0	0	0	0	0
Estimated Foreign Tax Credits	90														
<b>Estimated Tax Payable</b> (80-90)	<b>100</b>						7	0	4	0	0	0	0	0	0

**Example: 04**

Mr. Piyal is a resident individual, who had invested on treasury bills and his expected interest income from treasury bills amounts to Rs. 2,000,000 and his business income for the year of assessment 2019/2020 amounts 2,400,000. Calculation of estimated tax payable is as follows;

**Calculation of Estimated Tax Payable**

**Rs.**

Estimated Business Income	2,400,000
Estimated Assessable Income	2,400,000
<b>Less - Individual Tax Reliefs</b>	<b>(500,000)</b>
Estimated taxable Income	<b>1,900,000</b>

## Calculation of Tax Payable

				Rs.
• Tax on taxable income (Rs. 1, 900,000)				
First 600,000	4%			24,000
Second 600,000	8%			48,000
Third 600,000	12%			72,000
Balance 100,000	16%			<u>16,000</u>
				160,000
• Estimated tax payable on interest on Treasury bills (2,000,000 × 5%)				100,000

## Estimated Tax Payable

**260,000**

### Note:

Final withholding payments which are not subject to withholding tax, such as interest income derived by a resident individual from **treasury bills are deemed to be included in the taxable income for the purpose of installment payments.**

As such, Estimated Tax Liability would be the total of tax on estimated taxable income, and tax on income from treasury bills.

PART – I: CALCULATION OF ESTIMATED INCOME TAX PAYABLE														
Sources of Income	Age	Rupees										Cents		
Employment	10													
Business	20			2	4	0	0	0	0	0	0	0	0	0
Investment	30													
Other Income	40													
<b>Estimated Assessable Income</b> (10+20+30+40)	<b>50</b>			<b>2</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total Estimated Deductible Qualifying Payments and Reliefs	60				5	0	0	0	0	0	0	0	0	0
Estimated Taxable Income (50-60)	70			1	9	0	0	0	0	0	0	0	0	0
Estimated Tax Liability	80				2	6	0	0	0	0	0	0	0	0
Estimated Foreign Tax Credits	90													
<b>Estimated Tax Payable</b> (80-90)	<b>100</b>				<b>2</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 2. PART 11 - CALCULATION OF QUARTERLY INSTALLMENT PAYMENTS

The quarterly installment payment is calculated by using the following formula.

$$\text{QUARTERLY INSTALLMENT PAYMENT (E)} = \frac{\text{A} - \text{C}}{\text{B}}$$

$$\text{FINAL QUARTERLY INSTALLMENT PAYMENT} = \text{E} - \text{F}$$

<b>A</b>	-	Estimated Tax Payable ( Amount declared in Cage 100)
<b>B</b>	-	Number of installments remaining including the current installment
<b>C</b>	-	Tax payments prior to that installment
<b>F</b>	-	Additional Deductions - Any deductible Economic Service Charge (ESC) paid under ESC Act, No. 13 of 2006 - Any advance installment payment for relevant quarter - Notional Tax Credit(NTC)

### Example: 05

Calculated estimated tax payable amounts to Rs.2, 000,000.

Assume that there are no advance payments or tax withheld at source on or before August 15, 2019.

Quarterly installments could be calculated as follows;

	I Quarter	II Quarter	III Quarter	IV Quarter
<b>A</b>	Rs. 2,000,000	Rs. 2,000,000	Rs. 2,000,000	Rs. 2,000,000
<b>B</b>	4	3	2	1
<b>C</b>	0	500,000	1,000,000	1,500,000

$$1^{\text{st}} \text{ INSTALLMENT} - \frac{2,000,000 - 0}{4} = \text{Rs.}500,000 - \text{to be paid on or before } \mathbf{15.08.2019}$$

$$2^{\text{nd}} \text{ INSTALLMENT} - \frac{2,000,000 - 500,000}{3} = \text{Rs.}500,000 - \text{to be paid on or before } \mathbf{15.11.2019}$$

$$3^{\text{rd}} \text{ INSTALLMENT} - \frac{2,000,000 - 1,000,000}{2} = \text{Rs.}500,000 - \text{to be paid on or before } \mathbf{15.02.2020}$$

$$4^{\text{th}} \text{ INSTALLMENT} - \frac{2,000,000 - 1,500,000}{1} = \text{Rs.}500,000 - \text{to be paid on or before } \mathbf{15.05.2020}$$

**Example: 06**

Calculated estimated tax payable amounts to Rs.2, 000,000.

Assume that Rs.400, 000 has been paid as advance installment payment on 15.06.2019.

Final installment payments would be calculated as follows;

	I Quarter	II Quarter	III Quarter	IV Quarter
<b>A</b>	Rs. 2,000,000	Rs. 2,000,000	Rs. 2,000,000	Rs. 2,000,000
<b>B</b>	4	3	2	1
<b>C</b>	0	500,000	1,000,000	1,500,000
Quarterly Installment payment(E)	500,000	500,000	500,000	500,000
Deductions(F)	400,000	-	-	-
Final Quarterly payment (E- F)	100,000	500,000	500,000	500,000

1<sup>st</sup> INSTALLMENT  $\frac{2,000,000 - 0}{4}$  which should be paid on 15.08.2019 = Rs. 100,000

2<sup>nd</sup> INSTALLMENT  $\frac{2,000,000 - 500,000}{3}$  which should be paid on 15.11.2019= Rs.500,000

3<sup>rd</sup> INSTALLMENT  $\frac{2,000,000 - 1,000,000}{2}$  which should be paid on 15.02.2020= Rs.500,000

4<sup>th</sup> INSTALLMENT  $\frac{2,000,000 - 1,500,000}{1}$  which should be paid on 15.05.2020= Rs.500,000

**Example: 07 – Submission of a revision to the estimated tax payable**

**Original SET** has been submitted on 01.08.2019 and as for the Statement calculated Estimated Tax Payable has been Rs 2,000,000. Later on 01.01.2020 a **Revised SET** had been submitted with calculated revised Estimated Tax Payable of Rs 3,000,000.

Calculation of revised quarterly installment payments would be a follows;

	I Quarter	II Quarter	III Quarter	IV Quarter
<b>A</b>	Rs. 2,000,000	Rs. 2,000,000	Rs. 3,000,000	Rs. 3,000,000
<b>B</b>	4	3	2	1
<b>C</b>	0	500,000	1,000,000	2,000,000

1<sup>st</sup> INSTALLMENT -  $\frac{2,000,000 - 0}{4}$  = Rs.500, 000 - to be paid on or before **15.08.2019**

2<sup>nd</sup> INSTALLMENT -  $\frac{2,000,000 - 500,000}{3}$  =Rs.500, 000- to be paid on or before **15.11.2019**

3<sup>rd</sup> INSTALLMENT -  $\frac{3,000,000 - 1,000,000}{2}$  = Rs.1,000,000 - to be paid on or before **15.02.2020**

4<sup>th</sup> INSTALLMENT -  $\frac{3,000,000 - 2,000,000}{1}$  = Rs.1,000,000 -to be paid on or before **15.05.2020**