

Examples

Example 1

Mr. Ng is single. In the year 2024/25, the salary income of Mr. Ng was \$180,000. He was eligible to claim the deduction for qualifying premiums of \$8,000 under a Voluntary Health Insurance Scheme (VHIS) policy. Mr. Ng had paid 2024/25 provisional salaries tax of \$1,000.

Before Implementation of the Proposed Tax Reduction

	2024/25 Final Salaries Tax (\$)	2025/26 Provisional Salaries Tax (\$)	Total Salaries Tax Payable (\$)
Income	180,000	180,000	
<u>Less: VHIS</u>	<u>8,000</u>	<u>8,000</u>	
Net income	172,000	172,000	
<u>Less: Basic Allowance</u>	<u>132,000</u>	<u>132,000</u>	
Net Chargeable Income	<u>40,000</u>	<u>40,000</u>	
Tax charged	800	800	
<u>Less: 2024/25 Provisional tax paid</u>	<u>1,000</u>	<u>-</u>	
Balance payable / (repayable)	<u>(200)</u>	<u>800</u>	<u>600</u>

After Implementation of the Proposed Tax Reduction

	2024/25 Final Salaries Tax (\$)	2025/26 Provisional Salaries Tax (\$)	Total Salaries Tax Payable (\$)
Income	180,000	180,000	
<u>Less: VHIS</u>	<u>8,000</u>	<u>8,000</u>	
Net income	172,000	172,000	
<u>Less: Basic Allowance</u>	<u>132,000</u>	<u>132,000</u>	
Net Chargeable Income	<u>40,000</u>	<u>40,000</u>	
Tax thereon	800	800	
<u>Less: 100% Tax Reduction</u>	<u>800</u>	<u>-</u>	
Tax charged	0	800	
<u>Less: 2024/25 Provisional tax paid</u>	<u>1,000</u>	<u>-</u>	
Balance payable / (repayable)	<u>(1,000)</u>	<u>800</u>	<u>(200)</u>

Note:

There will be a one-off reduction of 100% of the 2024/25 final salaries tax subject to a ceiling of \$1,500 per case.

The tax savings for Mr. Ng resulting from the 2024/25 tax reduction will be \$800. His salaries tax bill will be reduced from \$600 to a tax refund of \$200.

Example 2

Mr. Chau is married. Mr. and Mrs. Chau resided with their daughter since she was born on 1 November 2023. In the year 2024/25, the salary income of Mr. Chau and Mrs. Chau was \$650,000 and \$100,000 respectively. Mr. Chau was eligible to claim the deductions for (a) qualifying annuity premiums of \$60,000; and (b) domestic rents of \$120,000 in respect of a qualifying tenancy for the year from 1 April 2024 to 31 March 2025 and the couple made an election in writing to use domestic rents additional deduction ceiling amount. Mr. Chau had paid 2024/25 provisional salaries tax of \$8,000. The couple elected for joint assessment under salaries tax.

Before Implementation of the Proposed Tax Reduction

	2024/25 Final Salaries Tax (\$)	2025/26 Provisional Salaries Tax (\$)	Total Salaries Tax Payable (\$)
Income: Mr. Chau	650,000	650,000	
Mrs. Chau	<u>100,000</u>	<u>100,000</u>	
	750,000	750,000	
<u>Less:</u> Qualifying Annuity Premiums	60,000	60,000	
Domestic Rents	<u>120,000</u>	<u>120,000</u>	
Net income	570,000	570,000	
<u>Less:</u> Married Person's Allowance	264,000	264,000	
Child Allowance	<u>130,000</u>	<u>130,000</u>	
Net Chargeable Income	<u>176,000</u>	<u>176,000</u>	
Tax charged	12,640	12,640	
<u>Less:</u> 2024/25 Provisional tax paid	<u>8,000</u>	-	
Balance payable	<u>4,640</u>	<u>12,640</u>	<u>17,280</u>

After Implementation of the Proposed Tax Reduction

	2024/25 Final Salaries Tax (\$)	2025/26 Provisional Salaries Tax (\$)	Total Salaries Tax Payable (\$)
Income: Mr. Chau	650,000	650,000	
Mrs. Chau	<u>100,000</u>	<u>100,000</u>	
	750,000	750,000	
<u>Less:</u> Qualifying Annuity Premiums	60,000	60,000	
Domestic Rents	<u>120,000</u>	<u>120,000</u>	
Net income	570,000	570,000	
<u>Less:</u> Married Person's Allowance	264,000	264,000	
Child Allowance	<u>130,000</u>	<u>130,000</u>	
Net Chargeable Income	<u>176,000</u>	<u>176,000</u>	
Tax thereon	12,640	12,640	
<u>Less:</u> 100% Tax Reduction, capped at	<u>1,500</u>	-	
Tax charged	11,140	12,640	
<u>Less:</u> 2024/25 Provisional tax paid	<u>8,000</u>	-	
Balance payable	<u>3,140</u>	<u>12,640</u>	<u>15,780</u>

Note:

There will be a one-off reduction of 100% of the 2024/25 final salaries tax subject to a ceiling of \$1,500 per case.

The tax savings for the couple resulting from the 2024/25 tax reduction will be \$1,500. Their salaries tax bill will be reduced from \$17,280 to \$15,780.

Example 3

Mr. Wu is a married person. His wife is a housewife. The couple has an 8-year-old child. In the year 2024/25, the salary income of Mr. Wu was \$5,800,000. He was eligible to claim the deduction for home loan interest of \$100,000. Mr. Wu had paid 2024/25 provisional salaries tax of \$400,000.

Before Implementation of the Proposed Tax Reduction

	2024/25 Final <u>Salaries Tax (\$)</u>	2025/26 Provisional <u>Salaries Tax (\$)</u>	Total Salaries Tax <u>Payable (\$)</u>
Income	5,800,000	5,800,000	
<u>Less: Home Loan Interest</u>	<u>100,000</u>	<u>100,000</u>	
Net income	5,700,000	5,700,000	
<u>Less: Married Person's Allowance</u>	<u>264,000</u>	<u>264,000</u>	
Child Allowance	<u>130,000</u>	<u>130,000</u>	
Net Chargeable Income	<u>5,306,000</u>	<u>5,306,000</u>	
Tax at progressive rates			
First \$50,000 @ 2%	1,000	1,000	
Next \$50,000 @ 6%	3,000	3,000	
Next \$50,000 @ 10%	5,000	5,000	
Next \$50,000 @ 14%	7,000	7,000	
Remainder \$5,106,000 @ 17%	<u>868,020</u>	<u>868,020</u>	
Tax thereon	<u>884,020</u>	<u>884,020</u>	
Tax at two-tiered standard rates*			
First \$5,000,000 @ 15%	750,000	750,000	
Remainder \$700,000 @ 16%	<u>112,000</u>	<u>112,000</u>	
Tax thereon	<u>862,000</u>	<u>862,000</u>	
Tax charged at two-tiered standard rates#	862,000	862,000	
<u>Less: 2024/25 Provisional tax paid</u>	<u>400,000</u>	<u>-</u>	
Balance payable	<u>462,000</u>	<u>862,000</u>	<u>1,324,000</u>

*Tax assessed at standard rates on the net income without allowances, i.e. total assessable income less deductions.

#Mr Wu's salaries tax is assessed at two-tiered standard rates as the tax amount is lower than that at progressive rates.

After Implementation of the Proposed Tax Reduction

	2024/25 Final Salaries Tax (\$)	2025/26 Provisional Salaries Tax (\$)	Total Salaries Tax Payable (\$)
Income	5,800,000	5,800,000	
<u>Less: Home Loan Interest</u>	<u>100,000</u>	<u>100,000</u>	
Net income	5,700,000	5,700,000	
<u>Less: Married Person's Allowance</u>	<u>264,000</u>	<u>264,000</u>	
Child Allowance	<u>130,000</u>	<u>130,000</u>	
Net Chargeable Income	<u>5,306,000</u>	<u>5,306,000</u>	
Tax at progressive rates			
First \$50,000 @ 2%	1,000	1,000	
Next \$50,000 @ 6%	3,000	3,000	
Next \$50,000 @ 10%	5,000	5,000	
Next \$50,000 @ 14%	7,000	7,000	
Remainder \$5,106,000 @17%	<u>868,020</u>	<u>868,020</u>	
	884,020	884,020	
<u>Less: 100% Tax Reduction, capped at</u>	<u>1,500</u>	<u>-</u>	
Tax thereon	<u>882,520</u>	<u>884,020</u>	
Tax at two-tiered standard rates*			
First \$5,000,000 @ 15%	750,000	750,000	
Remainder \$700,000 @ 16%	<u>112,000</u>	<u>112,000</u>	
	862,000	862,000	
<u>Less: 100% Tax Reduction, capped at</u>	<u>1,500</u>	<u>-</u>	
Tax thereon	<u>860,500</u>	<u>862,000</u>	
Tax charged at two-tiered standard rates#	860,500	862,000	
<u>Less: 2024/25 Provisional tax paid</u>	<u>400,000</u>	<u>-</u>	
Balance payable	<u>460,500</u>	<u>862,000</u>	<u>1,322,500</u>

*Tax assessed at standard rates on the net income without allowances, i.e. total assessable income less deductions.

#Mr Wu's salaries tax is assessed at two-tiered standard rates as the tax amount is lower than that at progressive rates.

Note:

There will be a one-off reduction of 100% of the 2024/25 final salaries tax subject to a ceiling of \$1,500 per case.

The tax savings for the couple resulting from the 2024/25 tax reduction will be \$1,500. Their salaries tax bill will be reduced from \$1,324,000 to \$1,322,500.

Example 4

Mr. Au is a married person. The incomes reported in the 2024/25 tax returns of Mr. and Mrs. Au are as below. Mr. Au was eligible to claim the deductions for (a) tax deductible MPF voluntary contributions (TVC) of \$50,000; and (b) Dependent Parent Allowance in respect of his father (aged 70) and his mother (aged 68). Mr. Au did not reside with his parents. Both Mr. Au and Mrs. Au elected to have their incomes assessed under Personal Assessment. They have not paid any provisional tax for 2024/25.

	Mr. Au	Mrs. Au
	(\$)	(\$)
Salaries	400,000	150,000
Rental income	12,000	0

Before Implementation of the Proposed Tax Reduction

Salaries tax

	Mr. Au	Mrs. Au
	(\$)	(\$)
Income	400,000	150,000
<u>Less: TVC</u>	<u>50,000</u>	<u>-</u>
Net income	350,000	150,000
<u>Less: Basic Allowance</u>	<u>132,000</u>	<u>132,000</u>
Dependent Parent Allowance	<u>100,000</u>	<u>-</u>
Net Chargeable Income	<u>118,000</u>	<u>18,000</u>
Tax payable	<u>5,800</u>	<u>360</u>

Property tax

	Mr. Au
	(\$)
Net Assessable Value (\$12,000 x 80%)	<u>9,600</u>
Tax payable (\$9,600 x 15%)	<u>1,440</u>

Total tax payable under schedular basis

	Mr. Au	Mrs. Au	Total
	(\$)	(\$)	(\$)
Salaries tax	5,800	360	6,160
Property tax	<u>1,440</u>	<u>-</u>	<u>1,440</u>
Total tax payable	<u>7,240</u>	<u>360</u>	<u>7,600</u>

If Mr. Au and Mrs. Au elect for Personal Assessment jointly

	Mr. Au	Mrs. Au	Total
	(\$)	(\$)	(\$)
Salaries income	400,000	150,000	550,000
Net Assessable Value	<u>9,600</u>	<u>-</u>	<u>9,600</u>
Total income	409,600	150,000	559,600
<u>Less: TVC</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Reduced total income	<u>359,600</u>	<u>150,000</u>	509,600
<u>Less: Married Person's Allowance</u>			264,000
Dependent Parent Allowance			<u>100,000</u>
Net Chargeable Income			<u>145,600</u>
Total tax payable*	<u>6,041</u>	<u>2,519</u>	<u>8,560</u>

- * It is not advantageous for Mr. Au and Mrs. Au to elect for personal assessment jointly. By making that election, the total tax payable by the couple will be increased from \$7,600 to \$8,560.

If Mr. Au and Mrs. Au elect for Personal Assessment separately

	Mr. Au	Mrs. Au
	(\$)	(\$)
Salaries income	400,000	150,000
Net Assessable Value	<u>9,600</u>	<u>-</u>
Total income	409,600	150,000
<u>Less: TVC</u>	<u>50,000</u>	<u>-</u>
Reduced total income	359,600	150,000
<u>Less: Basic Allowance</u>	132,000	132,000
Dependent Parent Allowance	<u>100,000</u>	<u>-</u>
Net Chargeable Income	<u>127,600</u>	<u>18,000</u>
Tax payable*	<u>6,760</u>	<u>360</u>

- * It is not advantageous for Mrs. Au to elect for personal assessment separately as her tax payable will not be reduced. However, it is advantageous for Mr. Au to elect for personal assessment separately as his tax payable will be reduced from \$7,240 to \$6,760.

After Implementation of the Proposed Tax Reduction

Salaries tax

	Mr. Au	Mrs. Au
	(\$)	(\$)
Income	400,000	150,000
<u>Less: TVC</u>	<u>50,000</u>	<u>-</u>
Net income	350,000	150,000
<u>Less: Basic Allowance</u>	<u>132,000</u>	<u>132,000</u>
Dependent Parent Allowance	<u>100,000</u>	<u>-</u>
Net Chargeable Income	<u>118,000</u>	<u>18,000</u>
Tax thereon	5,800	360
<u>Less: 100% Tax Reduction ⁽¹⁾</u>	<u>1,500</u>	<u>360</u>
Tax payable	<u>4,300</u>	<u>0</u>

Property tax

	Mr. Au
	(\$)
Net Assessable Value (\$12,000 x 80%)	<u>9,600</u>
Tax payable (\$9,600 x 15%)	<u>1,440</u>

Total tax payable under schedular basis

	Mr. Au	Mrs. Au	Total
	(\$)	(\$)	(\$)
Salaries tax	4,300	0	4,300
Property tax	<u>1,440</u>	<u>0</u>	<u>1,440</u>
Total tax payable	<u>5,740</u>	<u>0</u>	<u>5,740</u>

If Mr. Au and Mrs. Au elect for Personal Assessment jointly

	Mr. Au	Mrs. Au	Total
	(\$)	(\$)	(\$)
Salaries income	400,000	150,000	550,000
Net Assessable Value	<u>9,600</u>	<u>-</u>	<u>9,600</u>
Total income	409,600	150,000	559,600
<u>Less: TVC</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Reduced total income	<u>359,600</u>	<u>150,000</u>	509,600
<u>Less: Married Person's Allowance</u>			264,000
Dependent Parent Allowance			<u>100,000</u>
Net Chargeable Income			<u>145,600</u>
Tax thereon			8,560
<u>Less: 100% Tax Reduction, capped at</u>			<u>1,500</u>
Total tax payable*	<u>4,982</u>	<u>2,078</u>	<u>7,060</u>

* It is not advantageous for Mr. Au and Mrs. Au to elect for personal assessment jointly. By making that election, the total tax payable by the couple will be increased from \$5,740 to \$7,060.

If Mr. Au and Mrs. Au elect for Personal Assessment separately

	Mr. Au	Mrs. Au
	<u>(\$)</u>	<u>(\$)</u>
Salaries income	400,000	150,000
Net Assessable Value	<u>9,600</u>	<u>-</u>
Total income	409,600	150,000
<u>Less:</u> TVC	<u>50,000</u>	<u>-</u>
Reduced total income	359,600	150,000
<u>Less:</u> Basic Allowance	132,000	132,000
Dependent Parent Allowance	<u>100,000</u>	<u>-</u>
Net Chargeable Income	<u>127,600</u>	<u>18,000</u>
Tax thereon	6,760	360
<u>Less:</u> 100% Tax Reduction ⁽¹⁾	<u>1,500</u>	<u>360</u>
Tax payable ⁽²⁾	<u>5,260</u>	<u>0</u>

Note:

(1) There will be a one-off reduction of 100% of the 2024/25 final salaries tax subject to a ceiling of \$1,500 per case.

(2) It is not advantageous for Mrs. Au to elect for personal assessment separately as her tax payable will not be reduced. However, it is advantageous for Mr. Au to elect for personal assessment separately as his tax payable will be reduced from \$5,740 to \$5,260.

For the couple as a whole, the tax savings resulting from the tax reduction proposed in the 2025-26 Budget will be \$1,860 as their total tax payable will be reduced from \$7,120 to \$5,260.

	Mr. Au	Mrs. Au	Total
	<u>(\$)</u>	<u>(\$)</u>	<u>(\$)</u>
Tax payable before implementation of the proposed tax reduction	6,760	360	7,120
Tax payable after implementation of the proposed tax reduction	<u>5,260</u>	<u>0</u>	<u>5,260</u>
Tax savings	<u>1,500</u>	<u>360</u>	<u>1,860</u>