

Examples

Example 1

Mr. Chan is single. His salary income during the year of assessment 2016/17 was \$380,000. He has paid 2016/17 provisional tax of \$31,000.

Before Implementation of Budget Proposals

		2016/17 <u>Final Tax (\$)</u>	2017/18 <u>Provisional Tax (\$)</u>	Total <u>Tax Payable (\$)</u>
Income		380,000	380,000	
<u>Less: Basic Allowance</u>		<u>132,000</u>	<u>132,000</u>	
Net Chargeable Income		<u>248,000</u>	<u>248,000</u>	
Tax Bands and Rates:				
On the First \$40,000 at 2%	40,000	800	800	
On the Next \$40,000 at 7%	<u>40,000</u>	2,800	2,800	
	80,000			
On the Next \$40,000 at 12%	<u>40,000</u>	4,800	4,800	
	120,000			
Remainder at 17%	<u>128,000</u>	<u>21,760</u>	<u>21,760</u>	
Net Chargeable Income	<u>248,000</u>			
Tax charged		30,160	30,160	
<u>Less: 2016/17 Provisional Tax paid</u>		<u>31,000</u>		
Balance Payable / (Repayable)		<u>(840)</u>	<u>30,160</u>	<u>29,320</u>

After Implementation of Budget Proposals

		2016/17 <u>Final Tax (\$)</u>	2017/18 <u>Provisional Tax (\$)</u>	Total <u>Tax Payable (\$)</u>
Income		380,000	380,000	
<u>Less: Basic Allowance</u>		<u>132,000</u>	<u>132,000</u>	
Net Chargeable Income		<u>248,000</u>	<u>248,000</u>	
Tax Bands and Rates:				
On the First Band at 2%	40,000	800	45,000	900
On the Next Band at 7%	<u>40,000</u>	2,800	<u>45,000</u>	3,150
	80,000		90,000	
On the Next Band at 12%	<u>40,000</u>	4,800	<u>45,000</u>	5,400
	120,000		135,000	
Remainder at 17%	<u>128,000</u>	<u>21,760</u>	<u>113,000</u>	<u>19,210</u>
Net Chargeable Income	<u>248,000</u>		<u>248,000</u>	
Tax thereon		30,160	28,660	
<u>Less: 75% Tax Reduction, capped at</u>		<u>20,000</u>		
Tax charged		10,160		
<u>Less: 2016/17 Provisional Tax paid</u>		<u>31,000</u>		
Balance Payable / (Repayable)		<u>(20,840)</u>	<u>28,660</u>	<u>7,820</u>

Notes:

- (1) There will be a one-off reduction of 75% of the 2016/17 final salaries tax subject to a ceiling of \$20,000 per case.
- (2) From 2017/18, marginal tax bands will be widened from \$40,000 to \$45,000 each.

The total tax savings for Mr. Chan resulting from the 2016/17 tax reduction and increase in width of marginal tax bands in 2017/18 will be \$21,500. His salaries tax bill will be reduced from \$29,320 to \$7,820.

Example 2

Mr. Lee is married. His wife is a housewife. The salary income of Mr. Lee during the year of assessment 2016/17 was \$480,000. Mr. Lee paid \$12,000 towards the maintenance of his mother (aged 62) who was eligible to claim an allowance under the Government's Disability Allowance Scheme. Mr. Lee did not reside with his mother. He has paid 2016/17 provisional tax of \$7,000.

Before Implementation of Budget Proposals

	<u>2016/17</u> <u>Final Tax (\$)</u>	<u>2017/18</u> <u>Provisional Tax (\$)</u>	<u>Total Tax</u> <u>Payable (\$)</u>
Income	480,000	480,000	
<u>Less:</u> Allowances			
Married Person's	264,000	264,000	
Dependent Parent	46,000	46,000	
Disabled Dependant	<u>66,000</u>	<u>66,000</u>	<u>376,000</u>
Net Chargeable Income	<u>104,000</u>	<u>104,000</u>	
Tax Bands and Rates:			
On the First \$40,000 at 2%	40,000	800	800
On the Next \$40,000 at 7%	<u>40,000</u>	2,800	2,800
	80,000		
On the Next \$40,000 at 12%	<u>24,000</u>	<u>2,880</u>	<u>2,880</u>
Net Chargeable Income	<u>104,000</u>		
Tax charged	6,480	6,480	
<u>Less:</u> 2016/17 Provisional Tax paid	<u>7,000</u>	—	
Balance Payable / (Repayable)	<u>(520)</u>	<u>6,480</u>	<u>5,960</u>

After Implementation of Budget Proposals

	<u>2016/17</u> <u>Final Tax (\$)</u>	<u>2017/18</u> <u>Provisional Tax (\$)</u>	<u>Total Tax</u> <u>Payable (\$)</u>
Income	480,000	480,000	
<u>Less:</u> Allowances			
Married Person's	264,000	264,000	
Dependent Parent	46,000	46,000	
Disabled Dependant	<u>66,000</u>	<u>75,000</u>	<u>385,000</u>
Net Chargeable Income	<u>104,000</u>	<u>95,000</u>	
Tax Bands and Rates:			
On the First Band at 2%	40,000	800	45,000
On the Next Band at 7%	<u>40,000</u>	2,800	<u>45,000</u>
	80,000		90,000
On the Next Band at 12%	<u>24,000</u>	<u>2,880</u>	<u>5,000</u>
Net Chargeable Income	<u>104,000</u>	<u>95,000</u>	<u>600</u>
Tax thereon	6,480	4,650	
<u>Less:</u> 75% tax reduction	<u>4,860</u>	—	
Tax charged	1,620	—	
<u>Less:</u> 2016/17 Provisional Tax paid	<u>7,000</u>	—	
Balance Payable / (Repayable)	<u>(5,380)</u>	<u>4,650</u>	<u>(730)</u>

Notes:

- (1) There will be a one-off reduction of 75% of the 2016/17 final salaries tax subject to a ceiling of \$20,000 per case.
- (2) From 2017/18, marginal tax bands will be widened from \$40,000 to \$45,000 each.
- (3) Disabled Dependant Allowance from 2017/18 will be increased to \$75,000.

The tax savings for Mr. Lee resulting from the 2016/17 tax reduction and increase in width of marginal tax bands and Disabled Dependant Allowance for 2017/18 will be \$6,690. He has no tax payable and will receive a refund cheque of \$730.

Example 3

Madam Cheung is single. In the year of assessment 2016/17, she earned a salary income of \$550,000 and paid self-education expenses of \$100,000. She maintained her unmarried younger sister (aged 21 and receiving full time education at university). She has paid 2016/17 provisional tax of \$22,000.

Before Implementation of Budget Proposals

	<u>2016/17</u> <u>Final Tax (\$)</u>	<u>2017/18</u> <u>Provisional Tax (\$)</u>	<u>Total Tax</u> <u>Payable (\$)</u>
Income	550,000	550,000	
<u>Less: Deduction</u>			
Self-education Expenses	<u>80,000</u>	<u>80,000</u>	
	470,000	470,000	
<u>Less: Allowances</u>			
Basic	132,000	132,000	
Dependent Brother / Sister	<u>33,000</u>	<u>33,000</u>	<u>165,000</u>
Net Chargeable Income	<u>305,000</u>	<u>305,000</u>	
 Tax Bands and Rates:			
On the First \$40,000 at 2%	40,000	800	800
On the Next \$40,000 at 7%	<u>40,000</u>	2,800	2,800
	80,000		
On the Next \$40,000 at 12%	<u>40,000</u>	4,800	4,800
	120,000		
Remainder at 17%	<u>185,000</u>	<u>31,450</u>	<u>31,450</u>
Net Chargeable Income	<u>305,000</u>		
Tax charged	39,850	39,850	
<u>Less: 2016/17 Provisional Tax paid</u>	<u>22,000</u>	<u> </u>	
Balance Payable	<u>17,850</u>	<u>39,850</u>	<u>57,700</u>

After Implementation of Budget Proposals

	<u>2016/17</u> <u>Final Tax (\$)</u>	<u>2017/18</u> <u>Provisional Tax (\$)</u>	<u>Total Tax</u> <u>Payable (\$)</u>
Income	550,000	550,000	
<u>Less: Deduction</u>			
Self-education Expenses	<u>80,000</u>	<u>100,000</u>	
	470,000	450,000	
<u>Less: Allowances</u>			
Basic	132,000	132,000	
Dependent Brother / Sister	<u>33,000</u>	<u>37,500</u>	<u>169,500</u>
Net Chargeable Income	<u>305,000</u>	<u>280,500</u>	

Tax Bands and Rates:				
On the First Band at 2%	40,000	800	45,000	900
On the Next Band at 7%	<u>40,000</u>	2,800	<u>45,000</u>	3,150
	80,000		90,000	
On the Next Band at 12%	<u>40,000</u>	4,800	<u>45,000</u>	5,400
	120,000		135,000	
Remainder at 17%	<u>185,000</u>	<u>31,450</u>	<u>145,500</u>	<u>24,735</u>
Net Chargeable Income	<u>305,000</u>		<u>280,500</u>	
Tax thereon		39,850		34,185
<u>Less: 75% tax reduction, capped at</u>		<u>20,000</u>		
Tax charged		19,850		
<u>Less: 2016/17 Provisional Tax paid</u>		<u>22,000</u>		
Balance Payable / (Repayable)		<u>(2,150)</u>		<u>34,185</u>
				<u>32,035</u>

Notes:

- (1) There will be a one-off reduction of 75% of the 2016/17 final salaries tax subject to a ceiling of \$20,000 per case.
- (2) From 2017/18, marginal tax bands will be widened from \$40,000 to \$45,000 each.
- (3) Dependent Brother/Sister Allowance from 2017/18 will be increased to \$37,500.
- (4) Deduction of Self-education Expenses is restricted to the statutory specified amount (\$80,000 for 2016/17 and \$100,000 for 2017/18).

The tax savings for Madam Cheung resulting from the 2016/17 tax reduction and increase in width of marginal tax bands, Dependent Brother/Sister Allowance and deduction ceiling for Self-education Expenses in 2017/18 will be \$25,665. Her salaries tax bill will be reduced from \$57,700 to \$32,035.

Example 4

Mr Wong is a divorced person. He lived in his solely-owned property. He borrowed a 25-year mortgage loan from bank in 1998 to finance the acquisition of the property. In the year 2016/17, Mr Wong earned a salary income of \$490,000 and paid mortgage loan interest of \$123,456 to the bank. He has already claimed home loan interest for 14 years of assessment before and paid 2016/17 provisional tax of \$25,000.

Before Implementation of Budget Proposals

	<u>2016/17</u>		<u>2017/18</u>		<u>Total Tax</u>
	<u>Final Tax (\$)</u>		<u>Provisional Tax (\$)</u>		<u>Payable (\$)</u>
Income		490,000		490,000	
<u>Less: Home Loan Interest</u>		<u>100,000</u>		<u>-</u>	
		390,000		490,000	
<u>Less: Basic Allowance</u>		<u>132,000</u>		<u>132,000</u>	
Net Chargeable Income		<u>258,000</u>		<u>358,000</u>	
Tax Bands and Rates:					
On the First \$40,000 at 2%	40,000	800	40,000	800	
On the Next \$40,000 at 7%	<u>40,000</u>	2,800	<u>40,000</u>	2,800	
		80,000		80,000	
On the Next \$40,000 at 12%	<u>40,000</u>	4,800	<u>40,000</u>	4,800	
	120,000		120,000		
Remainder at 17%	<u>138,000</u>	<u>23,460</u>	<u>238,000</u>	<u>40,460</u>	
Net Chargeable Income	<u>258,000</u>		<u>358,000</u>		
Tax charged		31,860		48,860	
<u>Less: 2016/17 Provisional Tax paid</u>		<u>25,000</u>		<u>-</u>	
Balance Payable		<u>6,860</u>		<u>48,860</u>	<u>55,720</u>

After Implementation of Budget Proposals

	<u>2016/17</u>		<u>2017/18</u>		<u>Total Tax</u>
	<u>Final Tax (\$)</u>		<u>Provisional Tax (\$)</u>		<u>Payable (\$)</u>
Income		490,000		490,000	
<u>Less: Home Loan Interest</u>		<u>100,000</u>		<u>100,000</u>	
		390,000		390,000	
<u>Less: Basic Allowance</u>		<u>132,000</u>		<u>132,000</u>	
Net Chargeable Income		<u>258,000</u>		<u>258,000</u>	
Tax Bands and Rates:					
On the First Band at 2%	40,000	800	45,000	900	
On the Next Band at 7%	<u>40,000</u>	2,800	<u>45,000</u>	3,150	
		80,000		90,000	
On the Next Band at 12%	<u>40,000</u>	4,800	<u>45,000</u>	5,400	
	120,000		135,000		
Remainder at 17%	<u>138,000</u>	<u>23,460</u>	<u>123,000</u>	<u>20,910</u>	
Net Chargeable Income	<u>258,000</u>		<u>258,000</u>		
Tax thereon		31,860		30,360	
<u>Less: 75% tax reduction, capped at</u>		<u>20,000</u>		<u>-</u>	
Tax charged		11,860			
<u>Less: 2016/17 Provisional Tax paid</u>		<u>25,000</u>		<u>-</u>	
Balance Payable / (Repayable)		<u>(13,140)</u>		<u>30,360</u>	<u>17,220</u>

Notes:

- (1) There will be a one-off reduction of 75% of the 2016/17 final salaries tax subject to a ceiling of \$20,000 per case.
- (2) From 2017/18, marginal tax bands will be widened from \$40,000 to \$45,000 each.
- (3) The number of years of deduction for Home Loan Interest will be extended from 15 to 20 years of assessment with effect from 2017/18 while maintaining the current deduction ceiling of \$100,000 a year.

The tax savings for Mr Wong resulting from the 2016/17 tax reduction, and increase in width of marginal tax bands and extension of the number of years of deduction for Home Loan Interest in 2017/18 will be \$38,500. His salaries tax bill will be reduced from \$55,720 to \$17,220.

Example 5

Mr. Ho is married with 2 children. The incomes and expenses reported in the 2016/17 tax returns of Mr. and Mrs. Ho are as below. The couple elected for personal assessment and has not paid any provisional tax for 2016/17.

	Mr. Ho	Mrs. Ho
	<u>\$</u>	<u>\$</u>
Salaries	650,000	288,000
Assessable Profits from Sole Proprietorship Business	-	80,000
Rental Income	480,000	-
Mortgage Interest on Rented Out Property	280,000	-

Salaries Tax Assessments, Profits Tax Assessment, Property Tax Assessment and Personal Assessment for the year of assessment 2016/17 will be issued as follows:

Salaries Tax Assessment

	Mr. Ho	Mrs. Ho
	<u>\$</u>	<u>\$</u>
Income	650,000	288,000
<u>Less: Allowances</u>		
Basic	132,000	132,000
Child	<u>200,000</u>	<u> </u>
Net Chargeable Income	<u>318,000</u>	<u>156,000</u>
Tax thereon	42,060	14,520
<u>Less: 75% Tax Reduction, capped at \$20,000</u>	<u>20,000</u>	<u>10,890</u>
Tax charged	<u>22,060</u>	<u>3,630</u>

Profits Tax Assessment

	Mrs. Ho
	<u>\$</u>
Assessable profits	<u>80,000</u>
Tax thereon	12,000
<u>Less: 75% Tax Reduction</u>	<u>9,000</u>
Tax charged	<u>3,000</u>

Property Tax Assessment

	Mr. Ho
	<u>\$</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	Mrs. Ho	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Salaries	650,000	288,000	938,000
Assessable Profits	-	80,000	80,000
Net Assessable Value	<u>384,000</u>	<u>-</u>	<u>384,000</u>
Total Income	1,034,000	368,000	1,402,000
<u>Less: Deduction</u>			
Interest Paid	<u>280,000</u>	<u>-</u>	<u>280,000</u>
Reduced Total Income	<u>754,000</u>	<u>368,000</u>	1,122,000
 <u>Less: Allowances</u>			
Married Person's			264,000
Child			<u>200,000</u>
Net Chargeable Income			<u>658,000</u>
 Tax thereon			99,860
<u>Less: 75% Tax Reduction, capped at</u>			<u>20,000</u>
Tax charged	53,668 ¹	26,192 ²	79,860
 <u>Less: Tax Set-off</u>			
Salaries Tax	<u>22,060</u>	<u>3,630</u>	<u>25,690</u>
Balance Payable	<u>31,608</u>	<u>22,562</u>	<u>54,170</u>

Notes:

1. $\$53,668 = \$79,860 \times (754,000 / 1,122,000)$
2. $\$26,192 = \$79,860 \times (368,000 / 1,122,000)$

Total Tax Payable under Schedular Basis

	2016/17 <u>Final Tax (\$)</u>
Salaries Tax: Mr. Ho	22,060
Mrs. Ho	3,630
Profits Tax: Mrs. Ho (\$80,000 x 15%) - \$9,000	3,000
Property Tax: Mr. Ho (\$384,000 x 15%)	<u>57,600</u>
	<u>86,290</u>

Note: As the total tax payable under personal assessment (\$79,860) will be less than the total schedular tax (\$86,290), 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 \$10,890 under their respective salaries tax assessments. Mrs. Ho will also obtain a tax reduction of \$9,000 under her profits tax assessment. The total tax payable will be \$86,290. However, by electing for personal assessment, their tax will be \$6,430 less despite the fact that they will only obtain a tax reduction of \$20,000 instead of \$39,890 (i.e. \$20,000 + \$10,890 + \$9,000). Their tax bills will be reduced from \$86,290 to \$79,860.