

## Examples

### Example 1

Mr. Leung is single. His salary income during the year 2013/14 was \$273,000. He has paid 2013/14 provisional tax of \$32,000.

#### Before Implementation of Budget Proposals

	<u>2013/14 Final Tax (\$)</u>	<u>2014/15 Provisional Tax (\$)</u>	<u>Total Tax Repayable (\$)</u>
Income	273,000	273,000	
<u>Less: Basic Allowance</u>	<u>120,000</u>	<u>120,000</u>	
Net Chargeable Income	<u>153,000</u>	<u>153,000</u>	
Tax charged	14,010	14,010	
<u>Less: 2013/14 Provisional Tax paid</u>	<u>32,000</u>	—	
Balance Payable / (repayable)	(17,990)	14,010	<u>(3,980)</u>

#### After Implementation of Budget Proposals

	<u>2013/14 Final Tax (\$)</u>	<u>2014/15 Provisional Tax (\$)</u>	<u>Total Tax Repayable (\$)</u>
Income	273,000	273,000	
<u>Less: Basic Allowance</u>	<u>120,000</u>	<u>120,000</u>	
Net Chargeable Income	<u>153,000</u>	<u>153,000</u>	
Tax thereon	14,010		
<u>Less: Tax reduction, capped at</u>	<u>10,000</u>		
Tax charged	4,010	14,010	
<u>Less: 2013/14 Provisional Tax paid</u>	<u>32,000</u>	—	
Balance Payable / (repayable)	(27,990)	14,010	<u>(13,980)</u>

<p>The tax savings for Mr. Leung resulting from the 2013/14 tax reduction will be \$10,000. He has no tax payable and will receive a refund cheque of \$13,980.</p>
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*Example 2*

Mr. Chan is single. His salary income during the year 2013/14 was \$324,000. Mr. Chan maintained his father (aged 62) and mother (aged 58) and resided with them continuously throughout the year 2013/14. He has paid 2013/14 provisional tax of \$5,000.

Before Implementation of Budget Proposals

	<u>2013/14</u> <u>Final Tax (\$)</u>	<u>2014/15</u> <u>Provisional Tax (\$)</u>	<u>Total Tax</u> <u>Payable (\$)</u>
Income	324,000	324,000	
<u>Less:</u> Allowances			
Basic	120,000	120,000	
Dependent Parent	57,000	57,000	
Additional Dependent Parent	<u>57,000</u>	<u>57,000</u>	<u>234,000</u>
Net Chargeable Income	<u>90,000</u>	<u>90,000</u>	
Tax charged	4,800	4,800	
<u>Less:</u> 2013/14 Provisional Tax paid	<u>5,000</u>	—	
Balance Payable / (repayable)	(200)	4,800	<u>4,600</u>

After Implementation of Budget Proposals

	<u>2013/14</u> <u>Final Tax (\$)</u>	<u>2014/15</u> <u>Provisional Tax (\$)</u>	<u>Total Tax</u> <u>Payable (\$)</u>
Income	324,000	324,000	
<u>Less:</u> Allowances			
Basic	120,000	120,000	
Dependent Parent	57,000	60,000	
Additional Dependent Parent	<u>57,000</u>	<u>60,000</u>	<u>240,000</u>
Net Chargeable Income	<u>90,000</u>	<u>84,000</u>	
Tax thereon	4,800		
<u>Less:</u> 75% tax reduction	<u>3,600</u>		
Tax charged	1,200	4,080	
<u>Less:</u> 2013/14 Provisional Tax paid	<u>5,000</u>	—	
Balance Payable / (repayable)	(3,800)	4,080	<u>280</u>

Note: Dependent Parent Allowance for 2014/15 would be \$60,000 i.e. \$40,000 (for parent aged over 60) + \$20,000 (for parent aged 55 to 59). Additional Dependent Parent Allowance would also be \$60,000.

The tax savings for Mr. Chan resulting from the 2013/14 tax reduction and increase in Basic and Additional Dependent Parent Allowances in 2014/15 will be \$4,320. His salaries tax bill will be reduced from \$4,600 to \$280.

*Example 3*

Mr. Lee is married. His wife is a housewife. In the year 2013/14, Mr. Lee earned a salary income of \$558,000. Mr. Lee paid residential care expenses of \$90,000 in respect of his grandfather (aged 85) who lived in a residential care home. Mr. Lee has paid 2013/14 provisional tax of \$15,000.

Before Implementation of Budget Proposals

	<u>2013/14 Final Tax (\$)</u>	<u>2014/15 Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	558,000	558,000	
<u>Less:</u> Deduction			
Elderly Residential Care Expenses	<u>76,000</u>	<u>76,000</u>	
	482,000	482,000	
<u>Less:</u> Allowances			
Married Person's	240,000	240,000	
	<u>242,000</u>	<u>242,000</u>	
Net Chargeable Income			
Tax charged	29,140	29,140	
<u>Less:</u> 2013/14 Provisional Tax paid	<u>15,000</u>	<u>      </u>	
Balance Payable	14,140	29,140	<u>43,280</u>

After Implementation of Budget Proposals

	<u>2013/14 Final Tax (\$)</u>	<u>2014/15 Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	558,000	558,000	
<u>Less:</u> Deduction			
Elderly Residential Care Expenses	<u>76,000</u>	<u>80,000</u>	
	482,000	478,000	
<u>Less:</u> Allowances			
Married Person's	240,000	240,000	
	<u>242,000</u>	<u>238,000</u>	
Net Chargeable Income			
Tax thereon	29,140		
<u>Less:</u> Tax reduction, capped at	<u>10,000</u>		
Tax charged	19,140	28,460	
<u>Less:</u> 2013/14 Provisional Tax paid	<u>15,000</u>	<u>      </u>	
Balance Payable	4,140	28,460	<u>32,600</u>

Note:

. Elderly Residential Care Expenses deduction is restricted to the statutory specified amount.

The tax savings for Mr. Lee resulting from the 2013/14 tax reduction and increase in deduction of Elderly Residential Care Expenses in 2014/15 will be \$10,680. His salaries tax bill will be reduced from \$43,280 to \$32,600.

*Example 4*

Mr. Ho is married with 2 children. The incomes and expenses reported in the 2013/14 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 2013/14.

	Mr. Ho	Mrs. Ho
	<u>Amount (\$)</u>	<u>Amount (\$)</u>
Salaries	450,000	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
	2013/14	2013/14
	<u>Final Tax (\$)</u>	<u>Final Tax (\$)</u>
Income	450,000	288,000
<u>Less: Allowances</u>		
Basic	120,000	120,000
Child	140,000	-
Net Chargeable Income	<u>190,000</u>	<u>168,000</u>
Tax thereon	20,300	16,560
<u>Less: Tax reduction, capped at</u>	<u>10,000</u>	<u>10,000</u>
Tax charged	<u>10,300</u>	<u>6,560</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>10,000</u>	
Tax charged	<u>8,000</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, is still required to pay their respective salaries tax demand notes.

Personal Assessment

	Mr. Ho 2013/14	Mrs. Ho 2013/14	Total
	<u>Final Tax (\$)</u>	<u>Final Tax (\$)</u>	<u>Final Tax (\$)</u>
Salaries	450,000	288,000	738,000
Assessable Profits	120,000		120,000
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>140,000</u>
Net Chargeable Income			<u>482,000</u>
Tax thereon			69,940
<u>Less: Tax reduction, capped at</u>			<u>10,000</u>
Tax charged	39,914 <sup>1</sup>	20,026 <sup>2</sup>	<u>59,940</u>
<u>Less: Tax Set-off</u>			
Salaries Tax	<u>10,300</u>	<u>6,560</u>	<u>16,860</u>
Balance Payable	<u><u>29,614</u></u>	<u><u>13,466</u></u>	<u><u>43,080</u></u>

Notes:

1. \$39,914 = \$59,940 x (574,000 / 862,000)
2. \$20,026 = \$59,940 x (288,000 / 862,000)

Taxes Payable under Schedular Basis

	<u>Final Tax (\$)</u>
Salaries Tax: Mr. Ho	10,300
Mrs. Ho	6,560
Profits Tax: Mr. Ho (\$120,000 x 15%) - \$10,000	8,000
Property Tax: Mr. Ho (\$384,000 x 15%)	<u>57,600</u>
	<u><u>82,460</u></u>

Note: As the total tax payable under personal assessment (\$59,940) will be less than the total schedular tax (\$82,460), 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 \$82,460 (\$10,300 + \$6,560 + \$8,000 + \$57,600). However, by electing for personal assessment, their tax will be \$22,520 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 \$82,460 to \$59,940.