

Examples

Example 1

Mr. Chan is single. His salary income during 2007-08 is \$216,000. He has paid 2007-08 provisional tax in the same amount as his final tax liability for 2007-08.

Before Budget Proposals

	<u>2007-08</u> <u>Final Tax</u> (\$)	<u>2008-09</u> <u>Provisional Tax</u> (\$)	<u>Total</u> <u>Tax Payable</u> (\$)
Income	216,000	216,000	
<u>Less: Personal Allowance</u>	<u>100,000</u>	<u>100,000</u>	
Net Chargeable Income	<u>116,000</u>	<u>116,000</u>	
Tax charged	9,220	9,220	
<u>Less: Provisional Tax paid for set off of</u> 2007-08 final tax liability	<u>9,220</u>	<u> </u>	
Balance Payable	Nil	9,220	9,220

After Budget Proposals

	<u>2007-08</u> <u>Final Tax</u> (\$)	<u>2008-09</u> <u>Provisional Tax</u> (\$)	<u>Total</u> <u>Tax Payable</u> (\$)
Income	216,000	216,000	
<u>Less: Personal Allowance</u>	<u>100,000</u>	<u>108,000</u>	
Net Chargeable Income	<u>116,000</u>	<u>108,000</u>	
Tax thereon	9,220		
<u>Less: 75% tax reduction</u>	<u>6,915</u>		
Tax charged	2,305	6,960	
<u>Less: Provisional Tax paid \$9,220 for</u> set off of 2007-08 final tax liability and 2008-09 Provisional Tax	<u>2,305</u>	<u>6,915</u>	
Balance Payable	Nil	45	45

The tax savings for Mr. Chan resulting from 2007-08 salaries tax reduction and 2008-09 tax cuts would be \$6,915 and \$2,260 (\$9,220 less \$6,960) respectively. His tax bill due in January 2009 would be reduced from \$9,220 to \$45, a total savings of \$9,175 (99.5%).

Example 2

Mr. Lee is single. His salary income during 2007-08 is \$360,000. He has paid 2007-08 provisional tax in the same amount as his final tax liability for 2007-08.

Before Budget Proposals

	<u>2007-08</u> <u>Final Tax</u> (\$)	<u>2008-09</u> <u>Provisional Tax</u> (\$)	<u>Total</u> <u>Tax Payable</u> (\$)
Income	360,000	360,000	
<u>Less: Personal Allowance</u>	<u>100,000</u>	<u>100,000</u>	
Net Chargeable Income	<u>260,000</u>	<u>260,000</u>	
Tax charged	33,700	33,700	
<u>Less: Provisional Tax paid for set off of</u> 2007-08 final tax liability	<u>33,700</u>	_____	
Balance Payable	Nil	33,700	33,700

After Budget Proposals

	<u>2007-08</u> <u>Final Tax</u> (\$)	<u>2008-09</u> <u>Provisional Tax</u> (\$)	<u>Total</u> <u>Tax Payable</u> (\$)
Income	360,000	360,000	
<u>Less: Personal Allowance</u>	<u>100,000</u>	<u>108,000</u>	
Net Chargeable Income	<u>260,000</u>	<u>252,000</u>	
Tax thereon	33,700		
<u>Less: Tax reduction, capped at</u>	<u>25,000</u>		
Tax charged	8,700	30,840	
<u>Less: Provisional Tax paid \$33,700 for set off of</u> 2007-08 final tax liability and 2008-09 Provisional Tax	8,700 _____	<u>25,000</u>	
Balance Payable	Nil	5,840	5,840

The final tax of Mr. Lee for 2007-08 before the reduction is \$33,700. As 75% of \$33,700 amounts to \$25,275 and exceeds the ceiling, only \$25,000 could be reduced. It follows that the tax savings of Mr. Lee resulting from 2007-08 salaries tax reduction and 2008-09 tax cuts would be \$25,000 and \$2,860 (\$33,700 less \$30,840) respectively. His tax bill due in January 2009 would be reduced from \$33,700 to \$5,840, a total savings of \$27,860 (83%).

Example 3

Mr. Cheung is married. His wife is a housewife. They have 3 children. The salary income of Mr. Cheung during 2007-08 is \$720,000. He has paid 2007-08 provisional tax in the same amount as his final tax liability for 2007-08.

Before Budget Proposals

	<u>2007-08</u> <u>Final Tax</u> (\$)	<u>2008-09</u> <u>Provisional Tax</u> (\$)	<u>Total</u> <u>Tax Payable</u> (\$)
Income	720,000	720,000	
<u>Less: Allowances</u>			
Married person's	200,000	200,000	
Child	<u>150,000</u>	<u>150,000</u>	
Net Chargeable Income	<u>370,000</u>	<u>370,000</u>	
Tax charged	52,400	52,400	
<u>Less: Provisional Tax paid for set off of</u> 2007-08 final tax liability	<u>52,400</u>		
Balance Payable	Nil	52,400	52,400

After Budget Proposals

	<u>2007-08</u> <u>Final Tax</u> (\$)	<u>2008-09</u> <u>Provisional Tax</u> (\$)	<u>Total</u> <u>Tax Payable</u> (\$)
Income	720,000	720,000	
<u>Less: Allowances</u>			
Married person's	200,000	216,000	
Child	<u>150,000</u>	<u>150,000</u>	
Net Chargeable Income	<u>370,000</u>	<u>354,000</u>	
Tax thereon	52,400		
<u>Less: Tax reduction, capped at</u>	<u>25,000</u>		
Tax charged	27,400	48,180	
<u>Less: Provisional Tax paid \$52,400 for set off of</u> 2007-08 final tax liability and 2008-09 Provisional Tax	27,400	<u>25,000</u>	
Balance Payable	Nil	23,180	23,180

The final tax of Mr. Cheung for 2007-08, before the reduction, is \$52,400. As 75% of \$52,400 amounts to \$27,300 and exceeds the ceiling, only \$25,000 could be reduced. It follows that the tax savings of Mr. Cheung resulting from 2007-08 salaries tax reduction and 2008-09 tax cuts would be \$25,000 and \$4,220 (\$52,400 less \$48,180) respectively. His tax bill due in January 2009 would be reduced from \$52,400 to \$23,180, a total savings of \$29,220 (56%).