

# Employee Payslip Screen - Tax

## What is 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 employee's Tax Screen. This amount is then included in the employee's tax calculation each period, so that no tax is paid when he receives his Annual Bonus is paid.

### Preparation

- The 'Type' of Earning on the Earning Definition (ED) Screen for the Annual Bonus line must be **Annual Bonus**.
- The 'When Taxable' field on the Earning Definition (ED) Screen for the Annual bonus line should be **Periodic**.

The employee will be affected at tax year end if the Provision for Tax on Annual Bonus amount was incorrect during the year.

- The employee will pay more tax at tax year end if the provision amount was too little, i.e. the bonus amount was greater than the Provision for Tax on Bonus amount for the year.
- The employee will receive a tax refund if the provision amount was too much, i.e. the bonus amount was less than the Provision for Tax on Bonus amount for the year.
- When an employee resigns before the bonus is paid out, VIP will automatically refund the additional tax that has been paid.
- When an employee resigns after the bonus is paid out, but before the end of the tax year, any outstanding tax on the bonus will be deducted upon termination.
- The bonus amount must be revised in the first pay period of the new tax year.
- Should you decide to cancel the provision during the tax year, both the Provision for Tax on Bonus current and year to date amounts must be cleared on the TAX screen of the employee.

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

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.

Provision for Tax on Bonus =  
{Estimated Bonus – YTD Provision amount (if any)} ÷ Remaining periods in the tax year

For guidance on how to apply this on the payroll, click [here](#).

**Note:** The VIP system only validates the value on the Provision for Tax on Bonus line in the last period of the tax year. If the Provision for Tax on Annual Bonus function is used, the employee will not be taxed on the Bonus amount in the month that it is paid, irrespective of the Provision amount.