

Examples

Example 1

Mr. Leung is single. His salary income during the year 2012/13 was \$276,000. He has paid 2012/13 provisional tax of \$14,000.

Before Implementation of Budget Proposals

	2012/13 <u>Final Tax (\$)</u>	2013/14 <u>Provisional Tax (\$)</u>	Total <u>Tax Payable (\$)</u>
Income	276,000	276,000	
<u>Less: Basic Allowance</u>	<u>120,000</u>	<u>120,000</u>	
Net Chargeable Income	<u>156,000</u>	<u>156,000</u>	
Tax charged	14,520	14,520	
<u>Less: 2012/13 Provisional Tax paid</u>	<u>14,000</u>	—	
Balance Payable	520	14,520	<u>15,040</u>

After Implementation of Budget Proposals

	2012/13 <u>Final Tax (\$)</u>	2013/14 <u>Provisional Tax (\$)</u>	Total <u>Tax Payable (\$)</u>
Income	276,000	276,000	
<u>Less: Basic Allowance</u>	<u>120,000</u>	<u>120,000</u>	
Net Chargeable Income	<u>156,000</u>	<u>156,000</u>	
Tax thereon	14,520		
<u>Less: Tax reduction, capped at</u>	<u>10,000</u>		
Tax charged	4,520	14,520	
<u>Less: 2012/13 Provisional Tax paid</u>	<u>14,000</u>	—	
Balance Payable / (repayable)	(9,480)	14,520	<u>5,040</u>

The tax savings for Mr. Leung resulting from the 2012/13 tax reduction will be \$10,000.
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Example 2

Mr. Lee is married. His wife is a housewife. Mr. Lee's son was born on 15 May 2013. In the year 2012/13, Mr. Lee earned a salary income of \$576,000. Mr. Lee paid mandatory contributions to recognized retirement schemes of \$14,500, and self-education expenses of \$90,000. Mr. Lee has paid 2012/13 provisional tax of \$14,000.

Before Implementation of Budget Proposals

	<u>2012/13 Final Tax (\$)</u>	<u>2013/14 Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	576,000	576,000	
<u>Less: Deduction</u>			
Retirement Scheme Contributions	14,500	15,000	
Self-education Expenses	<u>60,000</u>	<u>60,000</u>	
	501,500	501,000	
<u>Less: Allowances</u>			
Married Person's	240,000	240,000	
Child (born in the year)	<u>-</u>	<u>240,000</u>	<u>366,000</u>
Net Chargeable Income	<u>261,500</u>	<u>135,000</u>	
Tax charged	32,455	10,950	
<u>Less: 2012/13 Provisional Tax paid</u>	<u>14,000</u>	<u> </u>	
Balance Payable	18,455	10,950	<u>29,405</u>

After Implementation of Budget Proposals

	<u>2012/13 Final Tax (\$)</u>	<u>2013/14 Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	576,000	576,000	
<u>Less: Deduction</u>			
Retirement Scheme Contributions	14,500	15,000	
Self-education Expenses	<u>60,000</u>	<u>80,000</u>	
	501,500	481,000	
<u>Less: Allowances</u>			
Married Person's	240,000	240,000	
Child (born in the year)	<u>-</u>	<u>140,000</u>	<u>380,000</u>
Net Chargeable Income	<u>261,500</u>	<u>101,000</u>	
Tax thereon	32,455		
<u>Less: Tax reduction, capped at</u>	<u>10,000</u>		
Tax charged	22,455	6,120	
<u>Less: 2012/13 Provisional Tax paid</u>	<u>14,000</u>	<u> </u>	
Balance Payable	8,455	6,120	<u>14,575</u>

Notes:

1. The maximum deductible amount of mandatory contributions to recognized retirement schemes in 2013/14 is \$15,000.
2. Deduction of Self-education Expenses is restricted to the statutory specified amount.
3. Child Allowance for newborn child in 2013/14 would be \$140,000.

The tax savings for Mr. Lee resulting from the 2012/13 tax reduction, increase in deduction of mandatory contributions to Recognized Retirement Schemes and Self-education Expenses, and increase in allowance in respect of the newborn child will be \$14,830. His salaries tax bill will be reduced from \$29,405 to \$14,575.

Example 3

Mr. Ho is married with 2 children. The incomes and expenses reported in the 2012/13 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 2012/13.

	Mr. Ho	Mrs. Ho
	<u>Amount (\$)</u>	<u>Amount (\$)</u>
Salaries	420,000	288,000
Assessable Profits from Sole Proprietorship Business	150,000	-
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 as follows:

Salaries Tax Assessment

	Mr. Ho	Mrs. Ho
	2012/13	2012/13
	<u>Final Tax (\$)</u>	<u>Final Tax (\$)</u>
Income	420,000	288,000
<u>Less: Allowances</u>		
Basic	120,000	120,000
Child	126,000	-
Net Chargeable Income	<u>174,000</u>	<u>168,000</u>
Tax thereon	17,580	16,560
<u>Less: Tax reduction, capped at</u>	<u>10,000</u>	<u>10,000</u>
Tax charged	<u>7,580</u>	<u>6,560</u>

Profits Tax Assessment

	Mr. Ho	Mrs. Ho
	<u>Amount (\$)</u>	<u>Amount (\$)</u>
Assessable profits	<u>150,000</u>	-
Tax thereon (if personal assessment is not elected)	22,500	
<u>Less: Tax reduction, capped at</u>	<u>10,000</u>	
Tax charged	<u>12,500</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 (if personal assessment is not elected)	<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 2012/13	Mrs. Ho 2012/13	Total
	<u>Final Tax (\$)</u>	<u>Final Tax (\$)</u>	<u>Final Tax (\$)</u>
Salaries	420,000	288,000	708,000
Assessable Profits	150,000		150,000
Net Assessable Value	<u>384,000</u>	<u>-</u>	<u>384,000</u>
Total Income	954,000	288,000	1,242,000
<u>Less: Deduction</u>			
Interest Paid	<u>380,000</u>	<u>-</u>	<u>380,000</u>
Reduced Total Income	<u>574,000</u>	<u>288,000</u>	<u>862,000</u>
<u>Less: Allowances</u>			
Married Person's			240,000
Child			<u>126,000</u>
Net Chargeable Income			496,000
Tax thereon			72,320
<u>Less: Tax reduction, capped at</u>			<u>10,000</u>
Tax charged	41,499 ¹	20,821 ²	<u>62,320</u>
<u>Less: Tax Set-off</u>			
Salaries Tax	<u>7,580</u>	<u>6,560</u>	<u>14,140</u>
Balance Payable	<u>33,919</u>	<u>14,261</u>	<u>48,180</u>

Notes:

1. \$41,499 = \$62,320 x (574,000 / 862,000)
2. \$20,821 = \$62,320 x (288,000 / 862,000)

Taxes Payable under Schedular Basis

	<u>Final Tax (\$)</u>
Salaries Tax: Mr. Ho	7,580
Mrs. Ho	6,560
Profits Tax: Mr. Ho (\$150,000 x 15%) - \$10,000	12,500
Property Tax: Mr. Ho (\$384,000 x 15%)	<u>57,600</u>
	<u>84,240</u>

Note: As the total tax payable under personal assessment (\$62,320) will be less than the total schedular tax (\$84,240), 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 \$10,000 under their respective salaries tax assessments. Mr. Ho will also obtain a tax reduction of \$10,000 under his profits tax assessment. The total tax payable will then be \$84,240 (\$7,580 + \$6,560 + \$12,500 + \$57,600). However, by electing for personal assessment, their tax will be \$21,920 less despite the fact that they will only obtain a tax reduction of \$10,000 instead of \$30,000. Their tax bills will be reduced from \$84,240 to \$62,320.