

## Examples

### Example 1

Miss Chan is single. Her salary income during the year of assessment 2021/22 was \$350,000. She was eligible to claim the deductions for qualifying annuity premiums of \$60,000 and qualifying premiums of \$8,000 paid under the Voluntary Health Insurance Scheme (VHIS) policy for herself. She has paid 2021/22 provisional tax of \$10,000.

#### Before Implementation of Tax Reduction Measure

	2021/22 <u>Final Tax (\$)</u>	2022/23 <u>Provisional Tax (\$)</u>	Total <u>Tax Payable (\$)</u>
Income	350,000	350,000	
<u>Less:</u> Qualifying annuity premiums	60,000	60,000	
Qualifying health insurance premiums	<u>8,000</u>	<u>8,000</u>	
	282,000	282,000	
<u>Less:</u> Basic Allowance	<u>132,000</u>	<u>132,000</u>	
Net Chargeable Income	<u>150,000</u>	<u>150,000</u>	
Tax charged	9,000	9,000	
<u>Less:</u> 2021/22 Provisional Tax paid	<u>10,000</u>	—	
Balance Payable / (Repayable)	<u>(1,000)</u>	<u>9,000</u>	<u>8,000</u>

#### After Implementation of Tax Reduction Measure

	2021/22 <u>Final Tax (\$)</u>	2022/23 <u>Provisional Tax (\$)</u>	Total <u>Tax Payable (\$)</u>
Income	350,000	350,000	
<u>Less:</u> Qualifying annuity premiums	60,000	60,000	
Qualifying health insurance premiums	<u>8,000</u>	<u>8,000</u>	
	282,000	282,000	
<u>Less:</u> Basic Allowance	<u>132,000</u>	<u>132,000</u>	
Net Chargeable Income	<u>150,000</u>	<u>150,000</u>	
Tax thereon	9,000		
<u>Less:</u> 100% Tax Reduction	<u>9,000</u>		
Tax charged	0	9,000	
<u>Less:</u> 2021/22 Provisional Tax paid	<u>10,000</u>	—	
Balance Payable / (Repayable)	<u>(10,000)</u>	<u>9,000</u>	<u>(1,000)</u>

The total tax savings for Miss Chan resulting from the 2021/22 tax reduction will be \$9,000. She has no tax payable and will receive a refund cheque of \$1,000.

*Example 2*

Mr. Ho is single. In the year 2021/22, the salary income of Mr. Ho was \$560,000. Mr. Ho provided financial support to his mother (aged 70) and resided with her throughout the year. His mother was eligible to claim an allowance under the Government’s Disability Allowance Scheme. Mr. Ho has paid 2021/22 provisional tax of \$8,000.

Before Implementation of Tax Reduction Measure

	<u>2021/22</u> <u>Final Tax (\$)</u>	<u>2022/23</u> <u>Provisional Tax (\$)</u>	<u>Total</u> <u>Tax Payable (\$)</u>
Income	560,000	560,000	
<u>Less:</u> Basic Allowance	132,000	132,000	
Dependent Parent Allowance	100,000	100,000	
Disabled Dependant Allowance	<u>75,000</u>	<u>75,000</u>	
Net Chargeable Income	<u>253,000</u>	<u>253,000</u>	
Tax charged	25,010	25,010	
<u>Less:</u> 2021/22 Provisional Tax paid	<u>8,000</u>	_____	
Balance Payable	<u>17,010</u>	<u>25,010</u>	<u>42,020</u>

After Implementation of Tax Reduction Measure

	<u>2021/22</u> <u>Final Tax (\$)</u>	<u>2022/23</u> <u>Provisional Tax (\$)</u>	<u>Total</u> <u>Tax Payable (\$)</u>
Income	560,000	560,000	
<u>Less:</u> Basic Allowance	132,000	132,000	
Dependent Parent Allowance	100,000	100,000	
Disabled Dependant Allowance	<u>75,000</u>	<u>75,000</u>	
Net Chargeable Income	<u>253,000</u>	<u>253,000</u>	
Tax thereon	25,010		
<u>Less:</u> 100% Tax Reduction, capped at	<u>10,000</u>		
Tax charged	15,010	25,010	
<u>Less:</u> 2021/22 Provisional Tax paid	<u>8,000</u>	_____	
Balance Payable	<u>7,010</u>	<u>25,010</u>	<u>32,020</u>

Note:

There will be a one-off reduction of 100% of the 2021/22 final salaries tax subject to a ceiling of \$10,000 per case.

The tax savings for Mr. Ho resulting from the 2021/22 tax reduction will be \$10,000. His salaries tax bill will be reduced from \$42,020 to \$32,020.

*Example 3*

Mr. Li is married. His wife is a housewife. In the year 2021/22, the salary income of Mr. Li was \$760,000. Mr. Li was eligible to claim deduction for tax deductible MPF voluntary contributions (TVC) of \$30,000. Other tax deductible expenses included qualifying premiums of \$8,000 paid under the Voluntary Health Insurance Scheme (VHIS) policy for himself and another \$8,000 paid for his father. Mr. Li has paid 2021/22 provisional tax of \$42,000.

Before Implementation of Tax Reduction Measure

	2021/22 <u>Final Tax (\$)</u>	2022/23 <u>Provisional Tax (\$)</u>	Total <u>Tax Payable (\$)</u>
Income	760,000	760,000	
<u>Less: TVC</u>	30,000	30,000	
Qualifying health insurance premiums (\$8,000 + \$8,000)	<u>16,000</u>	<u>16,000</u>	
	714,000	714,000	
<u>Less: Married Person's Allowance</u>	<u>264,000</u>	<u>264,000</u>	
Net Chargeable Income	<u>450,000</u>	<u>450,000</u>	
Tax charged	58,500	58,500	
<u>Less: 2021/22 Provisional Tax paid</u>	<u>42,000</u>	_____	
Balance Payable	<u>16,500</u>	<u>58,500</u>	<u>75,000</u>

After Implementation of Tax Reduction Measure

	2021/22 <u>Final Tax (\$)</u>	2022/23 <u>Provisional Tax (\$)</u>	Total <u>Tax Payable (\$)</u>
Income	760,000	760,000	
<u>Less: TVC</u>	30,000	30,000	
Qualifying health insurance premiums (\$8,000 + \$8,000)	<u>16,000</u>	<u>16,000</u>	
	714,000	714,000	
<u>Less: Married Person's Allowance</u>	<u>264,000</u>	<u>264,000</u>	
Net Chargeable Income	<u>450,000</u>	<u>450,000</u>	
Tax thereon	58,500		
<u>Less: 100% Tax Reduction, capped at</u>	<u>10,000</u>		
Tax charged	48,500	58,500	
<u>Less: 2021/22 Provisional Tax paid</u>	<u>42,000</u>	_____	
Balance Payable	<u>6,500</u>	<u>58,500</u>	<u>65,000</u>

Note:

There will be a one-off reduction of 100% of the 2021/22 final salaries tax subject to a ceiling of \$10,000 per case.

The tax savings for Mr. Li resulting from the 2021/22 tax reduction will be \$10,000. His salaries tax bill will be reduced from \$75,000 to \$65,000.

*Example 4*

Mr. Cheung is married with 2 children. The incomes reported in the 2021/22 tax returns of Mr. and Mrs. Cheung are as below. Both Mr. Cheung and Mrs. Cheung elected for personal assessment and they have not paid any provisional tax for 2021/22.

	Mr. Cheung	Mrs. Cheung
	(\$)	(\$)
Salaries	600,000	300,000
Profits from sole proprietorship business ["Cheung's Co."]	100,000	-
Rental Income	-	50,000

**Before Implementation of Tax Reduction Measure**

Salaries Tax

	Mr. Cheung	Mrs. Cheung
	(\$)	(\$)
Income	600,000	300,000
<u>Less: Allowances</u>		
Basic Allowance	132,000	132,000
Child Allowance	<u>240,000</u>	<u>-</u>
Net Chargeable Income	<u>228,000</u>	<u>168,000</u>
Tax Payable	<u>20,760</u>	<u>11,520</u>

Profits Tax

	Mr. Cheung
	(\$)
Assessable Profits of Cheung's Co.	100,000
Tax Payable (\$100,000 x 7.5%*)	<u>7,500</u>

*\* Since Cheung'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

	Mrs. Cheung
	(\$)
Net Assessable Value (\$50,000 x 80%)	40,000
Tax Payable (\$40,000 x 15%)	<u>6,000</u>

Total tax payable under schedular basis

	Mr. Cheung	Mrs. Cheung	Total
	(\$)	(\$)	(\$)
Salaries Tax	20,760	11,520	32,280
Profits Tax	7,500	-	7,500
Property Tax	<u>-</u>	<u>6,000</u>	<u>6,000</u>
Total Tax Payable	<u>28,260</u>	<u>17,520</u>	<u>45,780</u>

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

	Mr. Cheung (\$)	Mrs. Cheung (\$)	Total (\$)
Salaries Income	600,000	300,000	900,000
Assessable Profits	100,000	-	100,000
Net Assessable Value	<u>-</u>	<u>40,000</u>	<u>40,000</u>
Total income	700,000	340,000	1,040,000
<u>Less: Allowances</u>			
Married Person's Allowance			264,000
Child Allowance			<u>240,000</u>
Net Chargeable Income			<u>536,000</u>
Total Tax Payable	<u>49,216</u>	<u>23,904</u>	<u>73,120</u>

It is not advantageous for Mr. Cheung and Mrs. Cheung to elect for personal assessment jointly. By election of Personal Assessment jointly, the total tax payable by the couple is increased from \$45,780 to \$73,120.

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

	Mr. Cheung (\$)	Mrs. Cheung (\$)
Salaries Income	600,000	300,000
Assessable Profits	100,000	-
Net Assessable Value	<u>-</u>	<u>40,000</u>
Total income	700,000	340,000
<u>Less: Allowances</u>		
Basic Allowance	132,000	132,000
Child Allowance	<u>240,000</u>	<u>-</u>
Net Chargeable Income	<u>328,000</u>	<u>208,000</u>
Tax Payable	<u>37,760</u>	<u>17,360</u>

It is not advantageous for Mr. Cheung to elect Personal Assessment separately as his tax payable will be increased from \$28,260 to \$37,760. However, it is advantageous for Mrs. Cheung to elect Personal Assessment separately as her tax payable will be reduced from \$17,520 to \$17,360.

**After Implementation of Tax Reduction Measure**

Salaries Tax

	Mr. Cheung (\$)	Mrs. Cheung (\$)
Income	600,000	300,000
<u>Less: Allowances</u>		
Basic Allowance	132,000	132,000
Child Allowance	<u>240,000</u>	<u>-</u>
Net Chargeable Income	<u>228,000</u>	<u>168,000</u>
Tax thereon	20,760	11,520
<u>Less: 100% Tax Reduction, capped at</u>	<u>10,000</u>	<u>10,000</u>
Tax Payable	<u>10,760</u>	<u>1,520</u>

Profits Tax

	Mr. Cheung (\$)
Assessable Profits of Cheung's Co.	100,000
Tax thereon (\$100,000 x 7.5%*)	7,500
<u>Less: 100% Tax Reduction</u>	<u>7,500</u>
Tax Payable	<u>0</u>

\* Since Cheung'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

	Mrs. Cheung
	(\$)
Net Assessable Value (\$50,000 x 80%)	40,000
Tax Payable (\$40,000 x 15%)	<u>6,000</u>

Total tax payable under schedular basis

	Mr. Cheung	Mrs. Cheung	Total
	(\$)	(\$)	(\$)
Salaries Tax	10,760	1,520	12,280
Profits Tax	0	-	0
Property Tax	-	<u>6,000</u>	<u>6,000</u>
Total Tax Payable	<u>10,760</u>	<u>7,520</u>	<u>18,280</u>

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

	Mr. Cheung	Mrs. Cheung	Total
	(\$)	(\$)	(\$)
Salaries Income	600,000	300,000	900,000
Assessable Profits	100,000	-	100,000
Net Assessable Value	-	<u>40,000</u>	<u>40,000</u>
Total income	700,000	340,000	1,040,000
<u>Less: Allowances</u>			
Married Person's Allowance			264,000
Child Allowance			<u>240,000</u>
Net Chargeable Income			<u>536,000</u>
Tax thereon			73,120
<u>Less: 100% Tax Reduction, capped at</u>			<u>10,000</u>
Total Tax Payable	<u>42,485</u>	<u>20,635</u>	<u>63,120</u>

It is not advantageous for Mr. Cheung and Mrs. Cheung to elect Personal Assessment jointly. By election of Personal Assessment jointly, the total tax payable by the couple is increased from \$18,280 to \$63,120.

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

	Mr. Cheung	Mrs. Cheung
	(\$)	(\$)
Salaries Income	600,000	300,000
Assessable Profits	100,000	-
Net Assessable Value	-	<u>40,000</u>
Total income	700,000	340,000
<u>Less: Allowances</u>		
Basic Allowance	132,000	132,000
Child Allowance	<u>240,000</u>	-
Net Chargeable Income	<u>328,000</u>	<u>208,000</u>
Tax thereon	37,760	17,360
<u>Less: 100% Tax Reduction, capped at</u>	<u>10,000</u>	<u>10,000</u>
Tax Payable	<u>27,760</u>	<u>7,360</u>

It is not advantageous for Mr. Cheung to elect Personal Assessment separately as his tax payable will be

increased from \$10,760 to \$27,760. However, it is advantageous for Mrs. Cheung to elect Personal Assessment separately as her tax payable will be reduced from \$7,520 to \$7,360.

For the couple as a whole, the tax savings resulting from the 2021/22 tax reduction will be \$27,500 and their total tax payable will be reduced from \$45,620 to \$18,120.

	Mr. Cheung (\$)	Mrs. Cheung (\$)	Total (\$)
Tax payable before implementation of tax reduction measure	28,260	17,360	45,620
Tax payable after implementation of tax reduction measure	<u>10,760</u>	<u>7,360</u>	<u>18,120</u>
Tax savings	<u>17,500</u>	<u>10,000</u>	<u>27,500</u>