

## Examples

### Example 1

Mr. Chan is single. His salary income during the year 2010-11 is \$306,000. Mr. Chan maintained his father (aged 62) and mother (aged 58) and resided with them continuously throughout the year 2010-11. He has paid 2010-11 provisional tax of \$5,000.

#### Before Budget Proposals

	2010-11 <u>Final Tax (\$)</u>	2011-12 <u>Provisional Tax (\$)</u>	Total Tax <u>Payable (\$)</u>
Income	306,000	306,000	
<u>Less:</u> Allowances			
Basic	108,000	108,000	
Dependent Parent	45,000	45,000	
Additional Dependent Parent	<u>45,000</u>	<u>45,000</u>	<u>198,000</u>
Net Chargeable Income	<u>108,000</u>	<u>108,000</u>	
Tax charged	6,960	6,960	
<u>Less:</u> 2010-11 Provisional Tax paid	<u>5,000</u>		
Balance Payable	1,960	6,960	<u>8,920</u>

#### After Budget Proposals

	2010-11 <u>Final Tax (\$)</u>	2011-12 <u>Provisional Tax (\$)</u>	Total Tax <u>Payable (\$)</u>
Income	306,000	306,000	
<u>Less:</u> Allowances			
Basic	108,000	108,000	
Dependent Parent	45,000	54,000	
Additional Dependent Parent	<u>45,000</u>	<u>54,000</u>	<u>216,000</u>
Net Chargeable Income	<u>108,000</u>	<u>90,000</u>	
Tax thereon	6,960		
<u>Less:</u> 75% tax reduction	<u>5,220</u>		
Tax charged	1,740	4,800	
<u>Less:</u> 2010-11 Provisional Tax paid	<u>5,000</u>		
Balance Payable / (repayable)	(3,260)	4,800	<u>1,540</u>

Note: Dependent Parent Allowance for 2011-12 would be \$54,000 i.e. \$36,000 (for parent aged over 60) + \$18,000 (for parent aged 55 to 59). Additional Dependent Parent Allowance would also be \$54,000.

The tax saving for Mr. Chan resulting from the 2010-11 tax reduction and increase in Dependent Parent Allowance will be \$7,380. His salaries tax bill will be reduced from \$8,920 to \$1,540.

## Example 2

Mr. Lee is married. His wife is a housewife. Mr. Lee's son was born on 15 May 2011. In the year 2010-11, Mr. Lee earned a salary income of \$534,000. Mr. Lee paid residential care expenses of \$80,000 in respect of his grandfather (aged 85) who lived in a residential care home. Mr. Lee has paid 2010-11 provisional tax of \$20,000.

### Before Budget Proposals

	<u>2010-11 Final Tax (\$)</u>	<u>2011-12 Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	534,000	534,000	
<u>Less:</u> Deduction			
Elderly Residential Care Expenses	<u>60,000</u>	<u>60,000</u>	
	474,000	474,000	
<u>Less:</u> Allowances			
Married Person's	216,000	216,000	
Child (born in the year)	<u>-</u> <u>216,000</u>	<u>100,000</u> <u>316,000</u>	
Net Chargeable Income	<u>258,000</u>	<u>158,000</u>	
Tax charged	31,860	14,860	
<u>Less:</u> 2010-11 Provisional Tax paid	<u>20,000</u>	<u>      </u>	
Balance Payable	11,860	14,860	<u>26,720</u>

### After Budget Proposals

	<u>2010-11 Final Tax (\$)</u>	<u>2011-12 Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	534,000	534,000	
<u>Less:</u> Deduction			
Elderly Residential Care Expenses	<u>60,000</u>	<u>72,000</u>	
	474,000	462,000	
<u>Less:</u> Allowances			
Married Person's	216,000	216,000	
Child (born in the year)	<u>-</u> <u>216,000</u>	<u>120,000</u> <u>336,000</u>	
Net Chargeable Income	<u>258,000</u>	<u>126,000</u>	
Tax thereon	31,860		
<u>Less:</u> Tax reduction, capped at	<u>6,000</u>		
Tax charged	25,860	9,420	
<u>Less:</u> 2010-11 Provisional Tax paid	<u>20,000</u>	<u>      </u>	
Balance Payable / (repayable)	5,860	9,420	<u>15,280</u>

Notes:

1. Elderly Residential Care Expenses deduction is restricted to the statutory specified amount.
2. Child Allowance for newborn child in 2011-12 would be \$120,000.

The tax saving for Mr. Lee resulting from the 2010-11 tax reduction, increase in deduction of Elderly Residential Care Expenses and allowance in respect of newborn child will be \$11,440. His salaries tax bill will be reduced from \$26,720 to \$15,280.

### Example 3

Mr. Cheung is married. His wife is a housewife. They have 2 children. The salary income of Mr. Cheung during the year 2010-11 is \$552,000. Mr. Cheung paid \$12,000 towards the maintenance of his mother (aged 60) who was eligible to claim an allowance under the Government's Disability Allowance Scheme. Mr. Cheung did not reside with his mother. He has paid 2010-11 provisional tax of \$11,000.

#### Before Budget Proposals

	2010-11 <u>Final Tax (\$)</u>	2011-12 <u>Provisional Tax (\$)</u>	Total Tax <u>Payable (\$)</u>
Income	552,000	552,000	
<u>Less:</u> Allowances			
Married Person's	216,000	216,000	
Child	100,000	100,000	
Dependent Parent	30,000	30,000	
Disabled Dependant	<u>60,000</u>	<u>60,000</u>	<u>406,000</u>
Net Chargeable Income	<u>146,000</u>	<u>146,000</u>	
 Tax charged	 12,820	 12,820	
<u>Less:</u> 2010-11 Provisional Tax paid	<u>11,000</u>	<u>      </u>	
Balance Payable	1,820	12,820	<u>14,640</u>

#### After Budget Proposals

	2010-11 <u>Final Tax (\$)</u>	2011-12 <u>Provisional Tax (\$)</u>	Total Tax <u>Payable (\$)</u>
Income	552,000	552,000	
<u>Less:</u> Allowances			
Married Person's	216,000	216,000	
Child	100,000	120,000	
Dependent Parent	30,000	36,000	
Disabled Dependant	<u>60,000</u>	<u>60,000</u>	<u>432,000</u>
Net Chargeable Income	<u>146,000</u>	<u>120,000</u>	
 Tax thereon	 12,820		
<u>Less:</u> Tax reduction, capped at	<u>6,000</u>		
Tax charged	6,820	8,400	
<u>Less:</u> 2010-11 Provisional Tax paid	<u>11,000</u>	<u>      </u>	
Balance Payable / (repayable)	(4,180)	8,400	<u>4,220</u>

Notes:

1. Dependent Parent Allowance for 2011-12 would be \$36,000.
2. Disabled Dependant Allowance for 2011-12 remains unchanged.

The tax saving for Mr. Cheung resulting from the 2010-11 tax reduction, increase in Child and Dependent Parent Allowances will be \$10,420. His salaries tax bill will be reduced from \$14,640 to \$4,220.

#### Example 4

Mr. Wong is single. His salary income during the year 2010-11 is \$216,000. He has paid 2010-11 provisional tax of \$13,000.

#### Before Budget Proposals

	2010-11 <u>Final Tax (\$)</u>	2011-12 <u>Provisional Tax (\$)</u>	Total <u>Tax Payable (\$)</u>
Income	216,000	216,000	
<u>Less: Basic Allowance</u>	<u>108,000</u>	<u>108,000</u>	
Net Chargeable Income	<u>108,000</u>	<u>108,000</u>	
Tax charged	6,960	6,960	
<u>Less: 2010 -11 Provisional Tax paid</u>	<u>13,000</u>	—	
Balance Payable / (repayable)	(6,040)	6,960	<u>920</u>

#### After Budget Proposals

	2010-11 <u>Final Tax (\$)</u>	2011-12 <u>Provisional Tax (\$)</u>	Total <u>Tax Repayable (\$)</u>
Income	216,000	216,000	
<u>Less: Basic Allowance</u>	<u>108,000</u>	<u>108,000</u>	
Net Chargeable Income	<u>108,000</u>	<u>108,000</u>	
Tax thereon	6,960		
<u>Less: 75% tax reduction</u>	<u>5,220</u>		
Tax charged	1,740	6,960	
<u>Less: 2010-11 Provisional Tax paid</u>	<u>13,000</u>	—	
Balance Payable / (repayable)	(11,260)	6,960	<u>(4,300)</u>

The tax saving for Mr. Wong resulting from the 2010-11 tax reduction will be \$5,220 (i.e. 75% of \$6,960). He has no tax payable, and will receive a refund cheque for \$4,300.
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### Example 5

Mr. Ho is married with 2 children. Incomes and expense reported in the 2010-11 tax returns of Mr. and Mrs. Ho are as below. The couple elected for personal assessment and had not paid any provisional salaries tax for 2010/11.

	Mr. Ho	Mrs. Ho
	<u>Amount (\$)</u>	<u>Amount (\$)</u>
Salaries	510,000	230,000
Rental Income	400,000	-
Mortgage Interest on Rented Out Property	300,000	-

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

#### Salaries Tax Assessment

	Mr. Ho	Mrs. Ho
	<u>Final Tax (\$)</u>	<u>Final Tax (\$)</u>
Income	510,000	230,000
<u>Less: Allowances</u>		
Basic	108,000	108,000
Child	100,000	-
Net Chargeable Income	<u>302,000</u>	<u>122,000</u>
Tax thereon	39,340	8,740
<u>Less: Tax reduction, capped at</u>	<u>6,000</u>	<u>6,000</u>
Tax charged	<u>33,340</u>	<u>2,740</u>

#### Property Tax Assessment

	Mr. Ho	Mrs. Ho
	<u>Amount (\$)</u>	<u>Amount (\$)</u>
Net Assessable Value (Rental Income x 80%)	<u>320,000</u>	<u>-</u>

As the couple have elected for personal assessment, the net assessable value will be included in their personal assessment.

### Personal Assessment

	Mr. Ho	Mrs. Ho	Total
	<u>Final Tax (\$)</u>	<u>Final Tax (\$)</u>	<u>Final Tax (\$)</u>
Salaries	510,000	230,000	740,000
Net Assessable Value	<u>320,000</u>	<u>-</u>	<u>320,000</u>
Total Income	830,000	230,000	1,060,000
<u>Less: Deduction</u>			
Interest Paid	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Reduced Total Income	<u>530,000</u>	<u>230,000</u>	<u>760,000</u>
<u>Less: Allowances</u>			
Married Person's			216,000
Child			<u>100,000</u>
Net Chargeable Income			444,000
Tax thereon			63,480
<u>Less: Tax reduction, capped at</u>			<u>6,000</u>
Tax charged	40,085 <sup>1</sup>	17,395 <sup>2</sup>	<u>57,480</u>
<u>Less: Tax Set-off</u>			
Salaries Tax	<u>33,340</u>	<u>2,740</u>	<u>36,080</u>
Balance Payable	<u>6,745</u>	<u>14,655</u>	<u>21,400</u>

#### Notes:

1.  $\$40,085 = \$57,480 \times (530,000 / 760,000)$
2.  $\$17,395 = \$57,480 \times (230,000 / 760,000)$

### Taxes Payable under Schedular Basis

	<u>Final Tax (\$)</u>
Salaries Tax: Mr. Ho	33,340
Mrs. Ho	2,740
Property Tax: Mr Ho (\$320,000 x 15%)	<u>48,000</u>
	<u>84,080</u>

Note: As the total tax payable under personal assessment (\$57,480) is less than the total schedular taxes (\$84,080), the election for personal assessment would be advantageous to the couple.

If no personal assessment is elected, Mr. and Mrs. Ho will each obtain a tax reduction of \$6,000 under their respective salaries tax assessments. The total tax payable will be \$84,080 (\$33,340 + \$2,740 + \$48,000). However, by electing personal assessment, they will pay \$26,600 less tax despite the fact that they will only obtain one tax reduction of \$6,000 instead of two. Their tax bills will be reduced from \$84,080 to \$57,480.