

Examples

Example 1

Mr. Chan is single. His salary income during the year 2009-10 is \$216,000. He has paid 2009-10 provisional tax in the same amount as his final tax liability for 2009-10.

Before Budget Proposals

	<u>2009-10</u> <u>Final Tax</u> (\$)	<u>2010-11</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: 2009-10 Provisional Tax paid</u>	<u>6,960</u>	<u> </u>	
Balance Payable	Nil	6,960	6,960

After Budget Proposals

	<u>2009-10</u> <u>Final Tax</u> (\$)	<u>2010-11</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: 75% tax reduction</u>	<u>5,220</u>		
Tax charged	1,740	6,960	
<u>Less: 2009-10 Provisional Tax paid</u>	<u>6,960</u>		
Balance for payment of 2010-11 Provisional Tax	<u>(5,220)</u>	<u>5,220</u>	
Balance Payable	Nil	1,740	1,740

The tax saving for Mr. Chan resulting from 2009-10 tax reduction will be \$5,220 (75% of \$6,960). His salaries tax bill will be reduced from \$6,960 to \$1,740, a saving of \$5,220 (75%).

Example 2

Mr. Lee is single. His salary income during the year 2009-10 is \$360,000. He has paid 2009-10 provisional tax in the same amount as his final tax liability for 2009-10.

Before Budget Proposals

	2009-10 <u>Final Tax</u> (\$)	2010-11 <u>Provisional Tax</u> (\$)	Total <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: 2009-10 Provisional Tax paid</u>	<u>30,840</u>		
Balance Payable	Nil	30,840	30,840

After Budget Proposals

	2009-10 <u>Final Tax</u> (\$)	2010-11 <u>Provisional Tax</u> (\$)	Total <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>6,000</u>		
Tax charged	24,840	30,840	
<u>Less: 2009-10 Provisional Tax paid</u>	<u>30,840</u>		
Balance for payment of 2010-11 Provisional Tax	<u>(6,000)</u>	<u>6,000</u>	
Balance Payable	Nil	24,840	24,840

The final tax of Mr. Lee for 2009-10 before the reduction, is \$30,840. As 75% of \$30,840 amounts to \$23,130 and exceeds the ceiling, only \$6,000 will be reduced. Mr. Lee will, as a result of the 2009-10 tax reduction, save \$6,000. His salaries tax bill will be reduced from \$30,840 to \$24,840, a saving of \$6,000 (19%).

Example 3

Mr. Cheung is married. His wife is a housewife. They have 3 children. The salary income of Mr. Cheung during the year 2009-10 is \$720,000. He has paid 2009-10 provisional tax in the same amount as his final tax liability for 2009-10.

Before Budget Proposals

	2009-10 <u>Final Tax</u> (\$)	2010-11 <u>Provisional Tax</u> (\$)	Total <u>Tax Payable</u> (\$)
Income	720,000	720,000	
<u>Less: Married Person's Allowance</u>	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: 2009-10 Provisional Tax paid</u>	<u>48,180</u>		
Balance Payable	Nil	48,180	48,180

After Budget Proposals

	2009-10 <u>Final Tax</u> (\$)	2010-11 <u>Provisional Tax</u> (\$)	Total <u>Tax Payable</u> (\$)
Income	720,000	720,000	
<u>Less: Married Person's Allowance</u>	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 thereon	48,180		
<u>Less: Tax reduction, capped at</u>	<u>6,000</u>		
Tax charged	42,180	48,180	
<u>Less: 2009-10 Provisional Tax paid</u>	<u>48,180</u>		
Balance for payment of 2010-11 Provisional Tax	<u>(6,000)</u>	<u>6,000</u>	
Balance Payable	Nil	42,180	42,180

The final tax of Mr. Cheung for 2009-10, before the reduction, is \$48,180. As 75% of \$48,180 amounts to \$36,135 and exceeds the ceiling, only \$6,000 will be reduced. Mr. Cheung will, as a result of the 2009-10 tax reduction, save \$6,000. His salaries tax bill will be reduced from \$48,180 to \$42,180, a saving of \$6,000 (12%).