# Employee Management - Employees
## Provision for Tax on Annual Bonus

An employee can pay extra tax on a monthly basis towards the tax which must be paid on his Annual Bonus. This provision is entered on the system. This amount is then included in the employee's tax calculation each period, so that no extra tax is paid when he receives his Annual Bonus.

The calculation of the Provision for Tax on Bonus amount takes into account the Bonus Amount as well as the number of periods remaining in the tax year. The month during which the employee receives or will receive the Bonus does not affect the calculation.
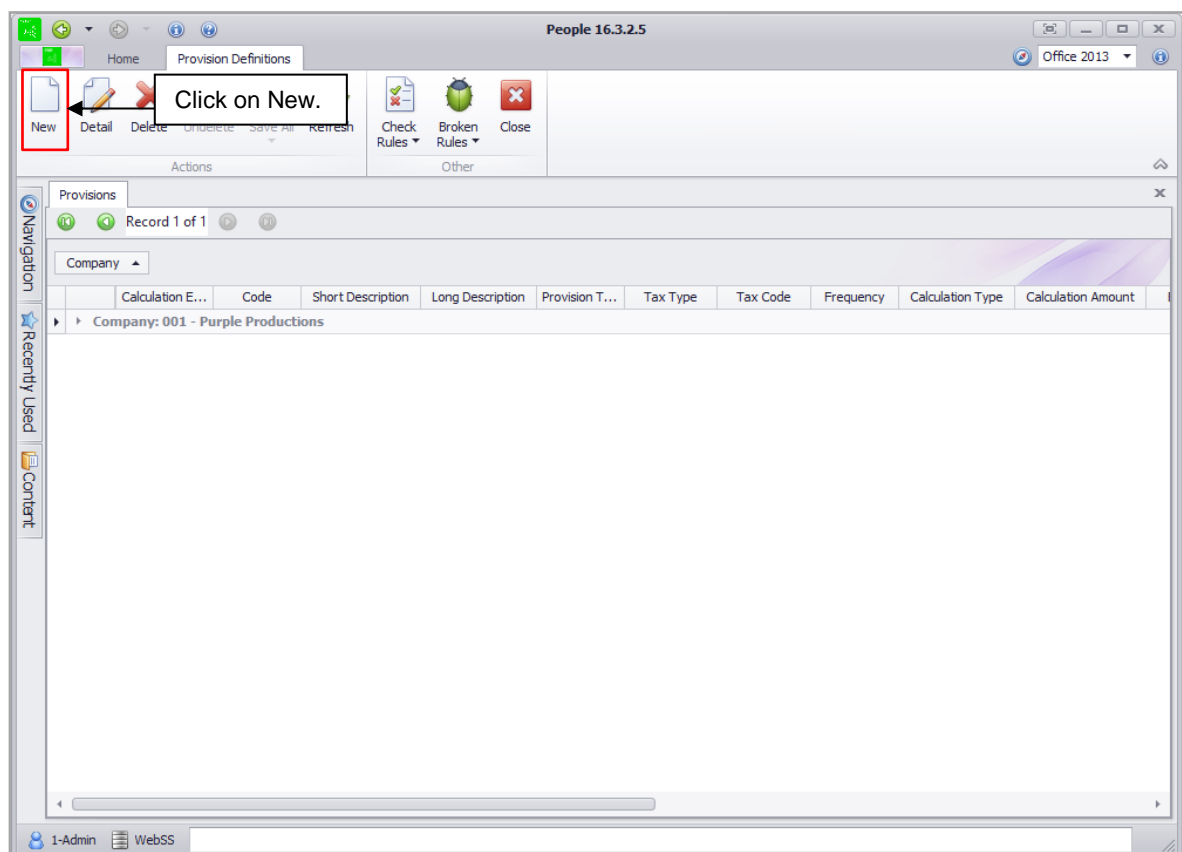
**Take Note**: The system only validates the value on the Provision for Tax on bonus line, in the last period of the tax year or when the employee is terminated to do the final tax calculation.
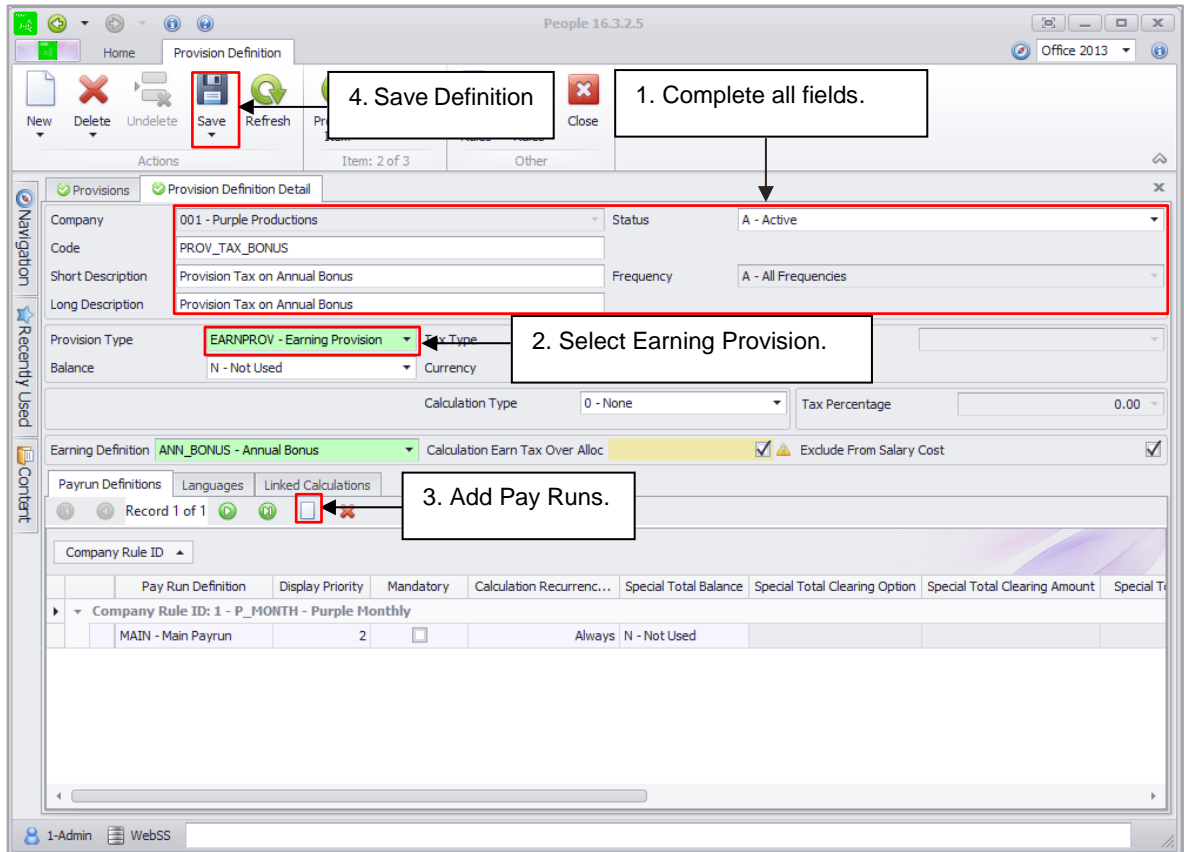
**Adding a Provision Definition:**
To access the Provision Definition Setup Screen, from the Navigation pane:

| | |
|---|---|
| Expand | **Company Management** |
| Expand | **Payroll Definitions** |
| Double Click | **Provisions** |

The **Provision Screen** will display.

A customer calculation must be linked to the definition in order for the system to know what amount to use to calculate the provision.

**Calculation of the Provision for Tax on Bonus amount**

Provision for Tax on Bonus = (Estimated Bonus – YTD Provision amount) / Remaining periods in the tax year.

- Estimated Bonus – select field where amount is specified e.g for a 13th cheque [EE.ER.PeriodSalary]
- YTD Provision: PS.PV.CODE.PROV_TAX_BONUS.YTDTotal (This will be the provision line that was setup in the step above)
- Periods in the tax year: (DateDiffPeriod([PR.EndDate] , [EE.ER.AddDate1]) + 1)

<u>Example A:</u>

Bonus Provision Calculation from March to February Calculation of the Provision for Tax on Bonus amount. The employee's estimated bonus will be R6000 in December.

|  | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec | Jan | Feb |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Salary | 6000 | 6000 | 6000 | 6000 | 6000 | 6000 | 6000 | 6000 | 6000 | 6000 | 6000 | 6000 |
| Bonus Provision | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 |
| Bonus |  |  |  |  |  |  |  |  |  | 6000 |  |  |
| Total Earning | 6000 | 6000 | 6000 | 6000 | 6000 | 6000 | 6000 | 6000 | 6000 | 12000 | 6000 | 6000 |
| Taxable Earning | 6500 | 6500 | 6500 | 6500 | 6500 | 6500 | 6500 | 6500 | 6500 | 6500 | 6500 | 6500 |

- Estimated Bonus ÷ Remaining Periods in tax year
- R6000 ÷ 12
- R500 Provision per month.  R500 will be entered on the Provision line

**Example B:**
Bonus Provision Calculation for an employee that started during the tax year. The employee started with the company on 1 June. His estimated bonus to be paid in December is R4500.

|  | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec | Jan | Feb |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Salary |  |  |  | 9000 | 9000 | 9000 | 9000 | 9000 | 9000 | 9000 | 9000 | 9000 |
| Bonus Provision |  |  |  | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 |
| Bonus |  |  |  |  |  |  |  |  |  | 4500 |  |  |
| Total Earning |  |  |  | 9000 | 9000 | 9000 | 9000 | 9000 | 9000 | 13500 | 9000 | 9000 |
| Taxable Earning |  |  |  | 9500 | 9500 | 9500 | 9500 | 9500 | 9500 | 9500 | 9500 | 9500 |

- Estimated Bonus ÷ Remaining Periods in tax year
- R4500 ÷ 9 (June to February)
- R500 Provision per month.  R500 will be entered on the Provision line

**Example C:**
Adjustment of the monthly Bonus Provision value when the estimated bonus changes during the tax year. The original estimated bonus for the employee was R6000. He received an increase in September and the new estimated bonus to be paid in December is R9000.

|  | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec | Jan | Feb |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Salary | 6000 | 6000 | 6000 | 6000 | 6000 | 6000 | 9000 | 9000 | 9000 | 9000 | 9000 | 9000 |
| Bonus Provision | 500 | 500 | 500 | 500 | 500 | 500 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 |
| Bonus |  |  |  |  |  |  |  |  |  | 9000 |  |  |
| Total Earning | 6000 | 6000 | 6000 | 6000 | 6000 | 6000 | 9000 | 9000 | 9000 | 18000 | 9000 | 9000 |
| Taxable Earning | 6500 | 6500 | 6500 | 6500 | 6500 | 6500 | 10000 | 10000 | 10000 | 10000 | 10000 | 10000 |

- (New Estimated Bonus Amount – Amount already provided for) ÷ Remaining Periods in tax year
- (R9000 – R3000) ÷ 6 (September to February)
- R1000 Provision per month.  R1000 will be entered on the Provision line

**Please Note:** The Provision for Tax on Annual Bonus amount should be revised regularly to ensure that the Bonus amount paid to the employee will be equal to the Provision for Tax on Bonus amount in the last period of the tax year. The employee's tax will be adjusted during the last period of the tax year to compensate for any over or under provision made on the Bonus amount.