



Related Tax Rules of Guide to Tax Return – Individuals

Reference
to Tax
Return

Personal Assessment

Part 7

(a) What Personal Assessment is and how it may work to reduce your tax liability

- The Inland Revenue Ordinance provides for the levying of three separate direct taxes for a year of assessment, namely Property Tax, Salaries Tax and Profits Tax. Individuals ordinarily residing in Hong Kong may be able to reduce their tax liability by electing Personal Assessment.
- Under Personal Assessment, income chargeable to Property Tax, Salaries Tax and Profits Tax is aggregated and from this total, the followings may be deducted:
 - business losses incurred in the year of assessment,
 - losses brought forward from previous years under Personal Assessment,
 - approved charitable donations,
 - interest payments on money borrowed for the purpose of producing property income, and
 - personal allowances and concessionary deductions.
- Tax at marginal rates (the same as those used for Salaries Tax) will then be imposed on the balance. Credit will be given for any tax already paid on the income included in the assessment. If the total of the tax already paid exceeds the tax chargeable under Personal Assessment, a refund will be made.

7 (1)

(b) Who may elect Personal Assessment

63

64

- From the year of assessment 2018/19 onwards:
You may elect for personal assessment if:
 - you are 18 years of age or older, or under that age if both parents are dead; and
 - you are either ordinarily resident in Hong Kong or a temporary resident.

If you are married and eligible to make an election for personal assessment, you may elect for personal assessment separately from your spouse; **OR**

You and your spouse may jointly make an election for personal assessment if either one or both of you are eligible to elect for personal assessment and both of you have income assessable under the Inland Revenue Ordinance.

However, if you are married, you and your spouse are jointly assessed under Salaries Tax, election for personal assessment must be made by you and your spouse jointly.



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Reference
to Tax
Return

Personal Assessment

- For the purpose of Personal Assessment:
 - a person will be regarded as “an ordinarily resident in Hong Kong” if he /she resides in Hong Kong voluntarily and for a settled purpose (such as for education, business, employment or family etc.) with sufficient degree of continuity. Such person should habitually and normally reside in Hong Kong apart from temporary or occasional absences of long or short duration, and is living in Hong Kong as an ordinary member of the community for all the purposes of his/her daily life. Whether a person ordinarily resides in Hong Kong will ultimately depend on the facts of the case.
 - "*temporary resident*" means an individual who stays in Hong Kong for a period or a number of periods amounting to more than 180 days during the year of assessment in respect of which the election is made or for a period or periods amounting to more than 300 days in 2 consecutive years of assessment one of which is the year of assessment in respect of which the election is made.

(c) Time limit for electing for Personal Assessment

If you wish to elect Personal Assessment, you may do so by completing the relevant parts of the tax return. In any case, election for Personal Assessment must be made in writing not later than 2 years after the end of the year of assessment in respect of which the election is made or 1 month after an assessment to tax on income or profits forming part of the individual's total income for such year of assessment becomes final and conclusive under section 70 of the Inland Revenue Ordinance, whichever is the later.

(d) Treatment of a Married Couple under Personal Assessment

For the year of assessment up to 2017/18, if you are married and not living apart from your spouse, and both of you have income assessable to tax, election for personal assessment must be made by you and your spouse jointly. Separate taxation for a couple is not applicable under personal assessment for a year of assessment up to 2017/18.

From the year of assessment 2018/19 onwards, a married person may elect for personal assessment separately from or jointly with his/her spouse. If you elect for personal assessment jointly with your spouse, both of you and your spouse must have income assessable to tax. If you and your spouse are jointly assessed under Salaries Tax, election for personal assessment must be made by you and your spouse jointly.



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Reference
to Tax
Return

Personal Assessment

When a married couple elect for personal assessment jointly, the total income of the individual taxpayer, as appropriately reduced, is aggregated with that of his or her spouse to arrive at the joint total income of the couple for assessment. Normally, the tax payable on the joint assessment is apportioned between the married person and the person's spouse in proportion to their respective reduced total income, and each will be issued with a Notice of Assessment. However, where an additional assessment is issued, the whole of the tax payable under this assessment shall be charged on the spouse assessed in respect of that income.



Related information under the Department's web site - [A brief guide to Personal Assessment](http://www.ird.gov.hk/eng/pdf/pam37e.pdf)
(www.ird.gov.hk/eng/pdf/pam37e.pdf)