# **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	<b>Company Management</b>
Expand	Payroll Definitions
Double Click	Provisions

The **Provision Screen** will display.

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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 13<sup>th</sup> 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)

## Example A:

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	500	500	500	500	500	500	500	500	500	500	500	500
Provision												
Bonus										6000		
Total	6000	6000	6000	6000	6000	6000	6000	6000	6000	12000	6000	6000
Earning												
Taxable	6500	6500	6500	6500	6500	6500	6500	6500	6500	6500	6500	6500
Earning												

- 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				500	500	500	500	500	500	500	500	500
Provision												
Bonus										4500		
Total				9000	9000	9000	9000	9000	9000	13500	9000	9000
Earning												
Taxable				9500	9500	9500	9500	9500	9500	9500	9500	9500
Earning												

- 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	500	500	500	500	500	500	1000	1000	1000	1000	1000	1000
Provision												
Bonus										9000		
Total	6000	6000	6000	6000	6000	6000	9000	9000	9000	18000	9000	9000
Earning												
Taxable	6500	6500	6500	6500	6500	6500	10000	10000	10000	10000	10000	10000
Earning												

- (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.