

Examples

Example 1

Mr. Chan is single. His salary income during the year of assessment 2017/18 was \$480,000. He has paid 2017/18 provisional tax of \$45,000.

Before Implementation of Budget Proposals

	2017/18 <u>Final Tax (\$)</u>	2018/19 <u>Provisional Tax (\$)</u>	Total <u>Tax Payable (\$)</u>
Income	480,000	480,000	
<u>Less: Basic Allowance</u>	<u>132,000</u>	<u>132,000</u>	
Net Chargeable Income	<u>348,000</u>	<u>348,000</u>	
Tax Bands and Rates:			
On the First \$45,000 at 2%	45,000 900	900	
On the Next \$45,000 at 7%	<u>45,000</u> 3,150	3,150	
	90,000		
On the Next \$45,000 at 12%	<u>45,000</u> 5,400	5,400	
	135,000		
Remainder at 17%	<u>213,000</u> <u>36,210</u>	<u>36,210</u>	
Net Chargeable Income	<u>348,000</u>		
Tax charged	45,660	45,660	
<u>Less: 2017/18 Provisional Tax paid</u>	<u>45,000</u>		
Balance Payable	<u>660</u>	<u>45,660</u>	<u>46,320</u>

After Implementation of Budget Proposals

	2017/18 <u>Final Tax (\$)</u>	2018/19 <u>Provisional Tax (\$)</u>	Total <u>Tax Payable (\$)</u>
Income	480,000	480,000	
<u>Less: Basic Allowance</u>	<u>132,000</u>	<u>132,000</u>	
Net Chargeable Income	<u>348,000</u>	<u>348,000</u>	
Tax Bands and Rates:			
On the First Band at 2%	45,000 900		
On the Next Band at 7%	<u>45,000</u> 3,150		
	90,000		
On the Next Band at 12%	<u>45,000</u> 5,400		
	135,000		
Remainder at 17%	<u>213,000</u> <u>36,210</u>		
On the First Band at 2%		50,000 1,000	
On the Next Band at 6%		<u>50,000</u> 3,000	
		100,000	
On the Next Band at 10%		<u>50,000</u> 5,000	
		150,000	
On the Next Band at 14%		<u>50,000</u> 7,000	

		200,000	
Remainder at 17%		<u>148,000</u>	<u>25,160</u>
Net Chargeable Income	<u>348,000</u>	<u>348,000</u>	
Tax thereon	45,660		41,160
<u>Less: 75% Tax Reduction, capped at</u>	<u>30,000</u>		
Tax charged	15,660		
<u>Less: 2017/18 Provisional Tax paid</u>	<u>45,000</u>		
Balance Payable / (Repayable)	<u>(29,340)</u>	<u>41,160</u>	<u>11,820</u>

Notes:

- (1) There will be a one-off reduction of 75% of the 2017/18 final salaries tax subject to a ceiling of \$30,000 per case.
- (2) From 2018/19, the number of tax bands will be increased from 4 to 5 with marginal tax rates of 2%, 6%, 10%, 14% and 17% and the width of tax bands will be increased from \$45,000 to \$50,000 each.

The total tax savings for Mr. Chan resulting from the 2017/18 tax reduction and adjusting the tax bands and marginal tax rates in 2018/19 will be \$34,500. His salaries tax bill will be reduced from \$46,320 to \$11,820.

Example 2

Mr. Lee is married. His wife is a housewife. The salary income of Mr. Lee during the year of assessment 2017/18 was \$480,000. Mr. Lee was eligible to claim an allowance under the Government's Disability Allowance Scheme. Mr. Lee paid \$12,000 towards the maintenance of his mother (aged 62). Mr. Lee did not reside with his mother. He has paid 2017/18 provisional tax of \$16,000.

Before Implementation of Budget Proposals

	2017/18 <u>Final Tax (\$)</u>	2018/19 <u>Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	480,000	480,000	
<u>Less:</u> Allowances			
Married Person's	264,000	264,000	
Dependent Parent	<u>46,000</u>	<u>46,000</u>	<u>310,000</u>
Net Chargeable Income	<u>170,000</u>	<u>170,000</u>	
Tax Bands and Rates:			
On the First \$45,000 at 2%	45,000 900	900	
On the Next \$45,000 at 7%	<u>45,000</u>	3,150	3,150
	90,000		
On the Next \$45,000 at 12%	<u>45,000</u>	5,400	5,400
	135,000		
Remainder at 17%	<u>35,000</u>	<u>5,950</u>	<u>5,950</u>
Net Chargeable Income	<u>170,000</u>		
Tax charged	15,400	15,400	
<u>Less:</u> 2017/18 Provisional Tax paid	<u>16,000</u>	—	
Balance Payable / (Repayable)	<u>(600)</u>	<u>15,400</u>	<u>14,800</u>

After Implementation of Budget Proposals

	2017/18 <u>Final Tax (\$)</u>	2018/19 <u>Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	480,000	480,000	
<u>Less:</u> Allowances			
Married Person's	264,000	264,000	
Dependent Parent	46,000	50,000	
Personal Disability	<u>—</u>	<u>75,000</u>	<u>389,000</u>
Net Chargeable Income	<u>170,000</u>	<u>91,000</u>	
Tax Bands and Rates:			
On the First Band at 2%	45,000 900		
On the Next Band at 7%	<u>45,000</u>	3,150	
	90,000		
On the Next Band at 12%	<u>45,000</u>	5,400	
	135,000		
Remainder at 17%	<u>35,000</u>	<u>5,950</u>	

On the First Band at 2%		50,000	1,000	
On the Next Band at 6%		<u>41,000</u>	<u>2,460</u>	
Net Chargeable Income	<u>170,000</u>	<u>91,000</u>		
Tax thereon		15,400	3,460	
<u>Less: 75% tax reduction</u>		<u>11,550</u>		
Tax charged		3,850		
<u>Less: 2017/18 Provisional Tax paid</u>		<u>16,000</u>		
Balance Payable / (Repayable)		<u>(12,150)</u>	<u>3,460</u>	<u>(8,690)</u>

Notes:

- (1) There will be a one-off reduction of 75% of the 2017/18 final salaries tax subject to a ceiling of \$30,000 per case.
- (2) From 2018/19, the number of tax bands will be increased from 4 to 5 with marginal tax rates of 2%, 6%, 10%, 14% and 17% and the width of tax bands will be increased from \$45,000 to \$50,000 each.
- (3) Dependent Parent Allowance from 2018/19 will be increased to \$50,000.
- (4) Personal Disability Allowance of \$75,000 will be introduced from 2018/19.

The tax savings for Mr. Lee resulting from the 2017/18 tax reduction; and adjusting the tax bands and marginal tax rates, increasing Dependent Parent Allowance and introducing Personal Disability Allowance in 2018/19 will be \$23,490. He has no tax payable and will receive a refund cheque of \$8,690.

Example 3

Mr. Cheung is single. His salary income during the year of assessment 2017/18 was \$520,000. Mr. Cheung maintained his father (aged 63) and mother (aged 57) and resided with them continuously throughout the year. Mr. Cheung paid elderly residential care expenses of \$120,000 in respect of his grandfather (aged 85) who lived in an elderly residential care home. He has paid 2017/18 provisional tax of \$10,000.

Before Implementation of Budget Proposals

	<u>2017/18 Final Tax (\$)</u>	<u>2018/19 Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	520,000	520,000	
<u>Less:</u> Deduction			
Elderly Residential Care Expenses	<u>92,000</u>	<u>92,000</u>	
	428,000	428,000	
<u>Less:</u> Allowances			
Basic	132,000	132,000	
Dependent Parent	69,000	69,000	
Additional Dependent Parent	<u>69,000</u>	<u>69,000</u>	<u>270,000</u>
Net Chargeable Income	<u>158,000</u>	<u>158,000</u>	
Tax Bands and Rates:			
On the First \$45,000 at 2%	45,000	900	900
On the Next \$45,000 at 7%	<u>45,000</u>	3,150	3,150
	90,000		
On the Next \$45,000 at 12%	<u>45,000</u>	5,400	5,400
	135,000		
Remainder at 17%	<u>23,000</u>	<u>3,910</u>	<u>3,910</u>
Net Chargeable Income	<u>158,000</u>		
Tax charged	13,360	13,360	
<u>Less:</u> 2017/18 Provisional Tax paid	<u>10,000</u>		
Balance Payable	<u>3,360</u>	<u>13,360</u>	<u>16,720</u>

After Implementation of Budget Proposals

	<u>2017/18 Final Tax (\$)</u>	<u>2018/19 Provisional Tax (\$)</u>	<u>Total Tax Payable (\$)</u>
Income	520,000	520,000	
<u>Less:</u> Deduction			
Elderly Residential Care Expenses	<u>92,000</u>	<u>100,000</u>	
	428,000	420,000	
<u>Less:</u> Allowances			
Basic	132,000	132,000	
Dependent Parent	69,000	75,000	
Additional Dependent Parent	<u>69,000</u>	<u>75,000</u>	<u>282,000</u>
Net Chargeable Income	<u>158,000</u>	<u>138,000</u>	

Tax Bands and Rates:			
On the First Band at 2%	45,000	900	
On the Next Band at 7%	<u>45,000</u>	3,150	
	90,000		
On the Next Band at 12%	<u>45,000</u>	5,400	
	135,000		
Remainder at 17%	<u>23,000</u>	<u>3,910</u>	
On the First Band at 2%		50,000	1,000
On the Next Band at 6%		<u>50,000</u>	3,000
		100,000	
On the Next Band at 10%		<u>38,000</u>	<u>3,800</u>
Net Chargeable Income	<u>158,000</u>	<u>138,000</u>	
Tax thereon		13,360	7,800
<u>Less: 75% tax reduction</u>		<u>10,020</u>	
Tax charged		3,340	
<u>Less: 2017/18 Provisional Tax paid</u>		<u>10,000</u>	
Balance Payable / (Repayable)		<u>(6,660)</u>	<u>7,800</u> <u>1,140</u>

Notes:

- (1) There will be a one-off reduction of 75% of the 2017/18 final salaries tax subject to a ceiling of \$30,000 per case.
- (2) From 2018/19, the number of tax bands will be increased from 4 to 5 with marginal tax rates of 2%, 6%, 10%, 14% and 17% and the width of tax bands will be increased from \$45,000 to \$50,000 each.
- (3) Elderly Residential Care Expenses deduction is restricted to the statutory specified amount. From 2018/19, the statutory specified amount will be increased from \$92,000 to \$100,000.
- (4) Total Dependent Parent Allowance granted to Mr. Cheung from 2018/19 will be increased to \$75,000 (i.e. \$50,000 for dependant aged 60 or above and \$25,000 for dependant aged 55-59).
- (5) Same as Dependent Parent Allowance, the total Additional Dependent Parent Allowance granted to Mr. Cheung will be increased to \$75,000 (i.e. \$50,000 for dependant aged 60 or above and \$25,000 for dependant aged 55-59).

The tax savings for Mr. Cheung resulting from the 2017/18 tax reduction; and adjusting the tax bands and marginal tax rates, increasing deduction ceiling for Elderly Residential Care Expenses and increasing Dependent Parent Allowance and Additional Dependent Parent Allowance in 2018/19 will be \$15,580. His salaries tax bill will be reduced from \$16,720 to \$1,140.

Example 4

Mr. Wong is married. His wife is a housewife. They have two children. The first child was born on 16 June 2014 while the second child was born on 10 May 2018. In the year 2017/18, Mr. Wong earned a salary income of \$700,000. He has paid 2017/18 provisional tax of \$43,000.

Before Implementation of Budget Proposals

	<u>2017/18</u>		<u>2018/19</u>		<u>Total Tax</u>
	<u>Final Tax (\$)</u>		<u>Provisional Tax (\$)</u>		<u>Payable (\$)</u>
Income		700,000		700,000	
<u>Less:</u> Allowances					
Married Person's	264,000		264,000		
Child (born in the year)			200,000		
Child (born in other year)	<u>100,000</u>	<u>364,000</u>	<u>100,000</u>	<u>564,000</u>	
Net Chargeable Income		<u>336,000</u>		<u>136,000</u>	
Tax Bands and Rates:					
On the First \$45,000 at 2%	45,000	900	45,000	900	
On the Next \$45,000 at 7%	<u>45,000</u>	3,150	<u>45,000</u>	3,150	
	90,000		90,000		
On the Next \$45,000 at 12%	<u>45,000</u>	5,400	<u>45,000</u>	5,400	
	135,000		135,000		
Remainder at 17%	<u>201,000</u>	<u>34,170</u>	<u>1,000</u>	<u>170</u>	
Net Chargeable Income	<u>336,000</u>		<u>136,000</u>		
Tax charged		43,620		9,620	
<u>Less:</u> 2017/18 Provisional Tax paid		<u>43,000</u>			
Balance Payable		<u>620</u>		<u>9,620</u>	<u>10,240</u>

After Implementation of Budget Proposals

	<u>2017/18</u>		<u>2018/19</u>		<u>Total Tax</u>
	<u>Final Tax (\$)</u>		<u>Provisional Tax (\$)</u>		<u>Payable(\$)</u>
Income		700,000		700,000	
<u>Less:</u> Allowances					
Married Person's	264,000		264,000		
Child (born in the year)			240,000		
Child (born in other year)	<u>100,000</u>	<u>364,000</u>	<u>120,000</u>	<u>624,000</u>	
Net Chargeable Income		<u>336,000</u>		<u>76,000</u>	
Tax Bands and Rates:					
On the First Band at 2%	45,000	900			
On the Next Band at 7%	<u>45,000</u>	3,150			
	90,000				
On the Next Band at 12%	<u>45,000</u>	5,400			

	135,000			
Remainder at 17%	<u>201,000</u>	<u>34,170</u>		
On the First Band at 2%		50,000	1,000	
On the Next Band at 6%		<u>26,000</u>	<u>1,560</u>	
Net Chargeable Income	<u>336,000</u>	<u>76,000</u>		
Tax thereon		43,620	2,560	
<u>Less: 75% Tax Reduction, capped at</u>		<u>30,000</u>		
Tax charged		13,620		
<u>Less: 2017/18 Provisional Tax paid</u>		<u>43,000</u>		
Balance Payable / (Repayable)		<u>(29,380)</u>	<u>2,560</u>	<u>(26,820)</u>

Notes:

- (1) There will be a one-off reduction of 75% of the 2017/18 final salaries tax subject to a ceiling of \$30,000 per case.
- (2) From 2018/19, the number of tax bands will be increased from 4 to 5 with marginal tax rates of 2%, 6%, 10%, 14% and 17% and the width of tax bands will be increased from \$45,000 to \$50,000 each.
- (3) Child Allowance in 2018/19 for child born in the year and child born in other year will be increased to \$240,000 and \$120,000 respectively.

The tax savings for Mr. Wong resulting from the 2017/18 tax reduction; and adjusting the tax bands and marginal tax rates and increasing Child Allowance in 2018/19 will be \$37,060. He has no tax payable and will receive a refund cheque of \$26,820.

Example 5

Mr. Ho is married with 2 children. The incomes and expenses reported in the 2017/18 tax returns of Mr. and Mrs. Ho are as below. The couple elected for personal assessment and have not paid any provisional tax for 2017/18.

	Mr. Ho	Mrs. Ho
	<u>\$</u>	<u>\$</u>
Salaries	650,000	288,000
Assessable Profits from Sole Proprietorship Business	-	80,000
Rental Income	480,000	-
Mortgage Interest on Rented Out Property	280,000	-

Salaries Tax Assessments, Profits Tax Assessment, Property Tax Assessment and Personal Assessment for the year of assessment 2017/18 will be issued as follows:

Salaries Tax Assessment

	Mr. Ho	Mrs. Ho
	<u>\$</u>	<u>\$</u>
Income	650,000	288,000
<u>Less: Allowances</u>		
Basic	132,000	132,000
Child	<u>200,000</u>	<u> </u>
Net Chargeable Income	<u>318,000</u>	<u>156,000</u>
Tax thereon	40,560	13,020
<u>Less: 75% Tax Reduction, capped at \$30,000</u>	<u>30,000</u>	<u>9,765</u>
Tax charged	<u>10,560</u>	<u>3,255</u>

Profits Tax Assessment

	Mrs. Ho
	<u>\$</u>
Assessable profits	<u>80,000</u>
Tax thereon	12,000
<u>Less: 75% Tax Reduction</u>	<u>9,000</u>
Tax charged	<u>3,000</u>

Property Tax Assessment

	Mr. Ho
	<u>\$</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, are still required to pay their respective salaries tax demand notes.

Personal Assessment

	<u>Mr. Ho</u>	<u>Mrs. Ho</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Salaries	650,000	288,000	938,000
Assessable Profits	-	80,000	80,000
Net Assessable Value	<u>384,000</u>	<u>-</u>	<u>384,000</u>
Total Income	1,034,000	368,000	1,402,000
<u>Less: Deduction</u>			
Interest Paid	<u>280,000</u>	<u>-</u>	<u>280,000</u>
Reduced Total Income	<u>754,000</u>	<u>368,000</u>	<u>1,122,000</u>
<u>Less: Allowances</u>			
Married Person's			264,000
Child			<u>200,000</u>
Net Chargeable Income			<u>658,000</u>
Tax thereon			98,360
<u>Less: 75% Tax Reduction, capped at</u>			<u>30,000</u>
Tax charged	45,939 ¹	22,421 ²	68,360
<u>Less: Tax Set-off</u>			
Salaries Tax	<u>10,560</u>	<u>3,255</u>	<u>13,815</u>
Balance Payable	<u>35,379</u>	<u>19,166</u>	<u>54,545</u>

Notes:

1. $\$45,939 = \$68,360 \times (754,000 / 1,122,000)$
2. $\$22,421 = \$68,360 \times (368,000 / 1,122,000)$

Total Tax Payable under Schedular Basis

	2017/18
	<u>Final Tax (\$)</u>
Salaries Tax: Mr. Ho	10,560
Mrs. Ho	3,255
Profits Tax: Mrs. Ho (\$80,000 x 15%) - \$9,000	3,000
Property Tax: Mr. Ho (\$384,000 x 15%)	<u>57,600</u>
	<u>74,415</u>

Note: As the total tax payable under personal assessment (\$68,360) will be less than the total schedular tax (\$74,415), the election for personal assessment is advantageous to the couple.

If no personal assessment is elected, Mr. Ho will obtain a tax reduction of \$30,000 while Mrs. Ho will obtain a tax reduction of \$9,765 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 be \$74,415. However, by electing for personal assessment, their tax will be \$6,055 less despite the fact that they will only obtain a tax reduction of \$30,000 instead of \$48,765 (i.e. \$30,000 + \$9,765 + \$9,000). Their tax bills will be reduced from \$74,415 to \$68,360.