

## *Examples*

### *Example 1*

Mr. Lee is single. The salary income of Mr. Lee during the year of assessment 2018/19 was \$380,000. Mr. Lee was eligible to claim an allowance under the Government's Disability Allowance Scheme. He has paid 2018/19 provisional tax of \$20,000.

#### Before Implementation of Tax Reduction Measures

	2018/19	2019/20	Total Tax
	<u>Final Tax (\$)</u>	<u>Provisional Tax (\$)</u>	<u>Payable (\$)</u>
Income	380,000	380,000	
<u>Less:</u> Allowances			
Basic	132,000	132,000	
Personal Disability	<u>75,000</u>	<u>75,000</u>	<u>207,000</u>
Net Chargeable Income	<u>173,000</u>	<u>173,000</u>	
Tax Bands and Rates:			
On the First Band at 2%	50,000	1,000	1,000
On the Next Band at 6%	<u>50,000</u>	3,000	3,000
	100,000		
On the Next Band at 10%	<u>50,000</u>	5,000	5,000
	150,000		
Remainder at 14%	<u>23,000</u>	<u>3,220</u>	<u>3,220</u>
Net Chargeable Income	<u>173,000</u>		
Tax thereon	12,220	12,220	
<u>Less:</u> 2018/19 Provisional Tax paid	<u>20,000</u>		
Balance Payable / (Repayable)	<u>(7,780)</u>	<u>12,220</u>	<u>4,440</u>

### After Implementation of Tax Reduction Measures

	2018/19	2019/20	Total Tax
	<u>Final Tax (\$)</u>	<u>Provisional Tax (\$)</u>	<u>Payable (\$)</u>
Income	380,000	380,000	
<u>Less:</u> Allowances			
Basic	132,000	132,000	
Personal Disability	<u>75,000</u>	<u>75,000</u>	<u>207,000</u>
Net Chargeable Income	<u>173,000</u>	<u>173,000</u>	
Tax Bands and Rates:			
On the First Band at 2%	50,000	1,000	1,000
On the Next Band at 6%	<u>50,000</u>	3,000	3,000
	100,000		
On the Next Band at 10%	<u>50,000</u>	5,000	5,000
	150,000		
Remainder at 14%	<u>23,000</u>	<u>3,220</u>	<u>3,220</u>
Net Chargeable Income	<u>173,000</u>		
Tax thereon	12,220	12,220	
<u>Less:</u> 100% tax reduction, capped at \$20,000	<u>12,220</u>		
Tax charged	-		
<u>Less:</u> 2018/19 Provisional Tax paid	<u>20,000</u>		
Balance Payable / (Repayable)	<u>(20,000)</u>	<u>12,220</u>	<u>(7,780)</u>

### Note:

There will be a one-off reduction of 100% of the 2018/19 final salaries tax subject to a ceiling of \$20,000 per case.

The tax savings for Mr. Lee resulting from the 2018/19 tax reduction will be \$12,220. He has no tax payable and will receive a refund cheque of \$7,780.

### Example 2

Mr. Chan is married. His wife is a housewife. They have a son who was born on 20 May 2016. The salary income of Mr. Chan during the year of assessment 2018/19 was \$850,000. Mr. Chan paid \$12,000 each for the maintenance of his mother (aged 62) and his father (aged 65). Mr. Chan did not reside with his parents. He has paid 2018/19 provisional tax of \$40,000.

#### Before Implementation of Tax Reduction Measures

	2018/19	2019/20	Total Tax
	<u>Final Tax (\$)</u>	<u>Provisional Tax (\$)</u>	<u>Payable (\$)</u>
Income	850,000	850,000	
<u>Less:</u> Allowances			
Married Person's	264,000	264,000	
Child (born in other year)	120,000	120,000	
Dependent Parent	<u>100,000</u>	<u>100,000</u>	<u>484,000</u>
Net Chargeable Income	<u>366,000</u>	<u>366,000</u>	
 Tax Bands and Rates:			
On the First \$50,000 at 2%	50,000	1,000	1,000
On the Next \$50,000 at 6%	<u>50,000</u>	3,000	3,000
	100,000		
On the Next \$50,000 at 10%	<u>50,000</u>	5,000	5,000
	150,000		
On the Next \$50,000 at 14%	<u>50,000</u>	7,000	7,000
	200,000		
Remainder at 17%	<u>166,000</u>	<u>28,220</u>	<u>28,220</u>
Net Chargeable Income	<u>366,000</u>		
Tax charged	44,220	44,220	
<u>Less:</u> 2018/19 Provisional Tax paid	<u>40,000</u>		
Balance Payable	<u>4,220</u>	<u>44,220</u>	<u>48,440</u>

### After Implementation of Tax Reduction Measures

	2018/19	2019/20	Total Tax
	<u>Final Tax (\$)</u>	<u>Provisional Tax (\$)</u>	<u>Payable (\$)</u>
Income	850,000	850,000	
<u>Less:</u> Allowances			
Married Person's	264,000	264,000	
Child (born in other year)	120,000	120,000	
Dependent Parent	<u>100,000</u>	<u>100,000</u>	<u>484,000</u>
Net Chargeable Income	<u>366,000</u>	<u>366,000</u>	
Tax Bands and Rates:			
On the First \$50,000 at 2%	50,000	1,000	1,000
On the Next \$50,000 at 6%	<u>50,000</u>	3,000	3,000
	100,000		
On the Next \$50,000 at 10%	<u>50,000</u>	5,000	5,000
	150,000		
On the Next \$50,000 at 14%	<u>50,000</u>	7,000	7,000
	200,000		
Remainder at 17%	<u>166,000</u>	<u>28,220</u>	<u>28,220</u>
Net Chargeable Income	<u>366,000</u>		
Tax thereon	44,220	44,220	
<u>Less:</u> 100% Tax Reduction, capped at \$20,000	<u>20,000</u>		
Tax charged	24,220		
<u>Less:</u> 2018/19 Provisional Tax paid	<u>40,000</u>		
Balance Payable / (Repayable)	<u>(15,780)</u>	<u>44,220</u>	<u>28,440</u>

#### Note:

There will be a one-off reduction of 100% of the 2018/19 final salaries tax subject to a ceiling of \$20,000 per case.

The tax savings for Mr. Chan resulting from the 2018/19 tax reduction will be \$20,000. His salaries tax bill will be reduced from \$48,440 to \$28,440.

### Example 3

Mr. Cheung is single. He declared assessable profits of \$2,800,000 for his sole proprietorship business A ("A Co.") for the year of assessment 2018/19. He has paid 2018/19 provisional profits tax of \$200,000 for A Co. Mr. Cheung has not elected for Personal Assessment. Since A Co. has no connected entity, its Profits Tax should be calculated as follows:

#### Before Implementation of Tax Reduction Measures

	2018/19	2019/20	Total
	<u>Final Tax(\$)</u>	<u>Provisional Tax (\$)</u>	<u>Tax Payable (\$)</u>
Assessable Profits	<u>2,800,000</u>	<u>2,800,000</u>	
Tax charged on First \$2,000,000 @7.5%	150,000	150,000	
Remainder \$800,000 @15%	<u>120,000</u>	<u>120,000</u>	
Tax thereon	270,000	270,000	
<u>Less: 2018/19 Provisional Tax Paid</u>	<u>200,000</u>		
Balance Payable	<u>70,000</u>	<u>270,000</u>	<u>340,000</u>

#### After Implementation of Tax Reduction Measures

	2018/19	2019/20	Total
	<u>Final Tax(\$)</u>	<u>Provisional Tax (\$)</u>	<u>Tax Payable (\$)</u>
Assessable Profits	<u>2,800,000</u>	<u>2,800,000</u>	
Tax charged on First \$2,000,000 @7.5%	150,000	150,000	
Remainder \$800,000 @15%	<u>120,000</u>	120,000	
Tax thereon	270,000		
<u>Less: 100% Tax Reduction, capped at \$20,000</u>	<u>20,000</u>		
Tax charged	250,000		
<u>Less: 2018/19 Provisional Tax Paid</u>	<u>200,000</u>		
Balance Payable	<u>50,000</u>	<u>270,000</u>	<u>320,000</u>

Note:

There will be a one-off reduction of 100% of the 2018/19 final profits tax subject to a ceiling of \$20,000 per case.

The tax savings of A Co. resulting from 2018/19 tax reduction will be \$20,000. Profits tax bill of A Co. will be reduced from \$340,000 to \$320,000.

#### *Example 4*

Mr. Lau is married. The incomes reported in the 2018/19 tax returns of Mr. Lau and Mrs. Lau are listed below. The couple elected for personal assessment and have not paid any provisional tax for 2018/19.

	Mr. Lau	Mrs. Lau
	\$	\$
Salaries	330,000	160,000
Rental income	-	200,000
Profits from sole proprietorship business ("B Co.")	700,000	-

#### Before Implementation of Tax Reduction Measures

##### Salaries tax

	Mr. Lau	Mrs. Lau
	\$	\$
Income	330,000	160,000
<u>Less: Allowances</u>		
Basic	<u>132,000</u>	<u>132,000</u>
Net chargeable income	<u>198,000</u>	<u>28,000</u>
 Tax payable at progressive rates		
First \$50,000 @ 2%	1,000	560
Next \$50,000 @ 6%	3,000	
Next \$50,000 @ 10%	5,000	
Remainder \$48,000 @ 14%	<u>6,720</u>	
Total tax payable	<u>15,720</u>	<u>560</u>

##### Profits tax payable of Mr. Lau

	\$
Assessable profits of B Co.	700,000
 Total tax payable (\$700,000 x 7.5% *)	<u>52,500</u>

\* Since B Co. has no connected entity, the assessable profits of first \$2,000,000 should be charged at profits tax rate of 7.5%.

Property tax payable of Mrs. Lau

	<u>\$</u>
Net assessable value (\$200,000 x 80%)	<u>160,000</u>
Tax payable	<u>24,000</u>

Total tax payable under schedular basis

	Mr. Lau	Mrs. Lau	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Salaries tax	15,720	560	16,280
Profits tax	52,500	-	52,500
Property tax	<u>-</u>	<u>24,000</u>	<u>24,000</u>
	<u>68,220</u>	<u>24,560</u>	<u>92,780</u>

(i) If Mr. Lau and Mrs. Lau elected Personal Assessment jointly

	Mr. Lau	Mrs. Lau	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Salaries income	330,000	160,000	490,000
Assessable profits	700,000	-	700,000
Net assessable value (\$200,000 x 80%)	<u>-</u>	<u>160,000</u>	<u>160,000</u>
Total income	<u>1,030,000</u>	<u>320,000</u>	1,350,000
<u>Less: Allowances</u>			
Married Person's			<u>264,000</u>
Net chargeable income			<u>1,086,000</u>
Tax payable at progressive rates			
First \$50,000 @ 2%			1,000
Next \$50,000 @ 6%			3,000
Next \$50,000 @ 10%			5,000
Next \$50,000 @ 14%			7,000
Remainder \$886,000 @ 17%			<u>150,620</u>
Tax charged at progressive rates			<u>166,620</u>

\* It is not advantageous for Mr. Lau and Mrs. Lau to elect Personal Assessment jointly. By election of Personal Assessment jointly, the total tax payable by the couple is increased from \$92,780 to \$166,620.

(ii) If Mr. Lau and Mrs. Lau both elected Personal Assessment separately

	Mr. Lau	Mrs. Lau
	<u>\$</u>	<u>\$</u>
Salaries income	330,000	160,000
Assessable profits	700,000	-
Net assessable value (\$200,000 x 80%)	<u>-</u>	<u>160,000</u>
Total income	1,030,000	320,000
<u>Less: Allowances</u>		
Basic	<u>132,000</u>	<u>132,000</u>
Net chargeable income	<u>898,000</u>	<u>188,000</u>
Tax payable at progressive rates		
First \$50,000 @2%	1,000	1,000
Next \$50,000 @6%	3,000	3,000
Next \$50,000 @10%	5,000	5,000
Next \$50,000 @14%	7,000	5,320
Remainder \$698,000 @17%	<u>118,660</u>	<u>          </u>
Tax charged at progressive rates	<u>134,660</u>	<u>14,320</u>

If Mr. Lau elects for Personal Assessment separately, his tax payable will be increased from \$68,220 to \$134,660. As such, it is not advantageous for Mr. Lau to elect Personal Assessment separately. However, it is advantageous for Mrs. Lau to elect Personal Assessment separately as her tax payable will be reduced from \$24,560 to \$14,320.

After Implementation of Tax Reduction Measures

There will be a one-off reduction of 100% of the 2018/19 final Salaries tax, Profits tax and Personal Assessment subject to a ceiling of \$20,000 per case.

Salaries tax

	Mr. Lau	Mrs. Lau
	<u>\$</u>	<u>\$</u>
Income	330,000	160,000
<u>Less: Allowances</u>		
Basic	<u>132,000</u>	<u>132,000</u>
Net chargeable income	<u>198,000</u>	<u>28,000</u>



Tax payable at progressive rates			
First \$50,000	@2%	1,000	560
Next \$50,000	@6%	3,000	
Next \$50,000	@10%	5,000	
Remainder \$48,000	@14%	<u>6,720</u>	—
Tax thereon		15,720	560
<u>Less: 100% tax reduction, capped at \$20,000</u>		<u>15,720</u>	<u>560</u>
Total tax payable		<u>Nil</u>	<u>Nil</u>

Profits tax payable of Mr. Lau

	<u>\$</u>
Assessable profits of B Co.	<u>700,000</u>
Tax thereon (\$700,000 x 7.5% *)	52,500
<u>Less: 100% tax reduction, capped at \$20,000</u>	<u>20,000</u>
Tax payable	<u>32,500</u>

\* Since B Co. has no connected entity, the assessable profits of first \$2,000,000 should be charged at profits tax rate of 7.5%.

Property tax payable of Mrs. Lau

	<u>\$</u>
Net assessable value (\$200,000 x 80%)	<u>160,000</u>
Tax payable	<u>24,000</u>

Total tax payable under schedular basis

	Mr. Lau	Mrs. Lau	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Salaries tax	0	0	0
Profits tax	32,500	-	32,500
Property tax	<u>-</u>	<u>24,000</u>	<u>24,000</u>
	<u>32,500</u>	<u>24,000</u>	<u>56,500</u>

(i) If Mr. Lau and Mrs. Lau elected Personal Assessment jointly

	Mr. Lau	Mrs. Lau	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Salaries income	330,000	160,000	490,000

Assessable profits	700,000	-	700,000
Net assessable value (\$200,000 x 80%)	<u>-</u>	<u>160,000</u>	<u>160,000</u>
Total income	<u>1,030,000</u>	<u>320,000</u>	1,350,000
<u>Less: Allowances</u>			
Married Person's			<u>264,000</u>
Net chargeable income			<u>1,086,000</u>
Tax payable at progressive rates			
First \$50,000 @ 2%			1,000
Next \$50,000 @ 6%			3,000
Next \$50,000 @ 10%			5,000
Next \$50,000 @ 14%			7,000
Remainder \$886,000 @ 17%			<u>150,620</u>
Tax thereon at progressive rates			166,620
<u>Less: 100% tax reduction, capped at \$20,000</u>			<u>20,000</u>
Tax charged			<u>146,620</u>

\* It is not advantageous for Mr. Lau and Mrs. Lau to elect Personal Assessment jointly. By election of Personal Assessment jointly, the total tax payable by the couple is increased from \$56,500 to \$146,620.

(ii) If Mr. Lau and Mrs. Lau both elected Personal Assessment separately

	Mr. Lau	Mrs. Lau
	<u>\$</u>	<u>\$</u>
Salaries income	330,000	160,000
Assessable profits	700,000	-
Net assessable value (\$200,000 x 80%)	<u>-</u>	<u>160,000</u>
Total income	1,030,000	320,000
<u>Less: Allowances</u>		
Basic	<u>132,000</u>	<u>132,000</u>
Net chargeable income	<u>898,000</u>	<u>188,000</u>
Tax payable at progressive rates		
First \$50,000 @ 2%	1,000	1,000
Next \$50,000 @ 6%	3,000	3,000
Next \$50,000 @ 10%	5,000	5,000
Next \$50,000 @ 14%	7,000	5,320
Remainder \$698,000 @ 17%	<u>118,660</u>	<u>14,320</u>
Tax thereon at progressive rates	134,660	14,320

<u>Less: 100% tax reduction, capped at \$20,000</u>	<u>20,000</u>	<u>14,320</u>
Tax charged	<u>114,660</u>	<u>Nil</u>

If Mr. Lau elects for Personal Assessment separately, his tax payable will be increased from \$32,500 to \$114,660. As such, it is not advantageous for Mr. Lau to elect Personal Assessment separately. However, it is advantageous for Mrs. Lau to elect Personal Assessment separately as her tax payable will be reduced from \$24,000 to nil.

For the couple as a whole, the tax savings resulting from the 2018/19 tax reduction will be \$50,040 and their total tax payable will be reduced from \$82,540 to \$32,500.

	Mr. Lau	Mrs. Lau	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Tax payable before implementation of tax reduction measures	68,220	14,320	82,540
Tax payable after implementation of tax reduction measures	<u>32,500</u>	<u>-</u>	<u>32,500</u>
Tax savings	<u>35,720</u>	<u>14,320</u>	<u>50,040</u>