

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

	2015/16 <u>Final Tax (\$)</u>	2016/17 <u>Provisional Tax (\$)</u>	Total <u>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

	2015/16 <u>Final Tax (\$)</u>	2016/17 <u>Provisional Tax (\$)</u>	Total <u>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>	—	
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>	—	
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.