



INCOME & NON-MONETARY BENEFITS TAX (APRIL 2016)

AN EXPLANATION ABOUT CHANGES IN INCOME TAX

What are the changes in applicable rates for income tax?

1. Employees earning total salaries up to SR 5,050

As of 1st April 2016, employees earning total salaries up to SR 5,050 and those on casual or part-time basis earning up to SR 5,050 will be liable to 0% income tax.

2. Employees earning above SR 5,050 up to SR 5,941.17

For this category, a new formula to calculate the tax rate will be applicable:

$$\text{Tax Rate} = 0.15 - \frac{[5,050 - (\text{Total Salary} \times 0.85)]}{\text{Total Salary}}$$

For example, if you are earning SR 5,600, your new tax calculation is as follows:

$$\text{Tax Rate} = 0.15 - \frac{[5,050 - (5,600 \times 0.85)]}{5,600} = 0.982$$

This means that a rate of 9.82% will be applicable on your total salary and you will have to remit the following to the SRC:

$$9.82\% \times \text{SR } 5,600 = \text{SR } 549.92$$

For more information, call 4294937 or visit www.src.gov.sc

✓ The normal rate of 15% will be applicable on all salaries for employees earning above SR 5,941.17 per month.

✓ For employees that are paying income tax at the concessional rate (for example; farmers, fishermen, domestic and day-care workers) they will apply the new tax rates or the existing concessional rates, whichever is lower. For example:

Scenario 1: If a domestic worker earns SR 5,050, the tax rate is 0%

Scenario 2: If a domestic worker earns SR 5,600, the tax calculation as per the formula is SR 549.92 and the existing concessional rate is SR 50. In this case, the concessional rate is lower, therefore the domestic worker should pay SR 50.

✓ An income tax calculator, using the formula is available on the SRC website.

✓ All employers will have to continue to submit their payroll even if there is no income tax applicable on the salary of their employees.



INCOME & NON-MONETARY BENEFITS TAX (APRIL 2016)

AN EXPLANATION ABOUT CHANGES IN INCOME TAX

What are the changes in applicable rates for income tax?

1. Employees earning total salaries up to SR 5,050

As of 1st April 2016, employees earning total salaries up to SR 5,050 and those on casual or part-time basis earning up to SR 5,050 will be liable to 0% income tax.

2. Employees earning above SR 5,050 up to SR 5,941.17

For this category, a new formula to calculate the tax rate will be applicable:

$$\text{Tax Rate} = 0.15 - \frac{[5,050 - (\text{Total Salary} \times 0.85)]}{\text{Total Salary}}$$

For example, if you are earning SR 5,600, your new tax calculation is as follows:

$$\text{Tax Rate} = 0.15 - \frac{[5,050 - (5,600 \times 0.85)]}{5,600} = 0.0982$$

This means that a rate of 9.82% will be applicable on your total salary and you will have to remit the following to the SRC:

$$9.82\% \times \text{SR } 5,600 = \text{SR } 549.92$$

For more information, call 4294937 or visit www.src.gov.sc

✓ The normal rate of 15% will be applicable on all salaries for employees earning above SR 5,941.17 per month.

✓ For employees that are paying income tax at the concessional rate (for example; farmers, fishermen, domestic and day-care workers) they will apply the new tax rates or the existing concessional rates, whichever is lower. For example:

Scenario 1: If a domestic worker earns SR 5,050, the tax rate is 0%

Scenario 2: If a domestic worker earns SR 5,600, the tax calculation as per the formula is SR 549.92 and the existing concessional rate is SR 50. In this case, the concessional rate is lower, therefore the domestic worker should pay SR 50.

✓ An income tax calculator, using the formula is available on the SRC website.

✓ All employers will have to continue to submit their payroll even if there is no income tax applicable on the salary of their employees.