

## Examples

### Example 1

Mr. Chan is single. His salary income during the year of assessment 2019/20 was \$280,000. He was eligible to claim the deduction for qualifying premiums of \$8,000 paid under the Voluntary Health Insurance Scheme (VHIS) policy for himself. He has paid 2019/20 provisional tax of \$9,000.

#### Before Implementation of Tax Reduction Measures

	2019/20 <u>Final Tax (\$)</u>	2020/21 <u>Provisional Tax (\$)</u>	Total <u>Tax Payable (\$)</u>
Income	280,000	280,000	
<u>Less: Qualifying health insurance premiums</u>	<u>8,000</u>	<u>8,000</u>	
	272,000	272,000	
<u>Less: Basic Allowance</u>	<u>132,000</u>	<u>132,000</u>	
Net Chargeable Income	<u>140,000</u>	<u>140,000</u>	
Tax charged	8,000	8,000	
<u>Less: 2019/20 Provisional Tax paid</u>	<u>9,000</u>	—	
Balance Payable / (Repayable)	<u>(1,000)</u>	<u>8,000</u>	<u>7,000</u>

#### After Implementation of Tax Reduction Measures

	2019/20 <u>Final Tax (\$)</u>	2020/21 <u>Provisional Tax (\$)</u>	Total <u>Tax Payable (\$)</u>
Income	280,000	280,000	
<u>Less: Qualifying health insurance premiums</u>	<u>8,000</u>	<u>8,000</u>	
	272,000	272,000	
<u>Less: Basic Allowance</u>	<u>132,000</u>	<u>132,000</u>	
Net Chargeable Income	<u>140,000</u>	<u>140,000</u>	
Tax thereon	8,000		
<u>Less: 100% Tax Reduction</u>	<u>8,000</u>		
Tax charged	0	8,000	
<u>Less: 2019/20 Provisional Tax paid</u>	<u>9,000</u>	—	
Balance Payable / (Repayable)	<u>(9,000)</u>	<u>8,000</u>	<u>(1,000)</u>

The total tax savings for Mr. Chan resulting from the 2019/20 tax reduction will be \$8,000. He has no tax payable and will receive a refund cheque of \$1,000.

*Example 2*

Madam Wong is a divorced person. She has one child (aged 8) who is in her sole care. In the year 2019/20, the salary income of Madam Wong was \$730,000. She has paid 2019/20 provisional tax of \$15,000.

Before Implementation of Tax Reduction Measures

	2019/20 <u>Final Tax (\$)</u>	2020/21 <u>Provisional Tax (\$)</u>	Total <u>Tax Payable (\$)</u>
Income	730,000	730,000	
<u>Less:</u> Basic Allowance	132,000	132,000	
Child Allowance	120,000	120,000	
Single Parent Allowance	<u>132,000</u>	<u>132,000</u>	
Net Chargeable Income	<u>346,000</u>	<u>346,000</u>	
Tax charged	40,820	40,820	
<u>Less:</u> 2019/20 Provisional Tax paid	<u>15,000</u>	—	
Balance Payable	<u>25,820</u>	<u>40,820</u>	<u>66,640</u>

After Implementation of Tax Reduction Measures

	2019/20 <u>Final Tax (\$)</u>	2020/21 <u>Provisional Tax (\$)</u>	Total <u>Tax Payable (\$)</u>
Income	730,000	730,000	
<u>Less:</u> Basic Allowance	132,000	132,000	
Child Allowance	120,000	120,000	
Single Parent Allowance	<u>132,000</u>	<u>132,000</u>	
Net Chargeable Income	<u>346,000</u>	<u>346,000</u>	
Tax thereon	40,820		
<u>Less:</u> 100% Tax Reduction, capped at	<u>20,000</u>		
Tax charged	20,820	40,820	
<u>Less:</u> 2019/20 Provisional Tax paid	<u>15,000</u>	—	
Balance Payable	<u>5,820</u>	<u>40,820</u>	<u>46,640</u>

Note:

There will be a one-off reduction of 100% of the 2019/20 final salaries tax subject to a ceiling of \$20,000 per case.

The tax savings for Madam Wong resulting from the 2019/20 tax reduction will be \$20,000. Her salaries tax bill will be reduced from \$66,640 to \$46,640.

*Example 3*

Mr. Cheung is married. His wife is a housewife. In the year 2019/20, the salary income of Mr. Cheung was \$800,000. Mr. Cheung was eligible to claim the deductions for qualifying annuity premiums and tax deductible MPF voluntary contributions (TVC) of \$40,000 and \$20,000 respectively. Mr. Cheung has paid 2019/20 provisional tax of \$55,000.

Before Implementation of Tax Reduction Measures

	2019/20 <u>Final Tax (\$)</u>	2020/21 <u>Provisional Tax (\$)</u>	Total <u>Tax Payable (\$)</u>
Income	800,000	800,000	
<u>Less: Qualifying annuity premiums</u>	40,000	40,000	
TVC	<u>20,000</u>	<u>20,000</u>	
	740,000	740,000	
<u>Less: Married Person's Allowance</u>	<u>264,000</u>	<u>264,000</u>	
Net Chargeable Income	<u>476,000</u>	<u>476,000</u>	
Tax charged	62,920	62,920	
<u>Less: 2019/20 Provisional Tax paid</u>	<u>55,000</u>	_____	
Balance Payable	<u>7,920</u>	<u>62,920</u>	<u>70,840</u>

After Implementation of Tax Reduction Measures

	2019/20 <u>Final Tax (\$)</u>	2020/21 <u>Provisional Tax (\$)</u>	Total <u>Tax Payable (\$)</u>
Income	800,000	800,000	
<u>Less: Qualifying annuity premiums</u>	40,000	40,000	
TVC	<u>20,000</u>	<u>20,000</u>	
	740,000	740,000	
<u>Less: Married Person's Allowance</u>	<u>264,000</u>	<u>264,000</u>	
Net Chargeable Income	<u>476,000</u>	<u>476,000</u>	
Tax thereon	62,920		
<u>Less: 100% Tax Reduction, capped at</u>	<u>20,000</u>		
Tax charged	42,920	62,920	
<u>Less: 2019/20 Provisional Tax paid</u>	<u>55,000</u>	_____	
Balance Payable / (Repayable)	<u>(12,080)</u>	<u>62,920</u>	<u>50,840</u>

Note:

There will be a one-off reduction of 100% of the 2019/20 final salaries tax subject to a ceiling of \$20,000 per case.

The tax savings for Mr. Cheung resulting from the 2019/20 tax reduction will be \$20,000. His salaries tax bill will be reduced from \$70,840 to \$50,840.

Example 4

Mr. Ho is married with 2 children. The incomes reported in the 2019/20 tax returns of Mr. and Mrs. Ho are listed below. Both Mr. Ho and Mrs Ho elected for personal assessment and they have not paid any provisional tax for 2019/20.

	Mr. Ho	Mrs. Ho
	(\$)	(\$)
Salaries	550,000	288,000
Profits from sole proprietorship business ["Ho's Co."]	-	50,000
Rental Income	36,000	-

Before Implementation of Tax Reduction Measures

Salaries Tax

	Mr. Ho	Mrs. Ho
	(\$)	(\$)
Income	550,000	288,000
<u>Less: Allowances</u>		
Basic	132,000	132,000
Child	240,000	-
Net Chargeable Income	<u>178,000</u>	<u>156,000</u>
Tax Payable	<u>12,920</u>	<u>9,840</u>

Profits Tax

	Mrs. Ho
	(\$)
Assessable profits of Ho's Co.	<u>50,000</u>
Tax payable (\$50,000 x 7.5%*)	<u>3,750</u>

\* Since Ho's 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

	Mr. Ho
	(\$)
Net Assessable Value (\$36,000 x 80%)	<u>28,800</u>
Tax payable @15%	<u>4,320</u>

Total tax payable under schedular basis

	Mr. Ho	Mrs. Ho	Total
	(\$)	(\$)	(\$)
Salaries Tax	12,920	9,840	22,760
Profits Tax	0	3,750	3,750
Property Tax	<u>4,320</u>	<u>0</u>	<u>4,320</u>
Total tax payable	<u>17,240</u>	<u>13,590</u>	<u>30,830</u>

If Mr and Mrs Ho elect for Personal Assessment jointly

	Mr. Ho (\$)	Mrs. Ho (\$)	Total (\$)
Salaries income	550,000	288,000	838,000
Assessable Profits	-	50,000	50,000
Net assessable value	<u>28,800</u>	<u>-</u>	<u>28,800</u>
Total income	<u>578,800</u>	<u>338,000</u>	916,800
Less: Allowances			
Married Person's			264,000
Child			<u>240,000</u>
Net chargeable income			<u>412,800</u>
Total tax payable	<u>32,941</u>	<u>19,235</u>	<u>52,176</u>

\* It is not advantageous for Mr. Ho and Mrs. Ho to elect for personal assessment jointly. By election of Personal Assessment jointly, the total tax payable by the couple is increased from \$30,830 to \$52,176.

If Mr and Mrs Ho elect for Personal Assessment separately

	Mr. Ho (\$)	Mrs. Ho (\$)
Salaries Income	550,000	288,000
Assessable Profits	-	50,000
Net Assessable Value	<u>28,800</u>	<u>-</u>
Total income	578,800	338,000
Less: Allowances		
Basic	132,000	132,000
Child	<u>240,000</u>	<u>-</u>
Net chargeable income	<u>206,800</u>	<u>206,000</u>
Tax payable	<u>17,156</u>	<u>17,020</u>

\* It is advantageous for Mr. Ho to elect Personal Assessment separately as his tax payable will be reduced from \$17,240 to \$17,156. However, it is not advantageous for Mrs. Ho to elect Personal Assessment separately as her tax payable will be increased from \$13,590 to \$17,020.

After Implementation of Tax Reduction Measures

Salaries Tax

	Mr. Ho (\$)	Mrs. Ho (\$)
Income	550,000	288,000
Less: Allowances		
Basic	132,000	132,000
Child	<u>240,000</u>	<u>-</u>
Net Chargeable Income	<u>178,000</u>	<u>156,000</u>
Tax thereon	12,920	9,840
Less: 100% Tax Reduction	<u>12,920</u>	<u>9,840</u>
Tax payable	<u>0</u>	<u>0</u>

Profits Tax

	Mrs. Ho (\$)
Assessable profits of Ho's Co.	<u>50,000</u>
Tax thereon (\$50,000 x 7.5%*)	3,750
Less: 100% Tax Reduction	<u>3,750</u>
Tax payable	<u>0</u>

\* Since Ho's 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

	Mr. Ho
	(\$)
Net Assessable Value (\$36,000 x 80%)	<u>28,800</u>
Tax payable @15%	<u>4,320</u>

Total tax payable under schedular basis

	Mr. Ho	Mrs. Ho	Total
	(\$)	(\$)	(\$)
Salaries Tax	0	0	0
Profits Tax	0	0	0
Property Tax	<u>4,320</u>	<u>0</u>	<u>4,320</u>
Total tax payable	<u>4,320</u>	<u>0</u>	<u>4,320</u>

If Mr and Mrs Ho elect for Personal Assessment jointly

	Mr. Ho	Mrs. Ho	Total
	(\$)	(\$)	(\$)
Salaries income	550,000	288,000	838,000
Assessable Profits	-	50,000	50,000
Net assessable value	<u>28,800</u>	<u>-</u>	<u>28,800</u>
Total income	<u>578,800</u>	<u>338,000</u>	916,800

Less: Allowances

Married Person's		264,000
Child		<u>240,000</u>
Net chargeable income		<u>412,800</u>
Tax Thereon		52,176

Less: 100% Tax Reduction, capped at 20,000

Total tax payable	<u>20,314</u>	<u>11,862</u>	<u>32,176</u>
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\* It is not advantageous for Mr. Ho and Mrs. Ho to elect Personal Assessment jointly. By election of Personal Assessment jointly, the total tax payable by the couple is increased from \$4,320 to \$32,176.

If Mr and Mrs Ho elect for Personal Assessment separately

	Mr. Ho	Mrs. Ho
	(\$)	(\$)
Salaries Income	550,000	288,000
Assessable Profits	-	50,000
Net Assessable Value	<u>28,800</u>	<u>-</u>
Total income	578,800	338,000
<u>Less: Allowances</u>		
Basic	132,000	132,000
Child	<u>240,000</u>	<u>-</u>
Net chargeable income	<u>206,800</u>	<u>206,000</u>
Tax Thereon	17,156	17,020
<u>Less: 100% Tax Reduction</u>	<u>17,156</u>	<u>17,020</u>
Tax payable	<u>0</u>	<u>0</u>

\* It is advantageous for Mr. Ho to elect Personal Assessment separately as he has no tax payable after the election. However, there is no difference for Mrs. Ho as she is already exempted from tax under schedular basis.

For the couple as a whole, the tax savings resulting from 2019/20 tax reduction will be \$30,746 and their total tax payable will be reduced to nil.

	Mr. Ho	Mrs. Ho	Total
	<u>(\$)</u>	<u>(\$)</u>	<u>(\$)</u>
Tax payable before implementation of tax reduction measures	17,156	13,590	30,746
Tax payable after implementation of tax reduction measures	<u>0</u>	<u>0</u>	<u>0</u>
Tax savings	<u>17,156</u>	<u>13,590</u>	<u>30,746</u>