

Examples

Example 1

Miss Lee is single. Her salary income during the year of assessment 2020/21 was \$230,000. She was eligible to claim the deduction for qualifying premiums of \$8,000 paid under the Voluntary Health Insurance Scheme (VHIS) policy for herself. She has paid 2020/21 provisional tax of \$5,000.

Before Implementation of Tax Reduction Measure

	2020/21 <u>Final Tax (\$)</u>	2021/22 <u>Provisional Tax (\$)</u>	Total <u>Tax Payable (\$)</u>
Income	230,000	230,000	
<u>Less: Qualifying health insurance premiums</u>	<u>8,000</u>	<u>8,000</u>	
	222,000	222,000	
<u>Less: Basic Allowance</u>	<u>132,000</u>	<u>132,000</u>	
Net Chargeable Income	<u>90,000</u>	<u>90,000</u>	
Tax charged	3,400	3,400	
<u>Less: 2020/21 Provisional Tax paid</u>	<u>5,000</u>	—	
Balance Payable / (Repayable)	<u>(1,600)</u>	<u>3,400</u>	<u>1,800</u>

After Implementation of Tax Reduction Measure

	2020/21 <u>Final Tax (\$)</u>	2021/22 <u>Provisional Tax (\$)</u>	Total <u>Tax Payable (\$)</u>
Income	230,000	230,000	
<u>Less: Qualifying health insurance premiums</u>	<u>8,000</u>	<u>8,000</u>	
	222,000	222,000	
<u>Less: Basic Allowance</u>	<u>132,000</u>	<u>132,000</u>	
Net Chargeable Income	<u>90,000</u>	<u>90,000</u>	
Tax thereon	3,400		
<u>Less: 100% Tax Reduction</u>	<u>3,400</u>		
Tax charged	0	3,400	
<u>Less: 2020/21 Provisional Tax paid</u>	<u>5,000</u>	—	
Balance Payable / (Repayable)	<u>(5,000)</u>	<u>3,400</u>	<u>(1,600)</u>

The total tax savings for Miss Lee resulting from the 2020/21 tax reduction will be \$3,400. She has no tax payable and will receive a refund cheque of \$1,600.

Example 2

Mr. Chan is single. In the year 2020/21, the salary income of Mr. Chan was \$448,000. 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 2020/21 provisional tax of \$6,500.

Before Implementation of Tax Reduction Measure

	<u>2020/21</u> <u>Final Tax (\$)</u>	<u>2021/22</u> <u>Provisional Tax (\$)</u>	<u>Total</u> <u>Tax Payable (\$)</u>
Income	448,000	448,000	
<u>Less: Basic Allowance</u>	132,000	132,000	
Dependent Parent Allowance	<u>100,000</u>	<u>100,000</u>	
Net Chargeable Income	<u>216,000</u>	<u>216,000</u>	
Tax charged	18,720	18,720	
<u>Less: 2020/21 Provisional Tax paid</u>	<u>6,500</u>	—	
Balance Payable	<u>12,220</u>	<u>18,720</u>	<u>30,940</u>

After Implementation of Tax Reduction Measure

	<u>2020/21</u> <u>Final Tax (\$)</u>	<u>2021/22</u> <u>Provisional Tax (\$)</u>	<u>Total</u> <u>Tax Payable (\$)</u>
Income	448,000	448,000	
<u>Less: Basic Allowance</u>	132,000	132,000	
Dependent Parent Allowance	<u>100,000</u>	<u>100,000</u>	
Net Chargeable Income	<u>216,000</u>	<u>216,000</u>	
Tax thereon	18,720		
<u>Less: 100% Tax Reduction, capped at</u>	<u>10,000</u>		
Tax charged	8,720	18,720	
<u>Less: 2020/21 Provisional Tax paid</u>	<u>6,500</u>	—	
Balance Payable	<u>2,220</u>	<u>18,720</u>	<u>20,940</u>

Note:

There will be a one-off reduction of 100% of the 2020/21 final salaries tax subject to a ceiling of \$10,000 per case.

The tax savings for Mr. Chan resulting from the 2020/21 tax reduction will be \$10,000. His salaries tax bill will be reduced from \$30,940 to \$20,940.

Example 3

Mr. Wong is married. His wife is a housewife. In the year 2020/21, the salary income of Mr. Wong was \$800,000. Mr. Wong 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. Wong has paid 2020/21 provisional tax of \$55,000.

Before Implementation of Tax Reduction Measure

	2020/21 <u>Final Tax (\$)</u>	2021/22 <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: 2020/21 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 Measure

	2020/21 <u>Final Tax (\$)</u>	2021/22 <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>10,000</u>		
Tax charged	52,920	62,920	
<u>Less: 2020/21 Provisional Tax paid</u>	<u>55,000</u>	_____	
Balance Payable / (Repayable)	<u>(2,080)</u>	<u>62,920</u>	<u>60,840</u>

Note:

There will be a one-off reduction of 100% of the 2020/21 final salaries tax subject to a ceiling of \$10,000 per case.

The tax savings for Mr. Wong resulting from the 2020/21 tax reduction will be \$10,000. His salaries tax bill will be reduced from \$70,840 to \$60,840.

Example 4

Mr. Ho is married with 2 children. The incomes reported in the 2020/21 tax returns of Mr. and Mrs. Ho are as below. Both Mr. Ho and Mrs. Ho elected for personal assessment and they have not paid any provisional tax for 2020/21.

	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 Measure

Salaries Tax

	Mr. Ho	Mrs. Ho
	(\$)	(\$)
Income	550,000	288,000
<u>Less: Allowances</u>		
Basic	132,000	132,000
Child	<u>240,000</u>	<u>-</u>
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.	50,000
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%)	28,800
Tax payable (\$28,800 x 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. Ho 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	578,800	338,000	916,800
<u>Less: Allowances</u>			
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. Ho 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 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 Measure

Salaries Tax

	Mr. Ho (\$)	Mrs. Ho (\$)
Income	550,000	288,000
<u>Less: Allowances</u>		
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
<u>Less: 100% Tax Reduction (capped at \$10,000)</u>	<u>10,000</u>	<u>9,840</u>
Tax payable	<u>2,920</u>	<u>0</u>

Profits Tax

	Mrs. Ho (\$)
Assessable Profits of Ho's Co.	50,000
Tax thereon (\$50,000 x 7.5%*)	3,750
<u>Less: 100% Tax Reduction</u>	<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
	(<u>\$</u>)
Net Assessable Value (\$36,000 x 80%)	28,800
Tax payable (\$28,800 x 15%)	<u>4,320</u>

Total tax payable under schedular basis

	Mr. Ho	Mrs. Ho	Total
	(<u>\$</u>)	(<u>\$</u>)	(<u>\$</u>)
Salaries Tax	2,920	0	2,920
Profits Tax	0	0	0
Property Tax	<u>4,320</u>	<u>0</u>	<u>4,320</u>
Total tax payable	<u>7,240</u>	<u>0</u>	<u>7,240</u>

If Mr. Ho and Mrs. Ho elect for Personal Assessment jointly

	Mr. Ho	Mrs. Ho	Total
	(<u>\$</u>)	(<u>\$</u>)	(<u>\$</u>)
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	578,800	338,000	916,800
<u>Less: Allowances</u>			
Married Person's			264,000
Child			<u>240,000</u>
Net Chargeable Income			<u>412,800</u>
Tax Thereon			52,176
<u>Less: 100% Tax Reduction, capped at</u>			<u>10,000</u>
Total tax payable	<u>26,627</u>	<u>15,549</u>	<u>42,176</u>

* 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 \$7,240 to \$42,176.

If Mr. Ho and Mrs. Ho elect for Personal Assessment separately

	Mr. Ho	Mrs. Ho
	(<u>\$</u>)	(<u>\$</u>)
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, capped at</u>	<u>10,000</u>	<u>10,000</u>
Tax payable	<u>7,156</u>	<u>7,020</u>

* It is advantageous for Mr. Ho to elect Personal Assessment separately as his tax payable will be reduced from \$7,240 to \$7,156. However, it is not advantageous for Mrs. Ho to elect Personal Assessment separately as her tax payable will be increased from \$0 to \$7,020.

For the couple as a whole, the tax savings resulting from the 2020/21 tax reduction will be \$23,590 and their total tax payable will be reduced from \$30,746 to \$7,156.

	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>7,156</u>	<u>0</u>	<u>7,156</u>
Tax savings	<u>10,000</u>	<u>13,590</u>	<u>23,590</u>