

Examples

Example 1

Mr. Leung is single. His salary income during the year 2014/15 was \$362,000. He has paid 2014/15 provisional tax of \$30,500.

Before Implementation of Budget Proposals

	2014/15 <u>Final Tax (\$)</u>	2015/16 <u>Provisional Tax (\$)</u>	Total <u>Tax Payable (\$)</u>
Income	362,000	362,000	
<u>Less: Basic Allowance</u>	<u>120,000</u>	<u>120,000</u>	
Net Chargeable Income	<u>242,000</u>	<u>242,000</u>	
Tax charged	29,140	29,140	
<u>Less: 2014/15 Provisional Tax paid</u>	<u>30,500</u>	_____	
Balance Payable / (Repayable)	(1,360)	29,140	<u>27,780</u>

After Implementation of Budget Proposals

	2014/15 <u>Final Tax (\$)</u>	2015/16 <u>Provisional Tax (\$)</u>	Total <u>Tax Payable (\$)</u>
Income	362,000	362,000	
<u>Less: Basic Allowance</u>	<u>120,000</u>	<u>120,000</u>	
Net Chargeable Income	<u>242,000</u>	<u>242,000</u>	
Tax charged	29,140		
<u>Less: 75% tax reduction, capped at</u>	<u>20,000</u>		
Tax thereon	9,140	29,140	
<u>Less: 2014/15 Provisional Tax paid</u>	<u>30,500</u>	_____	
Balance Payable / (Repayable)	(21,360)	29,140	<u>7,780</u>

The tax savings for Mr. Leung resulting from the 2014/15 tax reduction will be \$20,000.
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Example 2

Mr. Lee is married. His wife is a housewife. They have two children. The first child was born on 16 June 2010 while the second child was born on 10 May 2015. In the year 2014/15, Mr. Lee earned a salary income of \$695,000. He paid mandatory contribution to recognized retirement schemes of \$19,000 and 2014/15 provisional tax of \$32,000.

Before Implementation of Budget Proposals

	<u>2014/15</u> <u>Final Tax (\$)</u>	<u>2015/16</u> <u>Provisional Tax (\$)</u>	<u>Total Tax</u> <u>Payable (\$)</u>
Income	695,000	695,000	
<u>Less:</u> Deduction			
Retirement Scheme Contributions	<u>17,500</u>	<u>18,000</u>	
	677,500	677,000	
<u>Less:</u> Allowances			
Married Person's	240,000	240,000	
Child (born in the year)	-	140,000	
Child (born in other year)	<u>70,000</u>	<u>70,000</u>	<u>450,000</u>
Net Chargeable Income	<u>367,500</u>	<u>227,000</u>	
Tax charged	50,475	26,590	
<u>Less:</u> 2014/15 Provisional Tax paid	<u>32,000</u>	_____	
Balance Payable	18,475	26,590	<u>45,065</u>

After Implementation of Budget Proposals

	<u>2014/15</u> <u>Final Tax (\$)</u>	<u>2015/16</u> <u>Provisional Tax (\$)</u>	<u>Total Tax</u> <u>Payable (\$)</u>
Income	695,000	695,000	
<u>Less:</u> Deduction			
Retirement Scheme Contributions	<u>17,500</u>	<u>18,000</u>	
	677,500	677,000	
<u>Less:</u> Allowances			
Married Person's	240,000	240,000	
Child (born in the year)	-	200,000	
Child (born in other year)	<u>70,000</u>	<u>100,000</u>	<u>540,000</u>
Net Chargeable Income	<u>367,500</u>	<u>137,000</u>	
Tax charged	50,475		
<u>Less:</u> 75% tax reduction, capped at	<u>20,000</u>		
Tax thereon	30,475	11,290	
<u>Less:</u> 2014/15 Provisional Tax paid	<u>32,000</u>	_____	
Balance Payable / (Repayable)	(1,525)	11,290	<u>9,765</u>

Notes:

1. The maximum deductible amount of mandatory contributions to recognized retirement schemes in 2014/15 and 2015/16 is \$17,500 and \$18,000 respectively.
2. Child Allowance in 2015/16 for child born in the year and child born in other year is \$200,000 and \$100,000 respectively.

The tax savings for Mr. Lee resulting from the 2014/15 tax reduction and 2015/16 increase in allowance in respect of child born in the year and child born in other year will be \$35,300. His salaries tax bill will be reduced from \$45,065 to \$9,765.

Example 3

Mr. Lee is married. His wife is a housewife. They have two children. The first child was born on 16 June 2010 while the second child was born on 10 May 2013. In the year 2014/15, Mr. Lee earned a salary income of \$4,000,000. He paid 2014/15 provisional tax of \$594,000.

Before Implementation of Budget Proposals

	<u>2014/15 Final Tax (\$)</u>	<u>2015/16 Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	4,000,000	4,000,000	
<u>Less: Allowances</u>			
Married Person's	240,000	240,000	
Child (born in other year)	<u>140,000</u>	<u>140,000</u>	<u>380,000</u>
Net Chargeable Income	<u>3,620,000</u>	<u>3,620,000</u>	
Tax charged at progressive rate	603,400	603,400	
Tax charged at standard rate \$4,000,000 @ 15%	600,000	600,000	
Standard rate applied as the tax amount will be lower	600,000	600,000	
<u>Less: 2014/15 Provisional Tax paid</u>	<u>594,000</u>	_____	
Balance Payable	6,000	600,000	<u>606,000</u>

After Implementation of Budget Proposals

	<u>2014/15 Final Tax (\$)</u>	<u>2015/16 Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	4,000,000	4,000,000	
<u>Less: Allowances</u>			
Married Person's	240,000	240,000	
Child (born in other year)	<u>140,000</u>	<u>200,000</u>	<u>440,000</u>
Net Chargeable Income	<u>3,620,000</u>	<u>3,560,000</u>	
Tax charged at progressive rate	603,400	593,200	
Tax charged at standard rate \$4,000,000 @ 15%	600,000	600,000	
Standard rate applied in 2014/15 but not in 2015/16	600,000	593,200	
<u>Less: 75% tax reduction, capped at Tax thereon</u>	<u>20,000</u>	_____	
<u>Less: 2014/15 Provisional Tax paid</u>	<u>594,000</u>	_____	
Balance Payable / (Repayable)	(14,000)	593,200	<u>579,200</u>

Note: Child Allowance in 2015/16 for child born in other year is \$100,000.

The tax savings for Mr. Lee resulting from the 2014/15 tax reduction and 2015/16 increase in allowance in respect of child born in other year will be \$26,800. His salaries tax bill will be reduced from \$606,000 to \$579,200.

Example 4

Mr. Ho is married. The incomes and expenses reported in the 2014/15 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 2014/15.

	Mr. Ho	Mrs. Ho
	<u>Amount (\$)</u>	<u>Amount (\$)</u>
Salaries	400,000	258,000
Assessable Profits from sole proprietorship business	-	80,000
Rental Income from solely owned property	720,000	-
Mortgage Interest on rented out property	300,000	-

Salaries Tax Assessments, Profits Tax Assessment, Property Tax Assessment and Personal Assessment will be issued as follows:

Salaries Tax Assessments

	Mr. Ho	Mrs. Ho
	2014/15	2014/15
	<u>Final Tax (\$)</u>	<u>Final Tax (\$)</u>
Income	400,000	258,000
<u>Less: Allowances</u>		
Basic	<u>120,000</u>	<u>120,000</u>
Net Chargeable Income	<u>280,000</u>	<u>138,000</u>
Tax charged	35,600	11,460
<u>Less: 75% tax reduction, capped at \$20,000</u>	<u>20,000</u>	<u>8,595</u>
Tax thereon	<u>15,600</u>	<u>2,865</u>

Profits Tax Assessment

	Mr. Ho	Mrs. Ho
	<u>Amount (\$)</u>	<u>Amount (\$)</u>
Assessable profits	-	<u>80,000</u>
Tax charged		12,000
<u>Less: 75% tax reduction</u>		<u>9,000</u>
Tax thereon	-	<u>3,000</u>

Property Tax Assessment

	Mr. Ho	Mrs. Ho
	<u>Amount (\$)</u>	<u>Amount (\$)</u>
Net Assessable Value (Rental Income x 80%)	<u>576,000</u>	-
Tax thereon	<u>86,400</u>	-

Note:

As the couple has 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 assessment and property tax assessment. The couple, however, is still required to pay their respective salaries tax.

Personal Assessment

	Mr. Ho 2014/15	Mrs. Ho 2014/15	Total
	<u>Final Tax (\$)</u>	<u>Final Tax (\$)</u>	<u>Final Tax (\$)</u>
Salaries	400,000	258,000	658,000
Assessable Profits	-	80,000	80,000
Net Assessable Value	<u>576,000</u>	<u>-</u>	<u>576,000</u>
Total Income	976,000	338,000	1,314,000
<u>Less: Deduction</u>			
Interest Paid	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Reduced Total Income	676,000	338,000	1,014,000
<u>Less: Allowances</u>			
Married Person's			<u>240,000</u>
Net Chargeable Income			774,000
Tax charged			119,580
<u>Less: 75% tax reduction, capped at</u>			<u>20,000</u>
Tax thereon	66,387 ¹	33,193 ²	<u>99,580</u>
<u>Less: Tax Set-off</u>			
Salaries Tax	<u>15,600</u>	<u>2,865</u>	<u>18,465</u>
Balance Payable	<u>50,787</u>	<u>30,328</u>	<u>81,115</u>

Notes:

1. $\$66,387 = \$99,580 \times (676,000 / 1,014,000)$
2. $\$33,193 = \$99,580 \times (338,000 / 1,014,000)$

Tax Payable under Schedular Basis

	<u>Final Tax (\$)</u>
Salaries Tax: Mr. Ho	15,600
Mrs. Ho	2,865
Profits Tax: Mrs. Ho (\$80,000 x 15%) - \$9,000	3,000
Property Tax: Mr. Ho (\$576,000 x 15%)	<u>86,400</u>
	<u>107,865</u>

Note: As the total tax payable under personal assessment (\$99,580) will be less than the total schedular tax (\$107,865), the election for personal assessment is advantageous to the couple.

If no personal assessment is elected, Mr. Ho will obtain a tax reduction of \$20,000 while Mrs. Ho will obtain a tax reduction of \$8,595 under their respective salaries tax assessments. Mrs. Ho will also obtain a tax reduction of \$9,000 under her profits tax assessment. The total tax payable will then be \$107,865 (\$15,600 + \$2,865 + \$3,000 + \$86,400). However, by electing for personal assessment, their tax will be \$8,285 less despite the fact that they will only obtain a tax reduction of \$20,000 instead of \$37,595 (\$20,000 + \$8,595 + \$9,000). Their tax bills will be reduced from \$107,865 to \$99,580.