



INLAND REVENUE DEPARTMENT

Notice to Taxpayers

Amended Advance Personal Income Tax (APIT) Tables

Rates for the Deduction of Tax from Lump-sum Payments **Period : First nine months of the Y/A 2022/2023 (2022.04.01 –** **2022.12.31)**

As per section 83A of the Inland Revenue Act, No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act, No. 45 of 2022, following APIT Tables are introduced for the **lump-sum payments that are to be paid up to December 31, 2022.**

There are three circumstances that tax on lump-sum payments have to be deducted;

- I. Where lump-sum payments made to **resident employee** who has given consent to deduct APIT by a declaration or a **non-resident employee but citizen** in Sri Lanka regardless of his consent
 - II. Where lump-sum payments made to **non-resident employee but not citizen** in Sri Lanka
 - III. Where lump-sum payments made to **resident employee or non-resident employee but citizen** for which employer or any other person;
 - settled income tax liability of an employee, without being deducted from his salary or;
 - reimbursed the tax which has been already deducted from employee
- I. Rates for the Deduction of Tax from Lump-sum Payments made to resident employee who has given consent to deduct tax by a declaration or a non-resident employee but citizen in Sri Lanka regardless of his consent**

This table should be applied for deducting tax on lump-sum payments made to **resident employees who has given consent to deduct tax by a declaration or non-resident employee but citizen in Sri Lanka regardless of his consent.** The amount of tax deductible should be computed on the lump-sum payments at the time of making each

lump-sum payment to employees.

Payments such as bonus, leave encashment, medical expenses reimbursements, salary arrears due on service reinstatement, 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. are considered as lump-sum payments.

Following steps should be followed in computing the amount of tax deductible on each of the Lump-sum payments.

First, compute the Estimated Gross Aggregate Remunerations (EGAR) from employment during the year of assessment including the Lump-sum payments.

- (A) Ascertain the aggregate gross monthly remunerations already paid to the employee during the year of assessment up to and including the month the lump-sum payment is made (excluding any Lump-sum payment/s paid);
- (B) Ascertain the aggregate gross monthly remunerations payable to the employee during the year of assessment from the succeeding month the Lump-sum payments is made (excluding any Lump-sum payment/s payable);
- (C) Ascertain the aggregate gross Lump-sum payments already made up to now including the Lump-sum payment being made now, and such Lump-sum amounts payable during the year of assessment (excluding monthly remunerations already counted under above (A) and (B)); and
- (D) Compute the Estimated Gross Aggregate Remunerations (EGAR) including the Lump-sum payments during the year of assessment by aggregating the amounts computed under above (A), (B) and (C).

Computation of Estimated Gross Aggregate Remunerations including the Lump-sum payments - EGAR

Gross aggregate monthly remunerations already paid during the <i>first nine months of Y/A 2022/2023</i>	= (A) : XXX
Gross aggregate monthly remunerations payable during the <i>first nine months of Y/A 2022/2023</i>	= (B) : XXX
Gross aggregate Lump-sum payments already made, being made now, & payable during the <i>first nine months of Y/A 2022/2023</i>	= (C) : XXX
Estimated Gross Aggregate Remunerations EGAR (paid and payable) during the <i>first nine months of Y/A 2022/2023</i>	= (D) : <u>XXXX</u>

Then, the appropriate tax rate applicable for Lump-sum payment being made now should be selected from the **Tax Table No. 02 (Amended)** given below, based on above Estimated Gross Aggregate Remunerations (EGAR), i.e. **D**. Thereafter, the amount of tax deductible on Lump-sum payment being paid now should be computed giving credit for any amount of tax previously deducted, if any, on Lump-sum payments previously made during the year of assessment. However, all these components are included in the formulae given in the **Tax Table No. 02 (Amended)**.

Tax Table No. 02 (Amended) :

Tax Deductions on Lump-sum Payments made to resident employee who has given consent to deduct tax by a declaration or a non-resident employee but citizen in Sri Lanka regardless of his consent for the first nine-month period of the Y/A 2022/2023

Estimated Gross Aggregate Remunerations (EGAR) during the <u>first nine-month period of the Y/A 2022/2023</u> (Rs.)	Amount of Tax Deductible (Rs.)
If <i>D</i> is equal or less than 2,250,000	Nil
If <i>D</i> is in between 2,250,001 and 4,500,000	$(D \times 6\%) - [(135,000 + \text{Aggregate of monthly tax deducted on } A + \text{Aggregate of monthly tax deductible on } B, \text{ as per Table 01}) + \text{Tax deducted previously on Lump-sum payments, if any}]$
If <i>D</i> is in between 4,500,001 and 6,750,000	$(D \times 12\%) - [(405,000 + \text{Aggregate of monthly tax deducted on } A + \text{Aggregate of monthly tax deductible on } B, \text{ as per Table 01}) + \text{Tax deducted previously on Lump-sum payments, if any}]$
If <i>D</i> is greater than 6,750,000	$(D \times 18\%) - [(810,000 + \text{Aggregate of monthly tax deducted on } A + \text{Aggregate of monthly tax deductible on } B, \text{ as per Table 01}) + \text{Tax deducted previously on Lump-sum payments, if any}]$

(Here, Table 01 refers to the APIT Table 01 that has been already uploaded as “APIT Table for the Y/A 2020/2021” which is applied up to now.)

Example 01

Mr. Herath is a resident employee of a private company will receive a bonus of Rs. 600,000 in December, 2022. His monthly regular profits and gains from employment (including non-Cash Benefits) is Rs. 300,000.

Tax deductible on the **bonus** payable in December, 2022 should be computed as follows:

Please note that the tax deductible on monthly remunerations should be computed using Tax Table 01 in Regular Profits and gains from employment separately.

Computation of tax deductible on Bonus to be paid in December, 2022

Step 01 – Computation of Estimated Gross Aggregate Remunerations during the first nine months Period of the Y/A 2022/23

	Rs.
Gross aggregate monthly remunerations already paid during the first nine months of Y/A 2022/2023 (Monthly remuneration for the months of April - December 2022, 300,000 x 9)	= (A): 2,700,000
Gross aggregate monthly remunerations payable during the first nine months of Y/A 2022/2023 (Monthly remuneration payable, 300,000 x 0)	= (B): 0
Gross aggregate Lump-sum payments already made, being made now, & payable during the first nine months of Y/A 2022/2023 (Amount of Bonus to be received in December, 2022, Rs. 600,000)	= (C): <u>600,000</u>
Estimated Gross Aggregate Remunerations EGAR (paid and payable) during the first nine months Y/A 2022/2023	= (D): <u>3,300,000</u>

Step 02 – Computation of tax deductible on Lump-sum payment in December, 2022

As the EGAR or **D** falls in between Rs. 2,250,001 and Rs. 4,500,000, the following formula should be applied in computing the amount of tax deductible in December, 2022 on the bonus.

$(D \times 6\%) - [(135,000 + \text{Aggregate of monthly tax deducted on } A + \text{Aggregate of monthly tax deductible on } B, \text{ as per Table 01}) + \text{Tax deducted previously on Lump-sum payments, if any}]$

$$= (3,300,000 \times 6\%) - [(135,000 + (3,000 \times 9) + (3,000 \times 0) + 0] \\ 198,000 - (135,000 + 27,000) \\ 36,000$$

Therefore, tax deductible on Bonus in December, 2022 is Rs. 36,000

II. Rates for the Deduction of Tax from Lump-sum Payments made to any non-resident employee who is not a citizen in Sri Lanka for the first nine-month period of the Y/A 2022/2023

In the case of any non-resident employee who is not a citizen in Sri Lanka, on any gains and profits from employment of lump-sum payments (bonus etc.), Tax Table No. 4.2 should be applied.

Following steps should be followed in computing the tax liability on the lump-sum payments;

Gross Monthly Income already paid in the first nine month period of the Y/A 2022/2023 x No. of months	=(A) xxxxxx
Gross Monthly Income to be paid in the first nine month period of the Y/A 2022/2023 x No. of months	=(B) xxxxx
Lump-sum Payment paid/payable during this month	=(C) <u>xxxxxx</u>
Cumulative Expected Income for first nine month period of the Y/A 2022/2023	=(D) XXXXX

Tax payable for the month on the lump sum payment should be computed on the cumulative gains and profits in accordance with the Tax Table No. 4.2 (Amended).

Tax Table 4.2 (Amended):

Tax Deductions on Lump-sum Payments made to any non-resident employee who is not a citizen in Sri Lanka for the first nine-month period of the Y/A 2022/2023

Cumulative Expected Income from the Employment for the first nine-month period for the Y/A 2022/2023 (Rs.)	Tax
$(D) \leq 2,250,000$	$(6\% \times D) - \text{Aggregated Tax as per table 4.1 for each month in (A) \& (B)}$
$2,250,000 < (D) \leq 4,500,000$	$(12\% \times D) - [135,000 + \text{Aggregated Tax as per table 4.1 for each month in (A) \& (B)}]$
$(D) > 4,500,000$	$(18\% \times D) - [405,000 + \text{Aggregated Tax as per table 4.1 for each month in (A) \& (B)}]$

(Here, Table 4.1 refers to the APIT Table 4.1 that has been already uploaded as “APIT Table for the Y/A 2020/2021” which is applied up to now.)

Example 01

Mr. Dian is a non-resident, non-citizen employee of a private institution and his regular profits (remuneration) for each month is Rs 500,000 from employment (including non-Cash Benefits) and such remuneration for October 2022 was paid. He will receive a bonus payment of Rs. 2,500,000 also in December 2022. Further, he expects to be Sri Lanka till end of December 2022 of the Y/A 2022/2023.

Tax liability on the bonus should be computed as follows;

Tax Computation

	Rs.
Gross Monthly Income already paid in the first nine month period (A) of the Y/A 2022/2023 (500,000 x 3)	1,500,000
Gross Monthly Income to be paid in the first nine month period of (B) the Y/A 2022/2023 (500,000 x 0)	0
Lump-sum Payment paid/payable during December 2022 (C)	<u>2,500,000</u>
Cumulative Expected Income for the first nine month period of (D) the Y/A 2022/2023	4,000,000

Tax payable on the bonus for the month of December 2022 is ,

$$\begin{aligned} & \text{By applying the relevant tax rate in Cumulative tax Table} \\ & = (12\% \times 4,000,000) - [135,000 + (45,000 \times 3) + (45,000 \times 0)] \\ & = 480,000 - [135,000 + 135,000] \\ & = 210,000 \end{aligned}$$

Therefore, tax deductible on bonus of Mr. Dian in December, 2022 will be Rs. 210,000

III. Rates for the Deduction of Tax from Lump-sum Payments made to resident employee or non-resident employee but citizen and employer or any other person settles income tax liability of an employee, without being deducted from his salary or Reimbursement by the employer of Income Tax already deducted from employee's salary for the first nine-month period of the Y/A 2022/2023

Tax Table No. 6.2 (Amended) should be adopted for computing tax-on-tax where applicable, in respect of the tax liability of employee is computed on cumulative basis for the first nine month period of the Y/A 2022/2023. Tax payable for the first nine-month period of the Y/A 2022/2023 should be computed in accordance with the Tax Table No. 02 (Amended) or Tax Table No. 03 by following the instructions given under such tables as applicable to your case.

Once payable tax for the first nine-month period of the Y/A 2022/2023 has been computed and such amount falls within any range given in the Tax Table No. 6.2 (Amended), then apply the corresponding tax-on-tax rate given in the table.

Tax Table 6.2 (Amended):

Cumulative Tax-on-Tax Rates for the Deduction of Tax from Lump-sum Payments made to resident employee or non-resident employee but citizen for the first nine-month period of the Y/A 2022/2023

Cumulative Tax (Rs.)			Tax-on-Tax Rate
0	-	126,900	6.38%
126,901	-	364,500	13.64%
364,501	-	and above	21.95%

Example 01

Let's recall the example given in the Tax Table No. 02 (Amended).

Mr. Herath is a resident employee of a private company will receive a bonus of Rs. 600,000 in December, 2022. His monthly regular profits and gains from employment (including non-Cash Benefits) is Rs. 300,000. **Now, the employer has undertaken to pay his tax without deducting from his remuneration.**

Tax deductible on the **bonus** payable in December, 2022 should be computed as follows:

Please note that the tax deductible on monthly remunerations should be computed using Tax Table 01 in Regular Profits and gains from employment separately. (Here, Table 01 refers to the APIT Table 01 that has been already uploaded as "APIT Table for the Y/A 2020/2021" which is applied up to now.)

Tax liability on the **bonus including tax-on-tax** should be computed as follows:

Tax payable on the bonus for the December 2022

By applying the relevant tax rate in Cumulative tax table

$$= (3,300,000 \times 6\%) - [(135,000 + (3,000 \times 9) + (3,000 \times 0) + 0]$$

$$198,000 - (135,000 + 27,000)$$

$$36,000$$

Tax payable on the bonus to be paid in December 2022

36,000

Add - Tax on tax on the bonus at 6.38% of Rs. 36,000 (as per Tax Table 6.2 (Amended))

2,297

Total income tax payable for the month by the employer

38,297

Commissioner General of Inland Revenue



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