

(a) Reporting for Tax by each Individual Person

- In Hong Kong an individual person pays tax on income from three sources :-
 - ✧ Salaries Tax
in respect of salaries/pension/director's fees
 - ✧ Property Tax
in respect of rental income from letting
 - ✧ Profits Tax
in respect of profits from running sole proprietary businesses
- However, in Hong Kong rental income from each jointly-owned/co-owned property should be reported in "Property Tax Return - Property Jointly owned or co-owned by Individuals" (BIR57) and the profits from each partnership business should be reported in a Profits Tax Return (BIR52).

This means that an individual tax file will be opened for and maintained in respect of each unit of jointly-owned/co-owned property and each partnership business. All matters relating to the issue of tax returns and the issue of tax assessments will be handled under that file.

- For an individual taxpayer, he/she should report the following types of taxable income in the "Tax Return - Individuals" (BIR60) :-
 - ✧ Salaries Tax
in respect of salaries/pension/director's fees
 - ✧ Property Tax
in respect of rental income from all *solely-owned properties*
 - ✧ Profits Tax
in respect of profits from *each sole-proprietorship business*
- For a married couple, they will be treated as two separate persons. Each person will be required to complete a BIR60 for each year of assessment and be assessed to tax under his/her name.

(b) Assessments on Individual Persons

- **Year of Assessment**
 - ✧ *For Salaries Tax and Property tax*

A year of assessment runs from 1 April to 31 March of the following year. For example, the year of assessment 2024/25 covers the 12 months from 1.4.2024 to 31.3.2025.

✧ *For computation of assessable profits under Profits Tax*

The sole proprietor can choose an annual account closing date for each of his business and that closing date will determine the “basis period” for the calculation of the “assessable profits” from that business for that year of assessment.

For example, if the annual account closing date is 31 December, for the year of assessment 2024/25, the basis period for that business will be from 1 January 2024 to 31 December 2024.

➤ **Notices of Assessment**

✧ *For Salaries Tax*

The Assessor will assess that individual’s income derived from all of his /her employments/offices during the year of assessment and issue one single assessment.

If the person has earned salaries by working for 5 companies and earned director fees from 3 companies for whom he/she has served as director, the Salaries Tax demand note for him/her will show the aggregated amount of all of his/her cash income and non-cash benefits from those 8 companies as his/her “assessable income” for that year of assessment.

✧ *For Property Tax*

The rental income from all of his/her solely-owned properties will be added together as the “assessable value”.

Property Tax is computed at the standard rate on the “net assessable value”, which is arrived at by deducting respectively for rates paid by the owner, “irrecoverable rent” and the 20% statutory deduction for outgoings and repairs.

An individual who has one solely-owned property for letting receives one Property Tax demand note, but the sole owner of say, 20 properties also gets one Property Tax demand note issued in his personal name.

✧ *For Profits Tax*

Separate accounts are required for each business and the amount of Profits Tax to be paid is also calculated by reference to the business accounts submitted.

If an individual operates three sole-proprietary businesses – a confectionery, a restaurant and a stationery retail shop, he will prepare separate accounts for each business and the Assessor will prepare three assessments.

➤ **Election for Personal Assessment**

✧ *The Benefit of Electing for Personal Assessment*

Taxpayers subjected to Property tax and Profits Tax pay tax on “net assessable value” and “assessable profits” at standard rate and will not get any tax allowances and deductions unless they are eligible to elect for Personal Assessment and have made valid elections for the year concerned.

By electing Personal Assessment, they may claim the following deductions and their tax liabilities will be computed at progressive rates same as those applicable to Salaries Tax :

- interest incurred on money borrowed for the purpose of producing property income, (the amount deductible should not exceed the net assessable value of each individual property),
- approved charitable donations,
- elderly residential care expenses,
- home loan interest,
- qualifying premiums paid under the Voluntary Health Insurance Scheme (VHIS) Policy,
- qualifying annuity premiums and tax deductible MPF voluntary contributions,
- domestic rents,
- assisted reproductive service expenses,
- business losses incurred in the year of assessment,
- losses brought forward from previous years under Personal Assessment, and
- personal allowances.

✧ *How to Elect for Personal Assessment*

Election for Personal Assessment is simple, but electors should indicate election by putting a in the **YES** Box in the second line of Part 7 of the “Tax Return – Individuals” (BIR60) and complete the remaining items in that Part. For a married couple, if taxpayer and his/her spouse wish to elect for Personal Assessment jointly, the spouse must sign in Part 13 of the Taxpayer’s BIR60.