**Income Tax Example**

Raffi is a teacher. His gross salary is as follows.

Basic salary = 860,000  
Family allowance = 93,000 (he is married with unemployed wife and 1 child)  
Transportation = 160,000  
Overtime = 1,387,000  
Total earnings = 2,500,000 L.L.

**HOW we calculate his income tax?**

Teacher’s tax is 6% of his basic salary  860,000*6% = 51,600 is not taxable  
Transportation and family allowance are not taxable.  
Deduct from the total earning the nontaxable amount:

2,500,000 – 51,600 – 160,000-93,000= 2,195,400 L.L.

According to the Income tax table, his rebate is 875,000 (NON-TAXABLE)  
because he is a married employee with unemployed wife and 1 child.

2,195,400 - 875,000 = 1,320,400 L.L.

<table>
<thead>
<tr>
<th>Taxable amount</th>
<th>Taxable portion</th>
<th>%</th>
<th>Tax LL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,320,400</td>
<td>Deduct</td>
<td>500,000</td>
<td>2%</td>
</tr>
<tr>
<td>820,400</td>
<td>Deduct</td>
<td>750,000</td>
<td>4%</td>
</tr>
<tr>
<td>70,400</td>
<td>Multiply</td>
<td></td>
<td>7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total income tax is 44,928 L.L.**

**Why does my income tax changes from month to month?**

As per law, the tax is calculated on YEARLY INCOME. The fiscal year starts in January and ends in December. Therefore the system has to calculate the tax on a Year To Date basis i.e the tax is calculated up to the payroll month and what shows on the payslip as tax deducted is the difference between the Year To Date (YTD) calculation and what is deducted so far.

This is the main reason why sometimes your income tax changes. This happens ONLY if you are earning more each month or in a certain month, e.g WORKSHOP, REPLACEMENT, CHILDREN EDUCATION, ELECTIVES, ACTIVITIES OR any other kinds of benefits or extra income earned that month.