

Examples

Example 1

Mr. Chan is single. His salary income during the year 2008-09 is \$216,000. He has paid 2008-09 provisional tax in the same amount as his final tax liability for 2008-09.

Before Budget Proposals

	<u>2008-09</u> <u>Final Tax</u> (\$)	<u>2009-10</u> <u>Provisional Tax</u> (\$)	<u>Total</u> <u>Tax Payable</u> (\$)
Income	216,000	216,000	
<u>Less: Basic Allowance</u>	<u>108,000</u>	<u>108,000</u>	
Net Chargeable Income	<u>108,000</u>	<u>108,000</u>	
Tax charged	6,960	6,960	
<u>Less: Provisional Tax paid for set off of</u> 2008-09 final tax liability	<u>6,960</u>	<u> </u>	
Balance Payable	Nil	6,960	6,960

After Additional Relief Measures

	<u>2008-09</u> <u>Final Tax</u> (\$)	<u>2009-10</u> <u>Provisional Tax</u> (\$)	<u>Total</u> <u>Tax Payable</u> (\$)
Income	216,000	216,000	
<u>Less: Basic Allowance</u>	<u>108,000</u>	<u>108,000</u>	
Net Chargeable Income	<u>108,000</u>	<u>108,000</u>	
Tax thereon	6,960		
<u>Less: 100% tax reduction</u>	<u>6,960</u>		
Tax charged	Nil	6,960	
<u>Less: Provisional Tax paid \$6,960 for</u> set off of 2009-10 Provisional Tax	<u> </u>	<u>6,960</u>	
Balance Payable	Nil	Nil	Nil

The tax savings for Mr. Chan resulting from 2008-09 salaries tax reduction would be \$6,960. His tax bill due in January 2010 would be reduced from \$6,960 to Nil, a saving of \$6,960 (100%).

Example 2

Mr. Lee is single. His salary income during the year 2008-09 is \$360,000. He has paid 2008-09 provisional tax in the same amount as his final tax liability for 2008-09.

Before Budget Proposals

	<u>2008-09</u> <u>Final Tax</u> (\$)	<u>2009-10</u> <u>Provisional Tax</u> (\$)	<u>Total</u> <u>Tax Payable</u> (\$)
Income	360,000	360,000	
<u>Less: Basic Allowance</u>	<u>108,000</u>	<u>108,000</u>	
Net Chargeable Income	<u>252,000</u>	<u>252,000</u>	
Tax charged	30,840	30,840	
<u>Less: Provisional Tax paid for set off of</u> 2008-09 final tax liability	<u>30,840</u>		
Balance Payable	Nil	30,840	30,840

After Additional Relief Measures

	<u>2008-09</u> <u>Final Tax</u> (\$)	<u>2009-10</u> <u>Provisional Tax</u> (\$)	<u>Total</u> <u>Tax Payable</u> (\$)
Income	360,000	360,000	
<u>Less: Basic Allowance</u>	<u>108,000</u>	<u>108,000</u>	
Net Chargeable Income	<u>252,000</u>	<u>252,000</u>	
Tax thereon	30,840		
<u>Less: Tax reduction, capped at</u>	<u>8,000</u>		
Tax charged	22,840	30,840	
<u>Less: Provisional Tax paid \$30,840 for</u> set off of 2008-09 final tax liability and 2009-10 Provisional Tax	<u>22,840</u>	<u>8,000</u>	
Balance Payable	Nil	22,840	22,840

The final tax of Mr. Lee for 2008-09 before the reduction, is \$30,840. As 100% of \$30,840 exceeds the ceiling, only \$8,000 can be reduced. It follows that the tax saving of Mr. Lee resulting from 2008-09 salaries tax reduction would be \$8,000 (\$30,840 less \$22,840). His tax bill due in January 2010 would be reduced from \$30,840 to \$22,840, a saving of \$8,000 (26%).

Example 3

Mr. Cheung is married. His wife is a housewife. They have 3 children. The salary income of Mr. Cheung during the year 2008-09 is \$720,000. He has paid 2008-09 provisional tax in the same amount as his final tax liability for 2008-09.

Before Budget Proposals

	<u>2008-09</u> <u>Final Tax</u> (\$)	<u>2009-10</u> <u>Provisional Tax</u> (\$)	<u>Total</u> <u>Tax Payable</u> (\$)
Income	720,000	720,000	
<u>Less: Married Person's Allowance</u>	216,000	216,000	
<u>Child Allowance</u>	<u>150,000</u>	<u>150,000</u>	
Net Chargeable Income	<u>354,000</u>	<u>354,000</u>	
Tax charged	48,180	48,180	
<u>Less: Provisional Tax paid for set off of</u> 2008-09 final tax liability	<u>48,180</u>	<u> </u>	
Balance Payable	Nil	48,180	48,180

After Additional Relief Measures

	<u>2008-09</u> <u>Final Tax</u> (\$)	<u>2009-10</u> <u>Provisional Tax</u> (\$)	<u>Total</u> <u>Tax Payable</u> (\$)
Income	720,000	720,000	
<u>Less: Married Person's Allowance</u>	216,000	216,000	
<u>Child Allowance</u>	<u>150,000</u>	<u>150,000</u>	
Net Chargeable Income	<u>354,000</u>	<u>354,000</u>	
Tax thereon	48,180		
<u>Less: Tax reduction, capped at</u>	<u>8,000</u>		
Tax charged	40,180	48,180	
<u>Less: Provisional Tax paid \$48,180 for</u> set off of 2008-09 final tax liability and 2009-10 Provisional Tax	<u>40,180</u>	<u>8,000</u>	
Balance Payable	Nil	40,180	40,180

The final tax of Mr. Cheung for 2008-09, before the reduction, is \$48,180. As 100% of \$48,180 exceeds the ceiling, only \$8,000 can be reduced. It follows that the tax saving of Mr. Cheung resulting from 2008-09 salaries tax reduction would be \$8,000 (\$48,180 less \$40,180). His tax bill due in January 2010 would be reduced from \$48,180 to \$40,180, a saving of \$8,000 (17%).