

PROFITS TAX COMPUTATION

Business Name: _____

File No.: _____

Year of Assessment : _____ / _____

Cross Reference
to Item No. on
Part 5 of B.I.R.60

<u>Item</u>	HK\$	HK\$	
(1) Net Profit / (Loss) per the accounts attached from _____ to _____			_____ (A)

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ADDITIONS: Non-deductible expenses charged in the accounts: —

(2) Depreciation not calculated in accordance with the Inland Revenue Ordinance	_____		
(3) Remuneration and other salary benefits accrued to you or your spouse (e.g. salaries, drawings, messing and interest on capital / loan)	_____		
(4) Contributions to Mandatory Provident Fund Scheme (MPFS) for you in excess of the amount allowable under the Inland Revenue Ordinance, and any contributions to MPFS for your spouse	_____		
(5) Domestic or private expenses (e.g. Life insurance, share of rent, utility, motor car and entertainment expenses for private or domestic use)	_____		
(6) Expenses or losses of a capital nature (e.g. purchase or loss on disposal of capital / fixed assets)	_____		
(7) Other expenses/losses not allowable for tax purposes (e.g. tax, fine or rent accrued to you from the business, please specify)	_____		
Sub-total of (2) to (7)			_____ (B)
Sub-total of (A) and (B)			_____ (C)

DEDUCTIONS : Allowable expenses or non-assessable income (exclude approved charitable donations which are to be claimed under Item 8, Part 5 of the return) : —

(8) Gains on disposal of capital / fixed assets	_____		
(9) Dividend and other non-assessable profits (please specify) _____	_____		
(10) (a) Expenses incurred for purchase of computer hardware and software or prescribed manufacturing plant / machinery	_____		
(b) Capital expenditure on environmental protection facilities (applicable from year of assessment 2008/09 onwards)	_____		
(c) Depreciation allowance calculation (see example in Note I) : —			

	10% Pool HK\$	20% Pool HK\$	30% Pool HK\$	Total Allowance HK\$
Reducing value b/f	_____	_____	_____	
Add : New assets acquired	_____	_____	_____	
Less : Initial allowance 60%	_____	_____	_____	_____ (D1)
Less : Disposal proceeds (restricted to cost)	_____	_____	_____	
Less : Annual allowance	_____	_____	_____	_____ (D2)
Reducing value c/f	_____	_____	_____	
Less : Portion for private use	_____	_____	_____	_____ (D3)

Total depreciation allowances on machinery or plant (D1)+(D2)-(D3) = _____

(11) Industrial building allowance (see example in Note II)	_____		
(12) Commercial building allowance (see example in Note III)	_____		
Sub-total of (8) to (12)			_____ (E)
Assessable Profits / (Adjusted Losses) before charitable donations (C)-(E)			_____

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NOTES AND EXAMPLES

I Depreciation Allowance (item 10(c) of profits tax computation)

1. Machinery or plant ranking for depreciation allowances can be classified into 3 groups:—

Qualifies for	Common examples of machinery or plant in each group
10% Annual allowance	• Air-conditioning plant excluding room air-conditioning units
20% Annual allowance	• Furniture (excluding soft furnishings which are allowable on replacement basis) • Room air-conditioning units
30% Annual allowance	• Motor vehicles, lorries, tractors and bicycles • Concrete pipe moulds

2. Example of Depreciation Allowance Calculation

		20% pool	30% pool	Motor car partly for private use 30%	Total Allowance
	\$	\$	\$	\$	\$
Reducing value b/f ⁽¹⁾		6,800	3,300	1,800	
Add : Total new assets acquired	2,000				
Less : Initial allowance 60%	1,200 ⁽²⁾	800	0	0	1,200
		7,600	3,300	1,800	
Less : Total disposal proceeds (restricted to cost)		4,600	0	0	
		3,000	3,300	1,800	
Less : Annual allowance		600 ⁽³⁾	990 ⁽⁴⁾	540	2,130
Reducing value c/f		2,400	2,310	1,260	
					3,330
Less: Portion representing private use of motor car ($\frac{1}{3}$)					180 ⁽⁵⁾
					3,150

N.B. (1) For new business, reducing value b/f is zero

(2) Cost of total new assets x 60% (rate of initial allowance) i.e. \$2,000 x 60% = \$1,200

(3) Reducing value x 20% (rate of annual allowance) i.e. \$3,000 x 20% = \$600

(4) Reducing value x 30% (rate of annual allowance) i.e. \$3,300 x 30% = \$990

(5) [Initial allowance and annual allowance of the relevant asset] x portion of private use

i.e. (\$0 + \$540) x $\frac{1}{3}$ = \$180

II Industrial Building Allowance (item 11 of profits tax computation)

Example of Industrial Building Allowance Calculation

Location of property _____			Total Allowance
	\$	\$	\$
Reducing value b/f			
Add : Addition of cost of construction	100,000		
Less : Initial allowance 20%	20,000 ⁽¹⁾	80,000	20,000
		80,000	
Less : Annual allowance 4%		4,000 ⁽²⁾	4,000
Reducing value c/f		76,000	24,000

N.B. (1) Cost of construction x 20% (rate of initial allowance) i.e. \$100,000 x 20% = \$20,000

(2) Cost of construction x 4% (rate of annual allowance) i.e. \$100,000 x 4% = \$4,000

III Commercial Building Allowance (item 12 of profits tax computation)

Example of Commercial Building Allowance Calculation

Location of property _____		Total Allowance
	\$	\$
Cost of construction ⁽¹⁾	50,000	
Less : Annual allowance 4%	2,000 ⁽²⁾	2,000
Reducing value c/f	48,000	

N.B. (1) For years of assessment 1998/99 onwards, the deemed cost of construction of a building acquired prior to 1998/99 is the capital expenditure incurred on construction less the aggregate of rebuilding allowances previously granted in all prior years.

(2) Cost of construction x 4% (rate of annual allowance is 2% for years of assessment 1997/98 and before).
i.e. \$50,000 x 4% = \$2,000