

## Examples

### Example 1

Mr. Leung is single. His salary income during the year 2011-12 was \$273,000. He has paid 2011-12 provisional tax of \$32,000.

#### Before Implementation of Budget Proposals

	<u>2011-12 Final Tax (\$)</u>	<u>2012-13 Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	273,000	273,000	
<u>Less: Basic Allowance</u>	<u>108,000</u>	<u>108,000</u>	
Net Chargeable Income	<u>165,000</u>	<u>165,000</u>	
Tax charged	16,050	16,050	
<u>Less: 2011 -12 Provisional Tax paid</u>	<u>32,000</u>	_____	
Balance Payable / (repayable)	(15,950)	16,050	<u>100</u>

#### After Implementation of Budget Proposals

	<u>2011-12 Final Tax (\$)</u>	<u>2012-13 Provisional Tax (\$)</u>	<u>Total Tax Repayable (\$)</u>
Income	273,000	273,000	
<u>Less: Basic Allowance</u>	<u>108,000</u>	<u>120,000</u>	
Net Chargeable Income	<u>165,000</u>	<u>153,000</u>	
Tax thereon	16,050		
<u>Less: Tax reduction, capped at</u>	<u>12,000</u>		
Tax charged	4,050	14,010	
<u>Less: 2011-12 Provisional Tax paid</u>	<u>32,000</u>	_____	
Balance Payable / (repayable)	(27,950)	14,010	<u>(13,940)</u>

The tax savings for Mr. Leung resulting from the 2011-12 tax reduction and increase in Basic Allowance will be \$14,040. He has no tax payable, and will receive a refund cheque of \$13,940.

*Example 2*

Mr. Chan is single. His salary income during the year 2011-12 was \$324,000. Mr. Chan maintained his father (aged 62) and mother (aged 58) and resided with them continuously throughout the year 2011-12. He has paid 2011-12 provisional tax of \$5,000.

Before Implementation of Budget Proposals

	<u>2011-12 Final Tax (\$)</u>	<u>2012-13 Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	324,000	324,000	
<u>Less:</u> Allowances			
Basic	108,000	108,000	
Dependent Parent	54,000	54,000	
Additional Dependent Parent	<u>54,000</u>	<u>54,000</u>	<u>216,000</u>
Net Chargeable Income	<u>108,000</u>	<u>108,000</u>	
Tax charged	6,960	6,960	
<u>Less:</u> 2011-12 Provisional Tax paid	<u>5,000</u>	—	
Balance Payable	1,960	6,960	<u>8,920</u>

After Implementation of Budget Proposals

	<u>2011-12 Final Tax (\$)</u>	<u>2012-13 Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	324,000	324,000	
<u>Less:</u> Allowances			
Basic	108,000	120,000	
Dependent Parent	54,000	57,000	
Additional Dependent Parent	<u>54,000</u>	<u>57,000</u>	<u>234,000</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> 2011-12 Provisional Tax paid	<u>5,000</u>	—	
Balance Payable / (repayable)	(3,260)	4,800	<u>1,540</u>

Note: Dependent Parent Allowance for 2012-13 would be \$57,000 i.e. \$38,000 (for parent aged over 60) + \$19,000 (for parent aged 55 to 59). Additional Dependent Parent Allowance would also be \$57,000.

The tax savings for Mr. Chan resulting from the 2011-12 tax reduction and increase in Basic and Dependent Parent Allowances will be \$7,380. His salaries tax bill will be reduced from \$8,920 to \$1,540.

*Example 3*

Mr. Lee is married. His wife is a housewife. Mr. Lee's son was born on 15 May 2012. In the year 2011-12, Mr. Lee earned a salary income of \$558,000. Mr. Lee paid mandatory contributions to recognized retirement schemes of \$12,000, and residential care expenses of \$80,000 in respect of his grandfather (aged 85) who lived in a residential care home. Mr. Lee has paid 2011-12 provisional tax of \$14,000.

Before Implementation of Budget Proposals

	<u>2011-12 Final Tax (\$)</u>	<u>2012-13 Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	558,000	558,000	
<u>Less: Deduction</u>			
Retirement Scheme Contributions	12,000	12,000	
Elderly Residential Care Expenses	<u>72,000</u>	<u>72,000</u>	
	474,000	474,000	
<u>Less: Allowances</u>			
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>138,000</u>	
Tax charged	31,860	11,460	
<u>Less: 2011-12 Provisional Tax paid</u>	<u>14,000</u>	<u>        </u>	
Balance Payable	17,860	11,460	<u>29,320</u>

After Implementation of Budget Proposals

	<u>2011-12 Final Tax (\$)</u>	<u>2012-13 Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	558,000	558,000	
<u>Less: Deduction</u>			
Retirement Scheme Contributions	12,000	14,500	
Elderly Residential Care Expenses	<u>72,000</u>	<u>76,000</u>	
	474,000	467,500	
<u>Less: Allowances</u>			
Married Person's	216,000	240,000	
Child (born in the year)	<u>-</u> <u>216,000</u>	<u>126,000</u> <u>366,000</u>	
Net Chargeable Income	<u>258,000</u>	<u>101,500</u>	
Tax thereon	31,860		
<u>Less: Tax reduction, capped at</u>	<u>12,000</u>		
Tax charged	19,860	6,180	
<u>Less: 2011-12 Provisional Tax paid</u>	<u>14,000</u>	<u>        </u>	
Balance Payable	5,860	6,180	<u>12,040</u>

Notes:

1. The maximum deductible amount of mandatory contributions to recognized retirement schemes in 2012-13 would be increased to \$14,500.
2. Elderly Residential Care Expenses deduction is restricted to the statutory specified amount.
3. Child Allowance for newborn child in 2012-13 would be \$126,000.

The tax savings for Mr. Lee resulting from the 2011-12 tax reduction, increase in deduction of mandatory contributions to Recognized Retirement Schemes and Elderly Residential Care Expenses, increase in Married Person's Allowance and allowance in respect of the newborn child will be \$17,280. His salaries tax bill will be reduced from \$29,320 to \$12,040.

*Example 4*

Mr. Cheung is married. His wife is a housewife. His son is aged 12. The salary income of Mr. Cheung during the year 2011-12 was \$480,000. 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 2011-12 provisional tax of \$5,000.

Before Implementation of Budget Proposals

	<u>2011-12 Final Tax (\$)</u>	<u>2012-13 Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	480,000	480,000	
<u>Less:</u> Allowances			
Married Person's	216,000	216,000	
Child	60,000	60,000	
Dependent Parent	36,000	36,000	
Disabled Dependand	<u>60,000</u>	<u>60,000</u>	<u>372,000</u>
Net Chargeable Income	<u>108,000</u>	<u>108,000</u>	
Tax charged	6,960	6,960	
<u>Less:</u> 2011-12 Provisional Tax paid	<u>5,000</u>	—	
Balance Payable	1,960	6,960	<u>8,920</u>

After Implementation of Budget Proposals

	<u>2011-12 Final Tax (\$)</u>	<u>2012-13 Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	480,000	480,000	
<u>Less:</u> Allowances			
Married Person's	216,000	240,000	
Child	60,000	63,000	
Dependent Parent	36,000	38,000	
Disabled Dependand	<u>60,000</u>	<u>66,000</u>	<u>407,000</u>
Net Chargeable Income	<u>108,000</u>	<u>73,000</u>	
Tax thereon	6,960		
Less: 75% tax reduction	<u>5,220</u>		
Tax charged	1,740	3,110	
<u>Less:</u> 2011-12 Provisional Tax paid	<u>5,000</u>	—	
Balance Payable / (repayable)	(3,260)	3,110	<u>(150)</u>

Notes:

1. Dependent Parent Allowance for 2012-13 would be \$38,000.
2. Disabled Dependand Allowance for 2012-13 would be \$66,000.

The tax savings for Mr. Cheung resulting from the 2011-12 tax reduction, increase in Married Person's, Child, Dependent Parent and Disabled Dependand Allowances will be \$9,070. He has no tax payable, and will receive a refund cheque of \$150.

*Example 5*

Madam Wong is a divorced person. She has one child (aged 6) who is in her sole care. In the year 2011-12, Madam Wong earned a salary income of \$456,000. She maintained her unmarried younger sister (aged 21 and receiving full time education at university). She has paid 2011-12 provisional tax of \$12,000.

Before Implementation of Budget Proposals

	<u>2011-12 Final Tax (\$)</u>	<u>2012-13 Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	456,000	456,000	
<u>Less:</u> Allowances			
Basic	108,000	108,000	
Child	60,000	60,000	
Dependent Brother / Sister	30,000	30,000	
Single Parent	<u>108,000</u>	<u>108,000</u>	<u>306,000</u>
Net Chargeable Income	<u>150,000</u>	<u>150,000</u>	
Tax charged	13,500	13,500	
<u>Less:</u> 2011-12 Provisional Tax paid	<u>12,000</u>	<u>      </u>	
Balance Payable	1,500	13,500	<u>15,000</u>

After Implementation of Budget Proposals

	<u>2011-12 Final Tax (\$)</u>	<u>2012-13 Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	456,000	456,000	
<u>Less:</u> Allowances			
Basic	108,000	120,000	
Child	60,000	63,000	
Dependent Brother / Sister	30,000	33,000	
Single Parent	<u>108,000</u>	<u>120,000</u>	<u>336,000</u>
Net Chargeable Income	<u>150,000</u>	<u>120,000</u>	
Tax thereon	13,500		
<u>Less:</u> 75% tax reduction	<u>10,125</u>		
Tax charged	3,375	8,400	
<u>Less:</u> 2011-12 Provisional Tax paid	<u>12,000</u>	<u>      </u>	
Balance Payable / (repayable)	(8,625)	8,400	<u>(225)</u>

The tax savings for Madam Wong resulting from the 2011-12 tax reduction and increase in Basic, Child, Dependent Brother / Sister and Single Parent Allowances will be \$15,225. She has no tax payable, and will receive a refund cheque for \$225.

*Example 6*

Mr. Ho is married with 2 children. The incomes and expenses reported in the 2011-12 tax returns of Mr. and Mrs. Ho are as below. The couple elected for personal assessment and has not paid any provisional salaries tax for 2011/12.

	Mr. Ho	Mrs. Ho
	<u>Amount (\$)</u>	<u>Amount (\$)</u>
Salaries	420,000	288,000
Assessable Profits from Sole Proprietorship Business	120,000	-
Rental Income	480,000	-
Mortgage Interest on Rented Out Property	380,000	-

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

Salaries Tax Assessment

	Mr. Ho	Mrs. Ho
	2011-12	2011-12
	<u>Final Tax (\$)</u>	<u>Final Tax (\$)</u>
Income	420,000	288,000
<u>Less: Allowances</u>		
Basic	108,000	108,000
Child	120,000	-
Net Chargeable Income	<u>192,000</u>	<u>180,000</u>
Tax thereon	20,640	18,600
<u>Less: Tax reduction, capped at</u>	<u>12,000</u>	<u>12,000</u>
Tax charged	<u>8,640</u>	<u>6,600</u>

Profits Tax Assessment

	Mr. Ho	Mrs. Ho
	<u>Amount (\$)</u>	<u>Amount (\$)</u>
Assessable profits	<u>120,000</u>	-
Tax thereon	18,000	
<u>Less: Tax reduction, capped at</u>	<u>12,000</u>	
Tax charged	<u>6,000</u>	

Property Tax Assessment

	Mr. Ho	Mrs. Ho
	<u>Amount (\$)</u>	<u>Amount (\$)</u>
Net Assessable Value (Rental Income x 80%)	<u>384,000</u>	-
Tax thereon	<u>57,600</u>	-

As the couple have elected for personal assessment, the assessable profits and net assessable value will be included in their personal assessment and no tax will be demanded in the profits tax and property tax assessments. The couple, however, are still required to pay their respective salaries tax demand notes.

Personal Assessment

	Mr. Ho 2011-12	Mrs. Ho 2011-12	Total
	<u>Final Tax (\$)</u>	<u>Final Tax (\$)</u>	<u>Final Tax (\$)</u>
Salaries	420,000	288,000	708,000
Assessable Profits	120,000		120,000
Net Assessable Value	<u>384,000</u>	<u>-</u>	<u>384,000</u>
Total Income	924,000	288,000	1,212,000
<u>Less: Deduction</u>			
Interest Paid	<u>380,000</u>	<u>-</u>	<u>380,000</u>
Reduced Total Income	544,000	288,000	832,000
<u>Less: Allowances</u>			
Married Person's			216,000
Child			<u>120,000</u>
Net Chargeable Income			496,000
Tax thereon			72,320
<u>Less: Tax reduction, capped at</u>			<u>12,000</u>
Tax charged	39,440 <sup>1</sup>	20,880 <sup>2</sup>	<u>60,320</u>
<u>Less: Tax Set-off</u>			
Salaries Tax	<u>8,640</u>	<u>6,600</u>	<u>15,240</u>
Balance Payable	<u>30,800</u>	<u>14,280</u>	<u>45,080</u>

Notes:

1.  $\$39,440 = \$60,320 \times (544,000 / 832,000)$
2.  $\$20,880 = \$60,320 \times (288,000 / 832,000)$

Taxes Payable under Schedular Basis

	<u>Final Tax (\$)</u>
Salaries Tax: Mr. Ho	8,640
Mrs. Ho	6,600
Profits Tax: Mr. Ho (\$120,000 x 15%) - \$12,000	6,000
Property Tax: Mr. Ho (\$384,000 x 15%)	<u>57,600</u>
	<u>78,840</u>

Note: As the total tax payable under personal assessment (\$60,320) will be less than the total schedular tax (\$78,840), the election for personal assessment is advantageous to the couple.

If no personal assessment is elected, Mr. and Mrs. Ho will each obtain a tax reduction of \$12,000 under their respective salaries tax assessments. Mr. Ho will also obtain a tax reduction of \$12,000 under his profits tax assessment. The total tax payable will then be \$78,840 (\$8,640 + \$6,600 + \$6,000 + \$57,600). However, by electing for personal assessment, their tax will be \$18,520 less despite the fact that they will only obtain a tax reduction of \$12,000 instead of \$36,000. Their tax bills will be reduced from \$78,840 to \$60,320.