

TAX TABLE No. 05

Deduction of tax on cumulative Gains and profits from Employment

01. In deducting tax from taxable profits from employment, Tax Table 1, 4, 6, or 7 should be applied, appropriately. This table should be applied in respect of employees (residents or citizens) whose monthly regular gains and profits from employment is less than Rs. 250,000/-, but cumulative profits from employment up to any month in the year of assessment exceed Rs. 3,000,000/- due to payment of higher regular gains and profits from employment in certain months. In such instances, Table No. 05 should be applied.
02. Also, in the case where an employee enters in to employment or retires during the year of assessment (earn regular gains and profits from employment for a period less than 12 months) to deduct his/her tax, Tax Table No. 05 should be applied
03. Tax deduction should start from the month in which the cumulative gains and profits up to that month exceed Rs.3,000,000/-. Thereafter tax deduction should be made monthly till end of the year of assessment, using this table.

Example:

Mr. Silva is an employee of a private institution and his monthly regular profits from employment is generally less than Rs. 250,000. His Gross regular profits from employment for the period from April 2020 to January 2021 (with bonus payment) Rs. 3,105,000. His New monthly Income is Rs. 300,000 from February 2021.

Tax deductions should be made as follows:

2021 January

Rs

Gross Employment income from April 2020 to January 2021	<u>3,105,000</u>
Tax to be paid in January	6,300

2021 February

Gross Employment income from April 2018 to February 2019	3,405,000
Tax on Rs. 3,405,000	24,300
Tax Charged in January (Deducted)	<u>(6,300)</u>
Tax to be paid in February	18,000

2019 March

Gross Employment income from April 2018 to March 2019	3,705,000
Tax on Rs. 3,705,000	42,300
Tax Charged in January & February (Deducted)	<u>(24,300)</u>
Tax to be paid in March	18,000