# **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

Income <u>Less</u> : Basic Allowance  Net Chargeable Income  Tax charged	2008-09 Final Tax (\$) 216,000 108,000 108,000	2009-10 Provisional Tax (\$) 216,000 108,000 108,000 6,960	Total Tax Payable (\$)
Less: Provisional Tax paid for set off of	0,700	0,700	
2008-09 final tax liability	6,960		
Balance Payable	Nil	6,960	6,960
After Additional Relief Measures			
	2008-09 Final Tax (\$)	2009-10 Provisional Tax (\$)	Total Tax Payable
T.,	(Ψ)	(Ψ)	(7)
Income	216,000	216,000	(\$)
Less: Basic Allowance	216,000 108,000	216,000 108,000	(Ф)
	,	,	(\$)
<u>Less</u> : Basic Allowance	108,000	108,000	(\$)
<u>Less</u> : Basic Allowance Net Chargeable Income	108,000 108,000	108,000	(\$)
Less: Basic Allowance Net Chargeable Income Tax thereon	108,000 108,000 6,960	108,000	(\$)
Less: Basic Allowance Net Chargeable Income  Tax thereon Less: 100% tax reduction	108,000 108,000 6,960 6,960	108,000 108,000	(\$)
Less: Basic Allowance Net Chargeable Income  Tax thereon Less: 100% tax reduction Tax charged Less: Provisional Tax paid \$6,960 for	108,000 108,000 6,960 6,960	108,000 108,000	(\$)

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**

	2008-09	<u>2009-10</u>	<u>Total</u>
	Final Tax	<u>Provisional Tax</u>	Tax Payable
	(\$)	(\$)	(\$)
Income	360,000	360,000	
<u>Less</u> : Basic Allowance	<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	
Less: Provisional Tax paid for set off of			
2008-09 final tax liability	30,840		
Balance Payable	Nil	30,840	30,840
After Additional Relief Measures			
	2008-09	2009-10	<u>Total</u>
	Final Tax	Provisional Tax	Tax Payable
	(\$)	(\$)	(\$)
Income	360,000	360,000	
Less: Basic Allowance	<u>108,000</u>	<u>108,000</u>	
Net Chargeable Income	<u>252,000</u>	<u>252,000</u>	
Tax thereon	30,840		
Less: Tax reduction, capped at	8,000		
Tax charged	22,840	30,840	
<u>Less</u> : Provisional Tax paid \$30,840 for set off of			
2008-09 final tax liability and	22,840		
2009-10 Provisional Tax	<u></u>	8,000	
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> Final Tax	2009-10 Provisional Tax	<u>Total</u> <u>Tax Payable</u>
	(\$)	(\$)	(\$)
Income	720,000	720,000	
Less: Married Person's Allowance	216,000	216,000	
Child Allowance	<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</u> : Provisional Tax paid for set off of			
2008-09 final tax liability	48,180		
Balance Payable	Nil	48,180	48,180
After Additional Relief Measures			
	<u>2008-09</u>	<u>2009-10</u>	<u>Total</u>
	Einal Tax	Duarriai and Tarr	Torr Dorrolla
	Final Tax (\$)	Provisional Tax (\$)	Tax Payable (\$)
Income	(\$)	(\$)	Tax Payable (\$)
Income			-
Income  Less: Married Person's Allowance	(\$)	(\$)	-
	(\$) 720,000	(\$) 720,000	-
Less: Married Person's Allowance	(\$) 720,000 216,000	(\$) 720,000 216,000	-
Less: Married Person's Allowance Child Allowance Net Chargeable Income	(\$) 720,000 216,000 150,000 354,000	(\$) 720,000 216,000 150,000	-
Less: Married Person's Allowance Child Allowance Net Chargeable Income Tax thereon	(\$) 720,000 216,000 150,000 354,000 48,180	(\$) 720,000 216,000 150,000	-
Less: Married Person's Allowance Child Allowance Net Chargeable Income  Tax thereon Less: Tax reduction, capped at	(\$) 720,000 216,000 150,000 354,000 48,180 8,000	(\$) 720,000 216,000 150,000 354,000	-
Less: Married Person's Allowance Child Allowance Net Chargeable Income  Tax thereon Less: Tax reduction, capped at Tax charged	(\$) 720,000 216,000 150,000 354,000 48,180	(\$) 720,000 216,000 150,000	-
Less: Married Person's Allowance Child Allowance Net Chargeable Income  Tax thereon Less: Tax reduction, capped at	(\$) 720,000 216,000 150,000 354,000 48,180 8,000	(\$) 720,000 216,000 150,000 354,000	-
Less: Married Person's Allowance Child Allowance Net Chargeable Income  Tax thereon Less: Tax reduction, capped at Tax charged Less: Provisional Tax paid \$48,180 for	(\$) 720,000 216,000 150,000 354,000 48,180 8,000	(\$) 720,000 216,000 150,000 354,000	-
Less: Married Person's Allowance Child Allowance Net Chargeable Income  Tax thereon Less: Tax reduction, capped at Tax charged Less: Provisional Tax paid \$48,180 for set off of	(\$) 720,000 216,000 150,000 354,000 48,180 8,000 40,180	(\$) 720,000 216,000 150,000 354,000	-
Less: Married Person's Allowance Child Allowance Net Chargeable Income  Tax thereon Less: Tax reduction, capped at Tax charged Less: Provisional Tax paid \$48,180 for set off of 2008-09 final tax liability and	(\$) 720,000 216,000 150,000 354,000 48,180 8,000 40,180	(\$) 720,000 216,000 150,000 354,000	-

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%).