

Tax Information: 2016-17 Budget – Tax Measures

In his 2016-17 Budget, the Financial Secretary proposed a number of tax measures, all of which require legislative amendments before implementation.

- [Reducing profits tax, salaries tax and tax under personal assessment for the year of assessment 2015/16](#)
- [Increasing allowances](#)
- [Raising the deduction ceiling for elderly residential care expenses](#)
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- [Expanding the scope of tax deduction for capital expenditure on purchasing intellectual property rights](#)

Highlights of the measures and implementation details are set out in the following paragraphs. Answers to frequently asked questions ([FAQ](#)) and [illustrative examples](#) showing how the proposed measures would reduce taxpayers' salaries tax and tax under personal assessment are also provided.

You may use the [tax computation program](#) provided by GovHK to calculate your salaries tax and tax under personal assessment if the above proposals are implemented.

Reducing profits tax, salaries tax and tax under personal assessment for the year of assessment 2015/16

The Financial Secretary proposed a one-off reduction of profits tax, salaries tax and tax under [personal assessment](#) for the year of assessment 2015/16 by 75%, subject to a ceiling of \$20,000 per case. This measure will be effected by amending the Inland Revenue Ordinance.

For profits tax, the ceiling of the tax reduction is applied to each business. For salaries tax, the ceiling is applied to each individual taxpayer; but for couples jointly assessed, the ceiling is applied to each couple. For personal assessment, single taxpayers will each be subject to the ceiling. Married couples must make their personal assessment election together and the ceiling will therefore apply to each couple.

The proposed tax reduction is not applicable to property tax. Individuals with rental income, [if eligible](#) for personal assessment, may be able to enjoy such reduction under personal assessment.

A taxpayer who is separately chargeable to salaries tax and profits tax can enjoy tax reduction under each of the tax types. For a taxpayer having business profits or rental income and electing for personal assessment, the reduction will be based on the tax payable under personal assessment. It might be different from the amount of tax reduction he would get if he was not assessed under personal assessment. The exact position will need to be evaluated case by case. The Inland Revenue Department will check if the election will reduce the amount of tax payable in each case, and assess each taxpayer in the way most advantageous to him.

To apply for personal assessment, if eligible, the taxpayer should complete Part 6 of his tax return for individuals (BIR60) for the year of assessment 2015/16. Individuals having salaries income only, but no business profits and rental income, need not elect for personal assessment.

The proposed reduction will reduce taxpayers' amount of tax payable for the year of assessment 2015/16. Taxpayers should file their profits tax returns and tax returns for individuals for the year of assessment 2015/16, to be issued in coming April and May respectively, as usual. Upon enactment of the relevant legislation, the Inland Revenue Department will effect the reduction in the final assessment. For any final assessment for 2015/16 issued before the enactment of the law, the Inland Revenue Department will make a reassessment after the enactment. It is expected that excess tax paid will be refunded starting from late July 2016. Taxpayers are not required to make any applications or enquiries to the Department.

The proposed tax reduction will only be applicable to the final tax for the year of assessment 2015/16, but not to the provisional tax of the same year. Therefore, taxpayers are still required to pay their provisional tax on time despite the proposed reduction. The provisional tax paid will be applied to pay the final tax for the year of assessment 2015/16 and the provisional tax for the year of assessment 2016/17. Excess balance, if any, will be refunded.

Increasing allowances

The Financial Secretary proposed to increase the following [allowances](#) commencing from the year of assessment 2016/17:

Year of Assessment	Present (2015/16) \$	Proposed (From 2016/17 onwards) \$
Basic Allowance	120,000	132,000
Married Person's Allowance	240,000	264,000
Single Parent Allowance	120,000	132,000
Dependent Parent / Grandparent Allowance (For each dependant)		
Parent / Grandparent aged 60 or above, or is eligible to claim an allowance under the Government's Disability Allowance Scheme	40,000	46,000
Parent / Grandparent aged between 55 and 59	20,000	23,000
Additional Dependent Parent / Grandparent Allowance (For each dependant who is living with the taxpayer continuously throughout the year)		
Parent / Grandparent aged 60 or above, or is eligible to claim an allowance under the Government's Disability Allowance Scheme	40,000	46,000
Parent / Grandparent aged between 55 and 59	20,000	23,000

Raising the deduction ceiling for elderly residential care expenses

The Financial Secretary proposed to raise the deduction ceiling for [elderly residential care expenses](#) from the current \$80,000 to \$92,000 effective from the year of assessment 2016/17.

Implementation details of increasing allowances and raising the deduction ceiling for elderly residential care expenses

After enactment of the relevant legislation, the Inland Revenue Department will automatically apply the new level of allowances in calculating the 2016/17 provisional salaries tax. Taxpayers are only required to complete their tax

returns for the year of assessment 2015/16 and they do not need to make separate applications. As for the raised deduction ceiling for elderly residential care expenses, please refer to [FAQ 9 to 10](#) and [Example 3](#) for the arrangements.

Waiving business registration fees for 2016-17

The Financial Secretary proposed to [waive business registration fees for the year 2016-17](#). Please refer to [Annex 1](#).

Expanding the scope of tax deduction for capital expenditure on purchasing intellectual property rights

To promote Hong Kong as an intellectual property trading hub in the region, the Government will expand the scope of tax deduction for capital expenditure incurred for the purchase of intellectual property rights from five categories to eight. The additions are layout-design of integrated circuits, plant varieties and rights in performance.

Annex 1

2016-17 Budget – Tax Concessions

Waiver of Business Registration Fees for One Year

(from 1 April 2016 to 31 March 2017)

The Financial Secretary proposed to waive business registration fees for one year, starting from 1 April 2016. The Government will introduce the relevant legislative amendment into the Legislative Council as soon as possible to effect the proposal.

Implementation Details of the Waiver of Business Registration Fees

1. In respect of local companies registered under the one-stop company incorporation and business registration regime (“One-stop Registration”), the fees payable under section 5A(1)(a) of the Business Registration Ordinance (Cap. 310) will be reduced by a sum of \$2,000 if the related incorporation submissions are made within the period from 1 April 2016 to 31 March 2017 (“Waiver Period”). For other cases, the fees payable in respect of business registration certificates and branch registration certificates with commencement date falling within the Waiver Period will be reduced by a sum of \$2,000 and \$73 respectively.
2. Businesses are still required to pay the levy for the Protection of Wages on Insolvency Fund.
3. Please refer to the [business registration fee & levy table](#) for details of the total amount payable in respect of a certificate.

Concessionary Refund of Registration Fees Paid

4. The proposal only relates to the waiver of one year registration fees for the incorporation submissions made under the One-stop Registration within the Waiver Period or, in other cases, new certificates or renewal certificates with commencement date falling within the Waiver Period. It does not provide for the refund of fees paid in respect of the Waiver Period.
5. In order that businesses that have paid the registration fees for the Waiver Period but are not required to renew their certificates in the Waiver Period can also

benefit from the waiver, concessionary refunds of the relevant amount of business registration fees paid will be made, upon applications. They include:

- (a) Businesses or branches, which hold a 3-year registration certificate with a commencement date before 1 April 2016 and an expiry date on or after 31 March 2017;
 - (b) Ceased businesses or branches, which last hold a 1-year registration certificate with an expiry date on or after 1 April 2016 but before 31 March 2017;
 - (c) Ceased businesses or branches, which last hold a 3-year registration certificate with an expiry date between 1 April 2016 and 31 March 2017; and
 - (d) Local companies registered under the One-stop Registration, which make incorporation submissions between 1 April 2015 and 31 March 2016 and hold a 1-year or 3-year registration certificate with a commencement date between 1 April 2016 and 31 March 2017.
6. The IRD will announce the application and refund procedures after the relevant legislative amendment is passed by the Legislative Council.

FAQ

Q1: Do I need to pay the levy for the Protection of Wages on Insolvency Fund for the Waiver Period?

A1: Yes, you still need to pay the levy for the Protection of Wages on Insolvency Fund.

Q2: Can a company incorporated or registered under the Companies Ordinance (Cap. 622) apply for concessionary refund if it has ceased business within the Waiver Period?

A2: Normally, a company cannot claim refund of the business registration fee paid if it ceases business during the period covered by the business registration certificate, since under the Business Registration Ordinance (Cap. 310), a

company incorporated or registered under the Companies Ordinance (Cap. 32) is deemed to be a person carrying on business notwithstanding its cessation of business.

However, under the concessionary refund scheme, where the company is holding a 3-year certificate with a commencement date before 1 April 2016 and an expiry date on or after 31 March 2017, it can apply for concessionary refund in respect of the Waiver Period, i.e. 1 April 2016 to 31 March 2017, WHETHER OR NOT the company has ceased business during the Waiver Period.

Please refer to A6 below on how the refund will be calculated.

Q3: My business received its renewal business registration certificate (1-year) in the middle of February 2016 (i.e. just before the Budget was announced) and the business registration fee and levy demanded will be due in April 2016. Is my business required to pay the fee and levy demanded on or before the due date? How can my business benefit from the waiver?

A3: Yes, your business is still required to pay the fee and levy demanded on or before the due date. Your business can benefit from the waiver when the renewal certificate is issued in February 2017 since the business registration fee will be waived and only the levy will be payable.

Q4: My business's business registration certificate will be expired in April 2016. Is my business required to pay the business registration fee and levy upon renewal?

A4: The renewal business registration certificate will be issued to your business in March 2016. Taking into account of the proposal of waiver of business registration fee, this Office will **NOT** demand the business registration fee for the Waiver Period in the renewal certificate. For a 1-year certificate, only the levy of \$250 is payable. For a 3-year certificate, the business registration fee and levy payable will be \$3,950 (\$3,200 + \$750)(i.e. reduced by \$2,000).

Q5: I applied for company incorporation just before the proposal of waiver of business registration fee was announced in the Budget and paid the business registration fee and levy. How can I benefit from the waiver?

A5: If you have elected for a 1-year certificate which will commence before 1 April 2016, your company can benefit from the waiver when its business registration certificate is due for renewal within the Waiver Period since the business registration fee will be waived and only the levy will be payable. If you have elected for a 3-year certificate which will commence before 1 April 2016, your company can apply for concessionary refund in respect of the Waiver Period under the concessionary refund scheme since the company will not be required to renew its business registration certificate within the Waiver Period.

Please refer to A6 below on how the refund will be calculated.

Q6: How to calculate the amount of concessionary refund?

A6: The refund will be calculated by reference to the validity period of the certificate held by the business, the number of days within the Waiver Period (i.e. 1 April 2016 to 31 March 2017) for which the concession applies, and the actual amount of fees paid in respect of the Waiver Period. Detailed calculations with examples will be announced after the relevant legislative amendment is passed by the Legislative Council.

稅務局 Inland Revenue Department
商業登記費及徵費收費表 Business Registration Fee and Levy Table

收費基準

商業登記證分一年有效期及三年有效期兩種，除經一站式公司註冊及商業登記服務成立的本地公司外，應繳金額以登記證的開始生效日釐訂。對於非本地公司新開業務，其首張登記證的開始生效日期是有關業務的開業日期，不是申請商業登記或分行登記日期。

於一站式公司註冊及商業登記服務下成立的本地公司，其首張商業登記證的應繳金額是以前向公司註冊處提出相關的成立法團遞呈日期釐訂，而該登記證的開始生效日期是它的註冊日期。至於其後發出的續證，應繳金額則以續證的開始生效日釐訂。

Basis of charge

There are two types of business registration certificate, namely 1-year certificate and 3-year certificate. Except for the first registration certificate of local companies falling within the one-stop company and business registration, the amount payable under a certificate depends on the commencement date of the registration certificate. For a new business other than a local company, the commencement date of its first registration certificate is its date of commencement of business, not the date of application for business or branch registration.

For local companies falling within the one-stop company and business registration, the amount payable for the first registration certificate depends on the date of making the related incorporation submission to the Companies Registry and the commencement date of the registration certificate is the date of incorporation. For renewal of certificates, the amount payable is determined by reference to the commencement date of the relevant renewal certificate.

日期 Date	商業登記證 Business Registration Certificate						分行登記證 Branch Registration Certificate					
	一年證 1-year certificate			三年證 3-year certificate			一年證 1-year certificate			三年證 3-year certificate		
	登記費 Fee	徵費 Levy	總數 Total	登記費 Fee	徵費 Levy	總數 Total	登記費 Fee	徵費 Levy	總數 Total	登記費 Fee	徵費 Levy	總數 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2016年4月1日或以後 on or after 1 April 2016	0*	250	250	3,200*	750	3,950	0*	250	250	116*	750	866
01.04.2014 – 31.03.2016	2,000	250	2,250	5,200	750	5,950	73	250	323	189	750	939
19.07.2013 – 31.03.2014	0	250	250	3,200	750	3,950	0	250	250	116	750	866
01.04.2012 – 18.07.2013	0	450	450	3,200	1,350	4,550	0	450	450	116	1,350	1,466
01.08.2011 – 31.03.2012	2,000	450	2,450	5,200	1,350	6,550	73	450	523	189	1,350	1,539
01.08.2009 – 31.07.2011	0	450	450	3,200	1,350	4,550	0	450	450	116	1,350	1,466
01.04.2009 – 31.07.2009	2,000	450	2,450	5,200	1,350	6,550	73	450	523	189	1,350	1,539

* 2016-17 年度財政預算案建議，有關法例修訂建議須經立法會審議及通過，才能生效。

* 2016-17 Budget proposal. The relevant legislative amendment is subject to the scrutiny by the Legislative Council.

Annex 2

Examples

Example 1

Mr. Chan is single. His salary income during the year of assessment 2015/16 was \$380,000. He has paid 2015/16 provisional tax of \$33,000.

Before Implementation of Budget Proposals

	<u>2015/16 Final Tax (\$)</u>	<u>2016/17 Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	380,000	380,000	
<u>Less: Basic Allowance</u>	<u>120,000</u>	<u>120,000</u>	
Net Chargeable Income	<u>260,000</u>	<u>260,000</u>	
Tax charged	32,200	32,200	
<u>Less: 2015/16 Provisional Tax paid</u>	<u>33,000</u>	<u> </u>	
Balance Payable / (Repayable)	<u>(800)</u>	<u>32,200</u>	<u>31,400</u>

After Implementation of Budget Proposals

	<u>2015/16 Final Tax (\$)</u>	<u>2016/17 Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	380,000	380,000	
<u>Less: Basic Allowance</u>	<u>120,000</u>	<u>132,000</u>	
Net Chargeable Income	<u>260,000</u>	<u>248,000</u>	
Tax thereon	32,200		
<u>Less: 75% Tax Reduction, capped at</u>	<u>20,000</u>		
Tax charged	12,200	30,160	
<u>Less: 2015/16 Provisional Tax paid</u>	<u>33,000</u>	<u> </u>	
Balance Payable / (Repayable)	<u>(20,800)</u>	<u>30,160</u>	<u>9,360</u>

The total tax savings for Mr. Chan resulting from the 2015/16 tax reduction and increase in Basic Allowance in 2016/17 will be \$22,040. His salaries tax bill will be reduced from \$31,400 to \$9,360.

Example 2

Mr. Lee is single. His salary income during the year of assessment 2015/16 was \$420,000. Mr. Lee maintained his father (aged 63) and mother (aged 57) and resided with them continuously throughout the year 2015/16. He has paid 2015/16 provisional tax of \$18,500.

Before Implementation of Budget Proposals

	<u>2015/16 Final Tax (\$)</u>	<u>2016/17 Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	420,000	420,000	
<u>Less:</u> Allowances			
Basic	120,000	120,000	
Dependent Parent	60,000	60,000	
Additional Dependent Parent	<u>60,000</u>	<u>60,000</u>	<u>240,000</u>
Net Chargeable Income	<u>180,000</u>	<u>180,000</u>	
Tax charged	18,600	18,600	
<u>Less:</u> 2015/16 Provisional Tax paid	<u>18,500</u>	—	
Balance Payable	<u>100</u>	<u>18,600</u>	<u>18,700</u>

After Implementation of Budget Proposals

	<u>2015/16 Final Tax (\$)</u>	<u>2016/17 Provisional Tax (\$)</u>	<u>Total Tax Repayable(\$)</u>
Income	420,000	420,000	
<u>Less:</u> Allowances			
Basic	120,000	132,000	
Dependent Parent	60,000	69,000	
Additional Dependent Parent	<u>60,000</u>	<u>69,000</u>	<u>270,000</u>
Net Chargeable Income	<u>180,000</u>	<u>150,000</u>	
Tax thereon	18,600		
<u>Less:</u> 75% Tax Reduction	<u>13,950</u>		
Tax charged	4,650	13,500	
<u>Less:</u> 2015/16 Provisional Tax paid	<u>18,500</u>	—	
Balance Payable / (Repayable)	<u>(13,850)</u>	<u>13,500</u>	<u>(350)</u>

Note: Dependent Parent Allowance for 2016/17 would be \$69,000 i.e. \$46,000 (for parent aged over 60) + \$23,000 (for parent aged 55 to 59). Additional Dependent Parent Allowance would also be \$69,000.

The tax savings for Mr. Lee resulting from the 2015/16 tax reduction and increase in Basic Allowance, Dependent Parent Allowance and Additional Dependent Parents Allowance in 2016/17 will be \$19,050. He has no tax payable and will receive a refund cheque of \$350.

Example 3

Mr. Cheung is married. His wife is a housewife. In the year 2015/16, Mr. Cheung earned a salary income of \$600,000. Mr. Cheung paid residential care expenses of \$95,000 in respect of his grandfather (aged 80) who lived in a residential care home. Mr. Cheung has paid 2015/16 provisional tax of \$15,000.

Before Implementation of Budget Proposals

	<u>2015/16</u> <u>Final Tax (\$)</u>	<u>2016/17</u> <u>Provisional Tax (\$)</u>	<u>Total Tax</u> <u>Payable (\$)</u>
Income	600,000	600,000	
<u>Less:</u> Deduction			
Elderly Residential Care Expenses	<u>80,000</u>	<u>80,000</u>	
	520,000	520,000	
<u>Less:</u> Allowances			
Married Person's	<u>240,000</u>	<u>240,000</u>	
Net Chargeable Income	<u>280,000</u>	<u>280,000</u>	
Tax charged	35,600	35,600	
<u>Less:</u> 2015/16 Provisional Tax paid	<u>15,000</u>	<u> </u>	
Balance Payable	<u>20,600</u>	<u>35,600</u>	<u>56,200</u>

After Implementation of Budget Proposals

	<u>2015/16</u> <u>Final Tax (\$)</u>	<u>2016/17</u> <u>Provisional Tax (\$)</u>	<u>Total Tax</u> <u>Payable (\$)</u>
Income	600,000	600,000	
<u>Less:</u> Deduction			
Elderly Residential Care Expenses	<u>80,000</u>	<u>92,000</u>	
	520,000	508,000	
<u>Less:</u> Allowances			
Married Person's	<u>240,000</u>	<u>264,000</u>	
Net Chargeable Income	<u>280,000</u>	<u>244,000</u>	
Tax thereon	35,600		
<u>Less:</u> 75% Tax Reduction, capped at	<u>20,000</u>		
Tax charged	15,600	29,480	
<u>Less:</u> 2015/16 Provisional Tax paid	<u>15,000</u>	<u> </u>	
Balance Payable	<u>600</u>	<u>29,480</u>	<u>30,080</u>

Note: Elderly Residential Care Expenses deduction is restricted to the statutory specified amount.

The tax savings for Mr. Cheung resulting from the 2015/16 tax reduction and increase in Married Person's Allowance and deduction of Elderly Residential Care Expenses in 2016/17 will be \$26,120. His salaries tax bill will be reduced from \$56,200 to \$30,080.

Example 4

Madam Wong is a divorced person. She has one child (aged 8) who is in her sole care. In the year 2015/16, Madam Wong earned a salary income of \$490,000. She has paid 2015/16 provisional tax of \$11,000.

Before Implementation of Budget Proposals

	<u>2015/16</u> <u>Final Tax (\$)</u>	<u>2016/17</u> <u>Provisional Tax (\$)</u>	<u>Total Tax</u> <u>Payable (\$)</u>
Income	490,000	490,000	
<u>Less:</u> Allowances			
Basic	120,000	120,000	
Child	100,000	100,000	
Single Parent	<u>120,000</u>	<u>120,000</u>	<u>340,000</u>
Net Chargeable Income	<u>150,000</u>	<u>150,000</u>	
Tax charged	13,500	13,500	
<u>Less:</u> 2015/16 Provisional Tax paid	<u>11,000</u>	—	
Balance Payable	<u>2,500</u>	<u>13,500</u>	<u>16,000</u>

After Implementation of Budget Proposals

	<u>2015/16</u> <u>Final Tax (\$)</u>	<u>2016/17</u> <u>Provisional Tax (\$)</u>	<u>Total Tax</u> <u>Payable(\$)</u>
Income	490,000	490,000	
<u>Less:</u> Allowances			
Basic	120,000	132,000	
Child	100,000	100,000	
Single Parent	<u>120,000</u>	<u>132,000</u>	<u>364,000</u>
Net Chargeable Income	<u>150,000</u>	<u>126,000</u>	
Tax thereon	13,500		
<u>Less:</u> 75% Tax Reduction	<u>10,125</u>		
Tax charged	3,375	9,420	
<u>Less:</u> 2015/16 Provisional Tax paid	<u>11,000</u>	—	
Balance Payable / (Repayable)	<u>(7,625)</u>	<u>9,420</u>	<u>1,795</u>

The tax savings for Madam Wong resulting from the 2015/16 tax reduction and increase in Basic Allowance and Single Parent Allowance in 2016/17 will be \$14,205. Her salaries tax bill will be reduced from \$16,000 to \$1,795.

Example 5

Mr. Ho is married with 2 children. The incomes and expenses reported in the 2015/16 tax returns of Mr. and Mrs. Ho are as below. The couple elected for personal assessment and has not paid any provisional salaries tax for 2015/16.

	Mr. Ho	Mrs. Ho
	<u>Amount (\$)</u>	<u>Amount (\$)</u>
Salaries	550,000	288,000
Assessable Profits from Sole Proprietorship Business		50,000
Rental Income	480,000	-
Mortgage Interest on Rented Out Property	300,000	-

Salaries Tax Assessments, Profits Tax Assessment, Property Tax Assessment and Personal Assessment will be issued as follows:

Salaries Tax Assessment

	Mr. Ho	Mrs. Ho
	2015/16	2015/16
	<u>Final Tax (\$)</u>	<u>Final Tax (\$)</u>
Income	550,000	288,000
<u>Less: Allowances</u>		
Basic	120,000	120,000
Child	200,000	-
Net Chargeable Income	<u>230,000</u>	<u>168,000</u>
Tax thereon	27,100	16,560
<u>Less: 75% Tax Reduction, capped at \$20,000</u>	<u>20,000</u>	<u>12,420</u>
Tax charged	<u>7,100</u>	<u>4,140</u>

Profits Tax Assessment

	Mrs. Ho
	2015/16
	<u>Final Tax (\$)</u>
Assessable profits	<u>50,000</u>
Tax thereon	7,500
<u>Less: 75% Tax Reduction</u>	<u>5,625</u>
Tax charged	<u>1,875</u>

Property Tax Assessment

	Mr. Ho
	2015/16
	<u>Final Tax (\$)</u>
Net Assessable Value (Rental Income x 80%)	<u>384,000</u>
Tax thereon	<u>57,600</u>

As the couple have elected for personal assessment, the assessable profits and net assessable value will be included in their personal assessment and no tax will be demanded in the profits tax and property tax assessments. The couple, however, are still required to pay their respective salaries tax demand notes.

Personal Assessment

	Mr. Ho 2015/16	Mrs. Ho 2015/16	Total
	<u>Final Tax (\$)</u>	<u>Final Tax (\$)</u>	<u>Final Tax (\$)</u>
Salaries	550,000	288,000	838,000
Assessable Profits	-	50,000	50,000
Net Assessable Value	<u>384,000</u>	<u>-</u>	<u>384,000</u>
Total Income	934,000	338,000	1,272,000
<u>Less: Deduction</u>			
Interest Paid	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Reduced Total Income	<u>634,000</u>	<u>338,000</u>	<u>972,000</u>
<u>Less: Allowances</u>			
Married Person's			240,000
Child			<u>200,000</u>
Net Chargeable Income			<u>532,000</u>
Tax thereon			78,440
<u>Less: 75% Tax Reduction, capped at</u>			<u>20,000</u>
Tax charged	38,119 ¹	20,321 ²	<u>58,440</u>
<u>Less: Tax Set-off</u>			
Salaries Tax	<u>7,100</u>	<u>4,140</u>	<u>11,240</u>
Balance Payable	<u>31,019</u>	<u>16,181</u>	<u>47,200</u>

Notes:

1. $\$38,119 = \$58,440 \times (634,000 / 972,000)$
2. $\$20,321 = \$58,440 \times (338,000 / 972,000)$

Total Tax Payable under Schedular Basis

	2015/16 <u>Final Tax (\$)</u>
Salaries Tax: Mr. Ho	7,100
Mrs. Ho	4,140
Profits Tax: Mrs. Ho ($\$50,000 \times 15\%$) - \$5,625	1,875
Property Tax: Mr. Ho ($\$384,000 \times 15\%$)	<u>57,600</u>
	<u>70,715</u>

Note: As the total tax payable under personal assessment (\$58,440) will be less than the total schedular tax (\$70,715), the election for personal assessment is advantageous to the couple.

If no personal assessment is elected, Mr. Ho will obtain a tax reduction of \$20,000 while Mrs. Ho will obtain a tax reduction of \$12,420 under their respective salaries tax assessments. Mrs. Ho will also obtain a tax reduction of \$5,625 under her profits tax assessment. The total tax payable will be \$70,715. However, by electing for personal assessment, their tax will be \$12,275 less despite the fact that they will only obtain a tax reduction of \$20,000 instead of \$38,045 (i.e. \$20,000 + \$12,420 + \$5,625). Their tax bills will be reduced from \$70,715 to \$58,440.

2016-17 BUDGET – Tax Measures

Frequently Asked Questions

Q1: What tax measures are proposed in the 2016-17 Budget for individual taxpayers?

A1: Subject to passage of the law amendments by the Legislative Council, individual taxpayers will get a one-off reduction of 75% of the final tax for the year of assessment 2015/16 in respect of profits tax, salaries tax and tax under personal assessment, subject to a ceiling of \$20,000 per case. Furthermore, the following tax measures, the implementation of which requires law amendments, will be introduced from the year of assessment 2016/17 onwards:

(a) Increasing the following allowances:

Year of Assessment	Present (2015/16) \$	Proposed (From 2016/17 onwards) \$
Basic Allowance	120,000	132,000
Married Person's Allowance	240,000	264,000
Single Parent Allowance	120,000	132,000
Dependent Parent / Grandparent Allowance (for each dependant)		
Parent / Grandparent aged 60 or above, or is eligible to claim an allowance under the Government's Disability Allowance Scheme	40,000	46,000
Parent / Grandparent aged between 55 and 59	20,000	23,000
Additional Dependent Parent / Grandparent Allowance (for each dependant who is living with the taxpayer continuously throughout the year)		
Parent / Grandparent aged 60 or above, or is eligible to claim an allowance under the Government's Disability Allowance Scheme	40,000	46,000
Parent / Grandparent aged between 55 and 59	20,000	23,000

(b) Raising the maximum allowable deduction for elderly residential care expenses as follows:

Year of Assessment	Present (2015/16) \$	Proposed (From 2016/17 onwards) \$
Elderly Residential Care Expenses	80,000	92,000

Q2: Do I need to apply for the tax reduction and the new allowances?

A2: You only need to file, as usual, your 2015/16 tax return for individuals (BIR60) which will be issued in May this year. After enactment of the relevant legislation, IRD will effect the tax reduction in the final assessment for 2015/16 and apply the new allowances in calculating the 2016/17 provisional tax. For 2015/16 assessments issued before the legislative amendment, IRD will revise them after enactment of the legislation. It is expected that the excess tax paid, if any, will be refunded to taxpayers starting from late July 2016. There is no need for you to make a separate application.

Q3: Can I withhold payment of the 2nd instalment of 2015/16 provisional tax falling due from April 2016 onwards because of the proposed tax reduction?

A3: You are required to pay on time the 2nd instalment of the 2015/16 provisional tax falling due from April 2016. Otherwise, recovery action will be taken by IRD. Similar to previous occasions, the tax reduction is to reduce the 2015/16 final tax that will be charged and not relating to the 2015/16 provisional tax that has already been charged. Therefore, you are still required to pay the 2015/16 provisional tax as charged.

Q4: Will the Inland Revenue Department refund the 2015/16 provisional tax already paid by me?

A4: As the tax reduction is to reduce the 2015/16 final tax that will be charged, the reduction will only be reflected in the notices of salaries tax assessment, profits tax assessment and personal assessment for 2015/16 that will be issued starting from the third quarter of 2016. The tax reduction is not applicable to the 2015/16 provisional tax. The provisional tax paid will be applied to pay the 2015/16 final tax and 2016/17 provisional tax. Excess balance, if any, will be refunded.

Q5: How to compute the tax reduction?

A5: You may use the [tax computation program](#) provided by GovHK to calculate your 2015/16 and 2016/17 salaries tax and tax under personal assessment.

Q6: I have to pay salaries tax and profits tax for the year of assessment 2015/16 and I have elected for personal assessment for the year. How the tax reduction should be computed?

A6: Under personal assessment, all income of an individual taxpayer, including salaries income and business profits, will be aggregated to compute the tax payable. Hence, the amount of tax reduction for the year of assessment 2015/16 is 75% of the tax assessed under personal assessment (subject to a ceiling of \$20,000) and not the tax payable under salaries tax and profits tax.

Q7: A husband and a wife, each with employment income and liable to salaries tax, are separately assessed to tax and they can enjoy a maximum tax reduction of \$40,000 in total. However, when the husband and the wife are assessed under personal assessment, they can only get a reduction of \$20,000. Is it unfair to a couple electing for personal assessment?

A7: Profits tax, salaries tax and tax under personal assessment for the year of assessment 2015/16 are reduced by 75%, subject to a ceiling of \$20,000 per case. Under salaries tax, a husband and a wife are separately assessed. Each of them will get a tax reduction of 75%, subject to a ceiling of \$20,000. However, under personal assessment, there is no separate taxation and only one assessment will be issued. Therefore, the tax reduction for the couple is 75%, capped at \$20,000. Whether a taxpayer should apply for personal assessment will depend on his situation. When considering an election for personal assessment for the year of assessment 2015/16, taxpayers should take into account the factor that the tax reduction for each couple will be capped at \$20,000. IRD will check each personal assessment election to see if it will reduce the amount of tax payable, and assess each taxpayer in the way most advantageous to him.

Q8: I have two businesses in the year of assessment 2015/16, can I get a tax reduction in respect of each business?

A8: For each business, you can get the tax reduction of 75% of the profits tax payable for 2015/16, subject to a ceiling of \$20,000.

Q9: I paid elderly residential care expenses of \$95,000 in 2015/16, which exceeded the specified maximum of \$80,000 for 2015/16. What amount should I write down in the 2015/16 tax return for individuals (BIR60) for claiming the elderly residential care expenses deduction?

A9: You should state the actual amount of \$95,000 paid in Part 8.4 of your 2015/16 tax return for individuals (BIR 60). After enactment of the relevant legislation, the Assessor will allow the respective maximum deductions at \$80,000 and \$92,000 when computing your 2015/16 final salaries tax and 2016/17 provisional salaries tax liabilities.

Q10 After I had filed my 2015/16 tax return for individuals (BIR 60), the residential care home, in which my 65 years old father stays, informed me that the residential care expenses payable in 2016/17 will be increased from \$78,000 to \$98,000. What should I do if I want to claim the increased deduction?

A10: If the amount of elderly residential care expenses paid or payable for 2016/17 exceeds \$80,000, you may apply in writing for holding over the 2016/17 provisional salaries tax upon receiving the assessment and notice for payment of provisional salaries tax. The application must be lodged not later than:

- (a) 28 days before the due date for payment of the provisional tax, or
 - (b) 14 days after the date of issue of the notice for payment of the provisional tax,
- whichever is the later.

In computing the provisional salaries tax payable for 2016/17, the Assessor will not deduct \$98,000 as the amount of elderly residential care expenses but will restrict the deduction to \$92,000.