

## Examples

### Example 1

Mr. Cheung is single. His salary income during the year of assessment 2025/26 was \$380,000. He had paid 2025/26 provisional salaries tax of \$10,000.

#### **Before Implementation of Budget Proposals**

	2025/26 Final Salaries Tax (\$)	2026/27 Provisional Salaries Tax (\$)	Total Salaries Tax Payable (\$)
Income	380,000	380,000	
<u>Less: Basic Allowance</u>	<u>132,000</u>	<u>132,000</u>	
Net Chargeable Income	<u>248,000</u>	<u>248,000</u>	
Tax charged	24,160	24,160	
<u>Less: 2025/26 Provisional tax paid</u>	<u>10,000</u>	-	
Balance Payable	<u>14,160</u>	<u>24,160</u>	<u>38,320</u>

#### **After Implementation of Budget Proposals**

	2025/26 Final Salaries Tax (\$)	2026/27 Provisional Salaries Tax (\$)	Total Salaries Tax Payable (\$)
Income	380,000	380,000	
<u>Less: Basic Allowance</u>	<u>132,000</u>	<u>145,000</u>	
Net Chargeable Income	<u>248,000</u>	<u>235,000</u>	
Tax thereon	24,160	21,950	
Less: 100% Tax Reduction, capped at	<u>3,000</u>	-	
Tax charged	21,160	21,950	
<u>Less: 2025/26 Provisional tax paid</u>	<u>10,000</u>	-	
Balance Payable	<u>11,160</u>	<u>21,950</u>	<u>33,110</u>

#### Notes:

- (1) There will be a one-off reduction of 100% of the 2025/26 final salaries tax subject to a ceiling of \$3,000 per case.
- (2) Basic Allowance from 2026/27 will be increased to \$145,000.

The total tax savings for Mr. Cheung resulting from the 2025/26 tax reduction and increasing Basic Allowance in 2026/27 will be \$5,210. His salaries tax bill will be reduced from \$38,320 to \$33,110.

*Example 2*

Ms. Li is a divorced person and has one child (aged 3). She has the sole care of her child throughout the year. In the year 2025/26, the salary income of Ms. Li was \$500,000. She claimed tax deductible MPF voluntary contributions (TVC) of \$60,000. Ms. Li had paid 2025/26 provisional salaries tax of \$800.

**Before Implementation of Budget Proposals**

	2025/26 Final <u>Salaries Tax (\$)</u>	2026/27 Provisional <u>Salaries Tax (\$)</u>	Total Salaries Tax <u>Payable (\$)</u>
Income	500,000	500,000	
<u>Less: TVC</u>	<u>60,000</u>	<u>60,000</u>	
Net income	440,000	440,000	
<u>Less: Basic Allowance</u>	132,000	132,000	
Single Parent Allowance	132,000	132,000	
Child Allowance	<u>130,000</u>	<u>130,000</u>	
Net Chargeable Income	<u>46,000</u>	<u>46,000</u>	
Tax charged	920	920	
<u>Less: 2025/26 Provisional tax paid</u>	<u>800</u>	-	
Balance payable	<u>120</u>	<u>920</u>	<u>1,040</u>

**After Implementation of Budget Proposals**

	2025/26 Final <u>Salaries Tax (\$)</u>	2026/27 Provisional <u>Salaries Tax (\$)</u>	Total Salaries Tax <u>Payable (\$)</u>
Income	500,000	500,000	
<u>Less: TVC</u>	<u>60,000</u>	<u>60,000</u>	
Net income	440,000	440,000	
<u>Less: Basic Allowance</u>	132,000	145,000	
Single Parent Allowance	132,000	145,000	
Child Allowance	<u>130,000</u>	<u>140,000</u>	
Net Chargeable Income	<u>46,000</u>	<u>10,000</u>	
Tax thereon	920	200	
<u>Less: 100% Tax Reduction</u>	<u>920</u>	-	
Tax charged	0	200	
<u>Less: 2025/26 Provisional tax paid</u>	<u>800</u>	-	
Balance payable / (repayable)	<u>(800)</u>	<u>200</u>	<u>(600)</u>

Notes:

- (1) There will be a one-off reduction of 100% of the 2025/26 final salaries tax subject to a ceiling of \$3,000 per case.
- (2) Basic Allowance from 2026/27 will be increased to \$145,000.
- (3) Single Parent Allowance from 2026/27 will be increased to \$145,000.
- (4) Child Allowance from 2026/27 will be increased to \$140,000.

The total tax savings for Ms. Li resulting from the 2025/26 tax reduction and increasing Basic Allowance, Single Parent Allowance and Child Allowance in 2026/27 will be \$1,640. Her salaries tax bill will be reduced from \$1,040 to a tax refund of \$600.

*Example 3*

Mr. Wong is married. Mr. and Mrs. Wong resided with their daughter since she was born on 1 April 2025. In the year 2025/26, the salary incomes of Mr. Wong and Mrs. Wong were \$800,000 and \$120,000 respectively. Mr. Wong claimed deductions for (a) qualifying premiums of \$8,000 under a Voluntary Health Insurance Scheme (VHIS) policy; and (b) domestic rents of \$120,000 in respect of a qualifying tenancy for the year from 1 April 2025 to 31 March 2026 and the couple made an election to use domestic rents additional deduction ceiling amount. Mr. Wong maintained his father (aged 64) and mother (aged 58) and resided with them continuously throughout the year. In addition, Mr. Wong had paid 2025/26 provisional salaries tax of \$12,000. The couple elected for joint assessment under salaries tax.

**Before Implementation of Budget Proposals**

	<u>2025/26</u> Final Salaries Tax (\$)	<u>2026/27</u> Provisional Salaries Tax (\$)	<u>Total</u> Salaries Tax Payable (\$)
Income: Mr. Wong	800,000	800,000	
Mrs. Wong	<u>120,000</u>	<u>120,000</u>	
	920,000	920,000	
<u>Less:</u> VHIS	8,000	8,000	
Domestic Rents	<u>120,000</u>	<u>120,000</u>	
Net income	792,000	792,000	
<u>Less:</u> Married Person's Allowance	264,000	264,000	
Child Allowance	130,000	130,000	
Additional Child Allowance	130,000	-	
Dependent Parent Allowance	75,000	75,000	
Additional Dependent Parent Allowance	<u>75,000</u>	<u>75,000</u>	
Net Chargeable Income	<u>118,000</u>	<u>248,000</u>	
Tax charged	5,800	24,160	
<u>Less:</u> 2025/26 Provisional tax paid	<u>12,000</u>	-	
Balance payable / (repayable)	<u>(6,200)</u>	<u>24,160</u>	<u>17,960</u>

**After Implementation of Budget Proposals**

	<u>2025/26</u> Final Salaries Tax (\$)	<u>2026/27</u> Provisional Salaries Tax (\$)	<u>Total</u> Salaries Tax Payable (\$)
Income: Mr. Wong	800,000	800,000	
Mrs. Wong	<u>120,000</u>	<u>120,000</u>	
	920,000	920,000	
<u>Less:</u> VHIS	8,000	8,000	
Domestic Rents	<u>120,000</u>	<u>120,000</u>	
Net income	792,000	792,000	
<u>Less:</u> Married Person's Allowance	264,000	290,000	
Child Allowance	130,000	140,000	
Additional Child Allowance	130,000	140,000	
Dependent Parent Allowance	75,000	82,500	
Additional Dependent Parent Allowance	<u>75,000</u>	<u>82,500</u>	
Net Chargeable Income	<u>118,000</u>	<u>57,000</u>	

	2025/26 Final <u>Salaries Tax (\$)</u>	2026/27 Provisional <u>Salaries Tax (\$)</u>	Total Salaries Tax <u>Payable (\$)</u>
Tax thereon	5,800	1,420	
<u>Less: 100% Tax Reduction, capped at</u>	<u>3,000</u>	<u>-</u>	
Tax charged	2,800	1,420	
<u>Less: 2025/26 Provisional tax paid</u>	<u>12,000</u>	<u>-</u>	
Balance payable / (repayable)	<u>(9,200)</u>	<u>1,420</u>	<u>(7,780)</u>

Notes:

- (1) There will be a one-off reduction of 100% of the 2025/26 final salaries tax subject to a ceiling of \$3,000 per case.
- (2) Married Person's Allowance from 2026/27 will be increased to \$290,000.
- (3) Child Allowance and Additional Child Allowance from 2026/27 will be increased to \$140,000. The period for claiming Additional Child Allowance for newborns will be extended from one year to two years starting from 2026/27.
- (4) Total Dependent Parent Allowance granted to Mr. Wong from 2026/27 will be increased to \$82,500 (i.e. \$55,000 for dependant aged 60 or above and \$27,500 for dependant aged 55-59).
- (5) Same as Dependent Parent Allowance, the total Additional Dependent Parent Allowance granted to Mr. Wong from 2026/27 will be increased to \$82,500 (i.e. \$55,000 for dependant aged 60 or above and \$27,500 for dependant aged 55-59).

The total tax savings for the couple resulting from the 2025/26 tax reduction and increasing Married Person's Allowance, Child Allowance and Additional Child Allowance, Dependent Parent Allowance and Additional Dependent Parent Allowance and extending the period for claiming Additional Child Allowance for newborns in 2026/27 will be \$25,740. Their salaries tax bill will be reduced from \$17,960 to a tax refund of \$7,780.

*Example 4*

Mr. Ho is a married person. His wife is a housewife. In the year 2025/26, the salary income of Mr. Ho was \$5,300,000. He claimed deduction for home loan interests of \$100,000. Mr. Ho paid elderly residential care expenses of \$110,000 in respect of his father (aged 68) who lived in a residential care home. Mr. Ho had paid 2025/26 provisional salaries tax of \$500,000.

**Before Implementation of Budget Proposals**

	2025/26 Final <u>Salaries Tax (\$)</u>	2026/27 Provisional <u>Salaries Tax (\$)</u>	Total Salaries Tax <u>Payable (\$)</u>
Income	5,300,000	5,300,000	
<u>Less: Home Loan Interests</u>	100,000	100,000	
Elderly Residential Care Expenses	<u>100,000</u>	<u>100,000</u>	
Net income	5,100,000	5,100,000	
<u>Less: Married Person's Allowance</u>	<u>264,000</u>	<u>264,000</u>	
Net Chargeable Income	<u>4,836,000</u>	<u>4,836,000</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 @17%	<u>788,120</u>	<u>788,120</u>	
Tax thereon	<u>804,120</u>	<u>804,120</u>	
Tax at two-tiered standard rates*			
First \$5,000,000 @15%	750,000	750,000	
Remainder @ 16%	<u>16,000</u>	<u>16,000</u>	
Tax thereon	<u>766,000</u>	<u>766,000</u>	
Tax charged at two-tiered standard rates#	766,000	766,000	
<u>Less: 2025/26 Provisional tax paid</u>	<u>500,000</u>	-	
Balance payable	<u>266,000</u>	<u>766,000</u>	<u>1,032,000</u>

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

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

**After Implementation of Budget Proposals**

	2025/26 Final Salaries Tax (\$)	2026/27 Provisional Salaries Tax (\$)	Total Salaries Tax Payable (\$)
Income	5,300,000	5,300,000	
<u>Less: Home Loan Interests</u>	100,000	100,000	
Elderly Residential Care Expenses	<u>100,000</u>	<u>110,000</u>	
Net income	5,100,000	5,090,000	
<u>Less: Married Person's Allowance</u>	<u>264,000</u>	<u>290,000</u>	
Net Chargeable Income	<u>4,836,000</u>	<u>4,800,000</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 @17%	<u>788,120</u>	<u>782,000</u>	
	804,120	798,000	
<u>Less: 100% Tax Reduction, capped at</u>	<u>3,000</u>	-	
Tax thereon	<u>801,120</u>	<u>798,000</u>	
 Tax at two-tiered standard rates*			
First \$5,000,000 @ 15%	750,000	750,000	
Remainder @ 16%	<u>16,000</u>	<u>14,400</u>	
	766,000	764,400	
<u>Less: 100% Tax Reduction, capped at</u>	<u>3,000</u>	-	
Tax thereon	<u>763,000</u>	<u>764,400</u>	
 Tax charged at two-tiered standard rates#	763,000	764,400	
<u>Less: 2025/26 Provisional tax paid</u>	<u>500,000</u>	-	
Balance payable	<u>263,000</u>	<u>764,400</u>	<u>1,027,400</u>

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

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

Notes:

- (1) There will be a one-off reduction of 100% of the 2025/26 final salaries tax subject to a ceiling of \$3,000 per case.
- (2) Elderly Residential Care Expenses deduction is restricted to the statutory specified amount. From 2026/27, the statutory specified amount will be increased from \$100,000 to \$110,000.
- (3) Married Person's Allowance from 2026/27 will be increased to \$290,000.

The total tax savings for the couple resulting from the 2025/26 tax reduction and increasing deduction ceiling for Elderly Residential Care Expenses in 2026/27 will be \$4,600. Their salaries tax bill will be reduced from \$1,032,000 to \$1,027,400.

*Example 5*

Mr. Chan is a married person. The incomes reported in the 2025/26 tax returns of Mr. and Mrs. Chan are as below. Mr. Chan claimed deduction for qualifying annuity premiums of \$60,000. He paid not less than \$12,000 to each of his father (aged 65) and his mother (aged 57) for their maintenance in the year. Both Mr. Chan and Mrs. Chan elected to have their incomes assessed under Personal Assessment. They have not paid any provisional tax for 2025/26.

	Mr. Chan	Mrs. Chan
	(\$)	(\$)
Salaries	335,000	180,000
Rental income	120,000	0

**Before Implementation of Budget Proposals**

Salaries tax

	Mr. Chan	Mrs. Chan
	(\$)	(\$)
Income	335,000	180,000
<u>Less: Qualifying Annuity Premiums</u>	<u>60,000</u>	-
Net income	275,000	180,000
<u>Less: Basic Allowance</u>	<u>132,000</u>	<u>132,000</u>
Dependent Parent Allowance	<u>75,000</u>	-
Net Chargeable Income	<u>68,000</u>	<u>48,000</u>
Tax payable	<u>2,080</u>	<u>960</u>

Property tax

	Mr. Chan
	(\$)
Net Assessable Value (\$120,000 x 80%)	<u>96,000</u>
Tax payable (\$96,000 x 15%)	<u>14,400</u>

Total tax payable under schedular basis

	Mr. Chan	Mrs. Chan	Total
	(\$)	(\$)	(\$)
Salaries tax	2,080	960	3,040
Property tax	<u>14,400</u>	-	<u>14,400</u>
Total tax payable	<u>16,480</u>	<u>960</u>	<u>17,440</u>

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

	Mr. Chan	Mrs. Chan	Total
	(\$)	(\$)	(\$)
Salaries income	335,000	180,000	515,000
Net Assessable Value	<u>96,000</u>	-	<u>96,000</u>
Total income	431,000	180,000	611,000
<u>Less: Qualifying Annuity Premiums</u>	<u>60,000</u>	-	<u>60,000</u>
Reduced total income	<u>371,000</u>	<u>180,000</u>	551,000
<u>Less: Married Person's Allowance</u>			264,000
Dependent Parent Allowance			<u>75,000</u>
Net Chargeable Income			<u>212,000</u>
Total tax payable*	<u>12,147</u>	<u>5,893</u>	<u>18,040</u>

\* It is not advantageous for Mr. Chan and Mrs. Chan to elect for personal assessment jointly. By making that election, the total tax payable by the couple will be increased from \$17,440 to \$18,040.

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

	Mr. Chan (\$)	Mrs. Chan (\$)
Salaries income	335,000	180,000
Net Assessable Value	<u>96,000</u>	-
Total income	431,000	180,000
<u>Less: Qualifying Annuity Premiums</u>	<u>60,000</u>	-
Reduced total income	371,000	180,000
<u>Less: Basic Allowance</u>	<u>132,000</u>	132,000
Dependent Parent Allowance	<u>75,000</u>	-
Net Chargeable Income	<u>164,000</u>	<u>48,000</u>
Tax payable*	<u>10,960</u>	<u>960</u>

\* It is not advantageous for Mrs. Chan to elect for personal assessment separately as her tax payable will not be reduced. However, it is advantageous for Mr. Chan to elect for personal assessment separately as his tax payable will be reduced from \$16,480 to \$10,960.

**After Implementation of Budget Proposals**

Salaries tax

	Mr. Chan (\$)	Mrs. Chan (\$)
Income	335,000	180,000
<u>Less: Qualifying Annuity Premiums</u>	<u>60,000</u>	-
Net income	275,000	180,000
<u>Less: Basic Allowance</u>	<u>132,000</u>	132,000
Dependent Parent Allowance	<u>75,000</u>	-
Net Chargeable Income	<u>68,000</u>	<u>48,000</u>
Tax thereon	2,080	960
<u>Less: 100% Tax Reduction <sup>(1)</sup></u>	<u>2,080</u>	<u>960</u>
Tax payable	<u>0</u>	<u>0</u>

Property tax

	Mr. Chan (\$)
Net Assessable Value (\$120,000 x 80%)	<u>96,000</u>
Tax payable (\$96,000 x 15%)	<u>14,400</u>

Total tax payable under schedular basis

	Mr. Chan (\$)	Mrs. Chan (\$)	Total (\$)
Salaries tax	0	0	0
Property tax	<u>14,400</u>	<u>0</u>	<u>14,400</u>
Total tax payable	<u>14,400</u>	<u>0</u>	<u>14,400</u>

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

	Mr. Chan	Mrs. Chan	Total
	(\$)	(\$)	(\$)
Salaries income	335,000	180,000	515,000
Net Assessable Value	<u>96,000</u>	-	<u>96,000</u>
Total income	431,000	180,000	611,000
<u>Less: Qualifying Annuity Premiums</u>	<u>60,000</u>	-	<u>60,000</u>
Reduced total income	<u>371,000</u>	<u>180,000</u>	551,000
<u>Less: Married Person's Allowance</u>			264,000
Dependent Parent Allowance			<u>75,000</u>
Net Chargeable Income			<u>212,000</u>
Tax thereon			18,040
<u>Less: 100% Tax Reduction, capped at</u>			<u>3,000</u>
Total tax payable*	<u>10,127</u>	<u>4,913</u>	<u>15,040</u>

\* It is not advantageous for Mr. Chan and Mrs. Chan to elect for personal assessment jointly. By making that election, the total tax payable by the couple will be increased from \$14,400 to \$15,040.

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

	Mr. Chan	Mrs. Chan
	(\$)	(\$)
Salaries income	335,000	180,000
Net Assessable Value	<u>96,000</u>	-
Total income	431,000	180,000
<u>Less: Qualifying Annuity Premiums</u>	<u>60,000</u>	-
Reduced total income	371,000	180,000
<u>Less: Basic Allowance</u>	132,000	132,000
Dependent Parent Allowance	<u>75,000</u>	-
Net Chargeable Income	<u>164,000</u>	<u>48,000</u>
Tax thereon	10,960	960
<u>Less: 100% Tax Reduction <sup>(1)</sup></u>	<u>3,000</u>	<u>960</u>
Tax payable*	<u>7,960</u>	<u>0</u>

\* It is not advantageous for Mrs. Chan to elect for personal assessment separately as her tax payable will not be reduced. However, it is advantageous for Mr. Chan to elect for personal assessment separately as his tax payable will be reduced from \$14,400 to \$7,960.

Note:

(1) There will be a one-off reduction of 100% of the 2025/26 final salaries tax and tax under personal assessment subject to a ceiling of \$3,000 per case.

For the couple as a whole, the tax savings resulting from 2026-27 Budget Proposals will be \$3,960 as their total tax payable will be reduced from \$11,920 to \$7,960.

	Mr. Chan	Mrs. Chan	Total
	(\$)	(\$)	(\$)
Tax payable before implementation of Budget Proposals	10,960	960	11,920
Tax payable after implementation of Budget Proposals	<u>7,960</u>	<u>0</u>	<u>7,960</u>
Tax savings	<u>3,000</u>	<u>960</u>	<u>3,960</u>