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

Before Budget Proposals					
	2010)-11	201	1-12	Total Tax
	Final T	ax (\$)	Provision	al Tax (\$)	Payable (\$)
Income		306,000		306,000	
<u>Less</u> : Allowances					
Basic	108,000		108,000		
Dependent Parent	45,000		45,000		
Additional Dependent Parent	45,000	198,000	45,000	198,000	
Net Chargeable Income		<u>108,000</u>		108,000	
Tax charged		6,960		6,960	
Less: 2010-11 Provisional Tax paid		<u>5,000</u>			
Balance Payable		1,960		6,960	<u>8,920</u>
After Budget Proposals					

	2010 Final T		2011 Provisiona		Total Tax <u>Payable (\$)</u>
Income		306,000		306,000	
Less: Allowances					
Basic	108,000		108,000		
Dependent Parent	45,000		54,000		
Additional Dependent Parent	45,000	198,000	54,000	216,000	
Net Chargeable Income		108,000		90,000	
Tax thereon		6,960			
<u>Less</u> : 75% tax reduction		5,220			
Tax charged		1,740		4,800	
Less: 2010-11 Provisional Tax paid		5,000			
Balance Payable / (repayable)		(3,260)		4,800	<u>1,540</u>

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.

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

Defore Budget Froposais	2010-11 Final Tax			1-12 al Tax (\$)	Total Tax Payable (\$)
Income	5	534,000		534,000	
<u>Less</u> : Deduction					
Elderly Residential Care Expenses		60,000		60,000	
	4	174,000		474,000	
Less: Allowances	216,000		216,000		
Married Person's	216,000	116.000	216,000	216,000	
Child (born in the year)		216,000	100,000	316,000	
Net Chargeable Income	<u>2</u>	<u>258,000</u>		158,000	
Tax charged		31,860		14,860	
<u>Less</u> : 2010-11 Provisional Tax paid		20,000			
Balance Payable		11,860		14,860	<u>26,720</u>
After Budget Proposals			201	1 10	T 1 T.
	2010-11		/(11	I = 1 ')	Total Lav
	2010-11 <u>Final Tax</u>			1-12 <u>al Tax (\$)</u>	Total Tax Payable (\$)
Income	Final Tax				
Income Less : Deduction	Final Tax	(\$)		al Tax (\$)	
	Final Tax	(\$)		al Tax (\$)	
<u>Less</u> : Deduction Elderly Residential Care Expenses	Final Tax 5	(\$)		al Tax (\$) 534,000	
Less: Deduction Elderly Residential Care Expenses Less: Allowances	Final Tax 5	(\$) 534,000 <u>60,000</u>	<u>Provision</u>	<u>al Tax (\$)</u> 534,000 <u>72,000</u>	
Less: Deduction Elderly Residential Care Expenses Less: Allowances Married Person's	Final Tax 5 216,000	(\$) 534,000 60,000 474,000	<u>Provision</u> 216,000	1 Tax (\$) 534,000 72,000 462,000	
Less: Deduction Elderly Residential Care Expenses Less: Allowances Married Person's Child (born in the year)	Final Tax 5 4 216,000 - 2	(\$) 534,000 60,000 174,000	<u>Provision</u>	1 Tax (\$) 534,000 72,000 462,000	
Less: Deduction Elderly Residential Care Expenses Less: Allowances Married Person's	Final Tax 5 4 216,000 - 2	(\$) 534,000 60,000 474,000	<u>Provision</u> 216,000	1 Tax (\$) 534,000 72,000 462,000	
Less: Deduction Elderly Residential Care Expenses Less: Allowances Married Person's Child (born in the year) Net Chargeable Income	Final Tax 5 4 216,000 - 2	(\$) 534,000 60,000 174,000 216,000 258,000	<u>Provision</u> 216,000	1 Tax (\$) 534,000 72,000 462,000	
Less: Deduction Elderly Residential Care Expenses Less: Allowances Married Person's Child (born in the year) Net Chargeable Income Tax thereon	Final Tax 5 4 216,000 - 2	(\$) 534,000 60,000 474,000 216,000 258,000 31,860	<u>Provision</u> 216,000	1 Tax (\$) 534,000 72,000 462,000	
Less: Deduction Elderly Residential Care Expenses Less: Allowances Married Person's Child (born in the year) Net Chargeable Income Tax thereon Less: Tax reduction, capped at	Final Tax 5 4 216,000 - 2	(\$) 534,000 60,000 174,000 216,000 258,000	<u>Provision</u> 216,000	1 Tax (\$) 534,000 72,000 462,000 336,000 126,000	
Less: Deduction Elderly Residential Care Expenses Less: Allowances Married Person's Child (born in the year) Net Chargeable Income Tax thereon Less: Tax reduction, capped at Tax charged	Final Tax 5 4 216,000 - 2 2	(\$) 534,000 60,000 174,000 216,000 258,000 31,860 6,000	<u>Provision</u> 216,000	1 Tax (\$) 534,000 72,000 462,000	
Less: Deduction Elderly Residential Care Expenses Less: Allowances Married Person's Child (born in the year) Net Chargeable Income Tax thereon Less: Tax reduction, capped at	Final Tax 5 4 216,000 - 2 2	(\$) 534,000 60,000 474,000 216,000 258,000 31,860 6,000 25,860	<u>Provision</u> 216,000	1 Tax (\$) 534,000 72,000 462,000 336,000 126,000	

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.

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		2011		Total Tax
	Final T	ax (\$)	Provisiona	al Tax (\$)	Payable (\$)
•		552 000		552.000	
Income		552,000		552,000	
Less: Allowances	24 5 000		21 - 222		
Married Person's	216,000		216,000		
Child	100,000		100,000		
Dependent Parent	30,000		30,000		
Disabled Dependant	60,000	406,000	60,000	406,000	
Net Chargeable Income		146,000		146,000	
Tax charged		12,820		12,820	
Less: 2010-11 Provisional Tax paid		<u>11,000</u>			
Balance Payable		1,820		12,820	<u>14,640</u>
After Budget Proposals					
	2010			1-12	Total Tax
		O-11 Γax (\$)		1-12 nal Tax (\$)	Total Tax Payable (\$)
Income					
		<u>Γax (\$)</u>		nal Tax (\$)	
	Final 1	<u>Γax (\$)</u>	Provision	nal Tax (\$)	
<u>Less</u> : Allowances Married Person's	Final 7	<u>Γax (\$)</u>	<u>Provision</u> 216,000	nal Tax (\$)	
<u>Less</u> : Allowances Married Person's Child	Final 7 216,000 100,000	<u>Γax (\$)</u>	Provision 216,000 120,000	nal Tax (\$)	
Less: Allowances Married Person's Child Dependent Parent	Final 7 216,000 100,000 30,000	<u>Γαχ (\$)</u> 552,000	216,000 120,000 36,000	nal Tax (\$) 552,000	
Less: Allowances Married Person's Child Dependent Parent Disabled Dependant	Final 7 216,000 100,000	552,000 406,000	Provision 216,000 120,000	hal Tax (\$) 552,000 432,000	
Less: Allowances Married Person's Child Dependent Parent	Final 7 216,000 100,000 30,000	<u>Γαχ (\$)</u> 552,000	216,000 120,000 36,000	nal Tax (\$) 552,000	
Less: Allowances Married Person's Child Dependent Parent Disabled Dependant	Final 7 216,000 100,000 30,000	552,000 406,000	216,000 120,000 36,000	hal Tax (\$) 552,000 432,000	
Less: Allowances Married Person's Child Dependent Parent Disabled Dependant Net Chargeable Income	Final 7 216,000 100,000 30,000	552,000 406,000 146,000	216,000 120,000 36,000	hal Tax (\$) 552,000 432,000	
Less: Allowances Married Person's Child Dependent Parent Disabled Dependant Net Chargeable Income Tax thereon	Final 7 216,000 100,000 30,000	552,000 406,000 146,000 12,820	216,000 120,000 36,000	hal Tax (\$) 552,000 432,000	
Less: Allowances Married Person's Child Dependent Parent Disabled Dependant Net Chargeable Income Tax thereon Less: Tax reduction, capped at	Final 7 216,000 100,000 30,000	552,000 406,000 146,000 12,820 6,000	216,000 120,000 36,000	120,000 stal Tax (\$) 432,000 120,000	

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.

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 Final Tax (\$)	2011-12 Provisional Tax (\$)	Total <u>Tax Payable (\$)</u>
Income	216,000	216,000	
Less: Basic Allowance	108,000	108,000	
Net Chargeable Income	108,000	108,000	
The chargeable mediae	100,000	_100,000	
Tax charged	6,960	6,960	
Less: 2010 -11 Provisional Tax paid	13,000		
Balance Payable / (repayable)	(6,040)	6,960	<u>920</u>
After Budget Proposals			
	2010-11	2011-12	Total
	2010-11 <u>Final Tax (\$)</u>	2011-12 Provisional Tax (\$)	Total <u>Tax Repayable (\$)</u>
Income			
Income <u>Less</u> : Basic Allowance	Final Tax (\$)	Provisional Tax (\$)	
	Final Tax (\$) 216,000	Provisional Tax (\$) 216,000	
<u>Less</u> : Basic Allowance	Final Tax (\$) 216,000 108,000	Provisional Tax (\$) 216,000 108,000	
<u>Less</u> : Basic Allowance	Final Tax (\$) 216,000 108,000	Provisional Tax (\$) 216,000 108,000	
<u>Less</u> : Basic Allowance Net Chargeable Income	Final Tax (\$) 216,000 108,000 108,000	Provisional Tax (\$) 216,000 108,000	
Less: Basic Allowance Net Chargeable Income Tax thereon	Final Tax (\$) 216,000 108,000 108,000 6,960	Provisional Tax (\$) 216,000 108,000	
Less: Basic Allowance Net Chargeable Income Tax thereon Less: 75% tax reduction	Final Tax (\$) 216,000 108,000 108,000 6,960 5,220	Provisional Tax (\$) 216,000 108,000 108,000	

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.

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
	Amount (\$)	Amount (\$)
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
	Final Tax (\$)	Final Tax (\$)
Income	510,000	230,000
<u>Less</u> : Allowances		
Basic	108,000	108,000
Child	100,000	
Net Chargeable Income	302,000	122,000
Tax thereon	39,340	8,740
<u>Less</u> : Tax reduction, capped at	6,000	6,000
Tax charged	33,340	2,740
Property Tax Assessment		
	Mr. Ho	Mrs. Ho
	Amount (\$)	Amount (\$)
Net Assessable Value (Rental Income x 80%)	320,000	

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

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