

PROFORMA PROFITS TAX COMPUTATION

File No.: _____

Business Name: _____

Business Registration Number: _____

Year of Assessment : _____ / _____

Cross Reference to
Item No. on Part 5
of BIR60

| <u>Item</u> | HK\$ | HK\$ | |
|--------------------------------------------------------------------------------------------|------|-------|----------------------------------------------------------------------------------------|
| (1) Net Profit / (Loss) per the financial statements/accounts attached from _____ to _____ | | _____ | (A) Item 6 |

ADDITIONS: Non-deductible expenses charged in the financial statements/accounts: —

- | | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|--|--|
| (2) Depreciation not calculated in accordance with the Inland Revenue Ordinance | _____ | | |
| (3) Remuneration and other 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, travelling and entertainment expenses for private or domestic use) | _____ | | |
| (6) Expenses or losses of a capital nature (e.g. cost of purchase of capital / fixed assets or loss on disposal) | _____ | | |
| (7) Other expenses/losses not allowable for tax purposes (e.g. tax or fine paid/payable and 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 BIR60): —

- | | | | |
|-------------------------------------------------------------------------------------------------------------------------|-------|--|--|
| (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) _____

Item 7

NOTES AND EXAMPLES

I Depreciation Allowance (item 10(c) of proforma computation)

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

| <i>Qualifies for</i> | <i>Common examples of machinery or plant in each group</i> |
|----------------------|--------------------------------------------------------------------------------------------------------------------|
| 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% | <u>1,200</u> ⁽²⁾ | <u>800</u> | <u>0</u> | <u>0</u> | <u>1,200</u> |
| | | 7,600 | 3,300 | 1,800 | |
| Less : Total disposal proceeds (restricted to cost) | | <u>4,600</u> | <u>0</u> | <u>0</u> | |
| | | 3,000 | 3,300 | 1,800 | |
| Less : Annual allowance | | <u>600</u> ⁽³⁾ | <u>990</u> ⁽⁴⁾ | <u>540</u> | <u>2,130</u> |
| Reducing value c/f | | <u>2,400</u> | <u>2,310</u> | <u>1,260</u> | |
| | | | | | 3,330 |
| Less: Portion representing private use of motor car ($\frac{1}{3}$) | | | | | <u>180</u> ⁽⁵⁾ |
| | | | | | <u>3,150</u> |

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 proforma 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% | <u>20,000</u> ⁽¹⁾ | <u>80,000</u> | <u>20,000</u> |
| | | 80,000 | |
| Less : Annual allowance 4% | | <u>4,000</u> ⁽²⁾ | <u>4,000</u> |
| Reducing value c/f | | <u>76,000</u> | <u>24,000</u> |

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 proforma computation)

Example of Commercial Building Allowance Calculation

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

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