

## 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><br><u>Final Tax</u><br>(\$) | <u>2008-09</u><br><u>Provisional Tax</u><br>(\$) | <u>Total</u><br><u>Tax Payable</u><br>(\$) |
|---|--|--|--|
| 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>                                   |  |
| <br>  |  |  |  |
| Tax charged   | 9,220                                      | 9,220  |  |
| <u>Less: Provisional Tax paid for set off of</u><br>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><br><u>Final Tax</u><br>(\$) | <u>2008-09</u><br><u>Provisional Tax</u><br>(\$) | <u>Total</u><br><u>Tax Payable</u><br>(\$) |
|---|--|--|--|
| 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>                                   |  |
| <br>  |  |  |  |
| 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><br>set off of<br>2007-08 final tax liability and<br>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><br><u>Final Tax</u><br>(\$) | <u>2008-09</u><br><u>Provisional Tax</u><br>(\$) | <u>Total</u><br><u>Tax Payable</u><br>(\$) |
|---|--|--|--|
| 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><br>2007-08 final tax liability | <u>33,700</u>                              | _____  |  |
| Balance Payable   | Nil  | 33,700   | 33,700                                     |

After Budget Proposals

|   | <u>2007-08</u><br><u>Final Tax</u><br>(\$) | <u>2008-09</u><br><u>Provisional Tax</u><br>(\$) | <u>Total</u><br><u>Tax Payable</u><br>(\$) |
|---|--|--|--|
| 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><br>2007-08 final tax liability and<br>2008-09 Provisional Tax | <u>8,700</u>                               | <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><br><u>Final Tax</u><br>(\$) | <u>2008-09</u><br><u>Provisional Tax</u><br>(\$) | <u>Total</u><br><u>Tax Payable</u><br>(\$) |
|---|--|--|--|
| 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><br>2007-08 final tax liability | <u>52,400</u>                              |  |  |
| Balance Payable   | Nil  | 52,400   | 52,400                                     |

After Budget Proposals

|   | <u>2007-08</u><br><u>Final Tax</u><br>(\$) | <u>2008-09</u><br><u>Provisional Tax</u><br>(\$) | <u>Total</u><br><u>Tax Payable</u><br>(\$) |
|---|--|--|--|
| 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><br>2007-08 final tax liability and<br>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%).