

Examples

Example 1

Mr. Li is single. In the year 2022/23, the salary income of Mr. Li was \$250,000. He had paid qualifying premiums of \$8,000 under a Voluntary Health Insurance Scheme (VHIS) policy and had paid 2022/23 provisional salaries tax of \$3,000.

Before Implementation of Budget Proposals

	2022/23 Final Salaries Tax (\$)	2023/24 Provisional Salaries Tax (\$)	Total Salaries Tax Payable (\$)
Income	250,000	250,000	
<u>Less: VHIS</u>	<u>8,000</u>	<u>8,000</u>	
	242,000	242,000	
<u>Less: Basic Allowance</u>	<u>132,000</u>	<u>132,000</u>	
Net Chargeable Income	<u>110,000</u>	<u>110,000</u>	
Tax charged	5,000	5,000	
<u>Less: 2022/23 Provisional Tax paid</u>	<u>3,000</u>	—	
Balance payable	<u>2,000</u>	<u>5,000</u>	<u>7,000</u>

After Implementation of Budget Proposals

	2022/23 Final Salaries Tax (\$)	2023/24 Provisional Salaries Tax (\$)	Total Salaries Tax Payable (\$)
Income	250,000	250,000	
<u>Less: VHIS</u>	<u>8,000</u>	<u>8,000</u>	
	242,000	242,000	
<u>Less: Basic Allowance</u>	<u>132,000</u>	<u>132,000</u>	
Net Chargeable Income	<u>110,000</u>	<u>110,000</u>	
Tax thereon	5,000		
<u>Less: 100% Tax Reduction</u>	<u>5,000</u>		
Tax charged	0	5,000	
<u>Less: 2022/23 Provisional Tax paid</u>	<u>3,000</u>	—	
Balance payable / (Repayable)	<u>(3,000)</u>	<u>5,000</u>	<u>2,000</u>

Note:

There will be a one-off reduction of 100% of the 2022/23 final salaries tax subject to a ceiling of \$6,000 per case.

The tax savings for Mr. Li resulting from the 2022/23 tax reduction will be \$5,000. His salaries tax bill will be reduced from \$7,000 to \$2,000.

Example 2

Miss Wong is single. Her salary income during the year of assessment 2022/23 was \$400,000. She was eligible to claim the deduction for domestic rents of \$100,000 in respect of a qualifying tenancy for the period from 1 April 2022 to 31 March 2023. She had paid 2022/23 provisional salaries tax of \$10,000.

Before Implementation of Budget Proposals

	2022/23 Final Salaries Tax (\$)	2023/24 Provisional Salaries Tax (\$)	Total Salaries Tax Payable (\$)
Income	400,000	400,000	
<u>Less: Domestic Rents</u>	<u>100,000</u>	<u>100,000</u>	
	300,000	300,000	
<u>Less: Basic Allowance</u>	<u>132,000</u>	<u>132,000</u>	
Net Chargeable Income	<u>168,000</u>	<u>168,000</u>	
Tax charged	11,520	11,520	
<u>Less: 2022/23 Provisional Tax paid</u>	<u>10,000</u>	_____	
Balance payable	<u>1,520</u>	<u>11,520</u>	<u>13,040</u>

After Implementation of Budget Proposals

	2022/23 Final Salaries Tax (\$)	2023/24 Provisional Salaries Tax (\$)	Total Salaries Tax Payable (\$)
Income	400,000	400,000	
<u>Less: Domestic Rents</u>	<u>100,000</u>	<u>100,000</u>	
	300,000	300,000	
<u>Less: Basic Allowance</u>	<u>132,000</u>	<u>132,000</u>	
Net Chargeable Income	<u>168,000</u>	<u>168,000</u>	
Tax thereon	11,520		
<u>Less: 100% Tax Reduction, capped at</u>	<u>6,000</u>		
Tax charged	5,520	11,520	
<u>Less: 2022/23 Provisional Tax paid</u>	<u>10,000</u>	_____	
Balance payable / (Repayable)	<u>(4,480)</u>	<u>11,520</u>	<u>7,040</u>

Note:

There will be a one-off reduction of 100% of the 2022/23 final salaries tax subject to a ceiling of \$6,000 per case.

The total tax savings for Miss Wong resulting from the 2022/23 tax reduction will be \$6,000. Her salaries tax bill will be reduced from \$13,040 to \$7,040.

Example 3

Mr. Au is married. His wife is a housewife. The couple has 2 children, one is 4-year old and the other child is born in September 2023. In the year 2022/23, the salary income of Mr. Au was \$850,000. Mr. Au was eligible to claim deductions for tax deductible MPF voluntary contributions (TVC) of \$30,000. Mr. Au had paid 2022/23 provisional salaries tax of \$9,000.

Before Implementation of Budget Proposals

	2022/23 Final <u>Salaries Tax (\$)</u>	2023/24 Provisional <u>Salaries Tax (\$)</u>	Total Salaries Tax <u>Payable (\$)</u>
Income	850,000	850,000	
<u>Less: TVC</u>	<u>30,000</u>	<u>30,000</u>	
	820,000	820,000	
<u>Less: Married Person's Allowance</u>	264,000	264,000	
Child – Born in the year		240,000	
– Born in other year(s)	<u>120,000</u>	<u>120,000</u>	
Net Chargeable Income	<u>436,000</u>	<u>196,000</u>	
Tax charged	56,120	15,440	
<u>Less: 2022/23 Provisional Tax paid</u>	<u>9,000</u>	_____	
Balance payable	<u>47,120</u>	<u>15,440</u>	<u>62,560</u>

After Implementation of Budget Proposals

	2022/23 Final <u>Salaries Tax (\$)</u>	2023/24 Provisional <u>Salaries Tax (\$)</u>	Total Salaries Tax <u>Payable (\$)</u>
Income	850,000	850,000	
<u>Less: TVC</u>	<u>30,000</u>	<u>30,000</u>	
	820,000	820,000	
<u>Less: Married Person's Allowance</u>	264,000	264,000	
Child – Born in the year		260,000	
– Born in other year(s)	<u>120,000</u>	<u>130,000</u>	
Net Chargeable Income	<u>436,000</u>	<u>166,000</u>	
Tax thereon	56,120		
<u>Less: 100% Tax Reduction, capped at</u>	<u>6,000</u>		
Tax charged	50,120	11,240	
<u>Less: 2022/23 Provisional Tax paid</u>	<u>9,000</u>	_____	
Balance payable	<u>41,120</u>	<u>11,240</u>	<u>52,360</u>

Note:

There will be a one-off reduction of 100% of the 2022/23 final salaries tax subject to a ceiling of \$6,000 per case.

The total tax savings for Mr. Au resulting from the 2022/23 tax reduction and increase of child allowance in 2023/24 will be \$10,200. His salaries tax bill will be reduced from \$62,560 to \$52,360.

Example 4

Mr. Cheng is married with 2 children. The incomes reported in the 2022/23 tax returns of Mr. and Mrs. Cheng are as below. Mr. Cheng was eligible to claim the deduction for domestic rents of \$100,000 in respect of a qualifying tenancy for the period from 1 April 2022 to 31 March 2023. Both Mr. Cheng and Mrs. Cheng elected for personal assessment and they have not paid any provisional tax for 2022/23.

	Mr. Cheng (\$)	Mrs. Cheng (\$)
Salaries Income	500,000	290,000
Profits from sole proprietorship business ["Cheng's Co."]	100,000	-

Before Implementation of Budget Proposals

Salaries Tax

	Mr. Cheng (\$)	Mrs. Cheng (\$)
Income	500,000	290,000
<u>Less: Domestic Rents</u>	<u>100,000</u>	
	400,000	
<u>Less: Basic Allowance</u>	<u>132,000</u>	<u>132,000</u>
Child Allowance	<u>240,000</u>	<u>-</u>
Net Chargeable Income	<u>28,000</u>	<u>158,000</u>
Tax payable	<u>560</u>	<u>10,120</u>

Profits Tax

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

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

Total tax payable under schedular basis

	Mr. Cheng (\$)	Mrs. Cheng (\$)	Total (\$)
Salaries Tax	560	10,120	10,680
Profits Tax	<u>7,500</u>	<u>-</u>	<u>7,500</u>
Total tax payable	<u>8,060</u>	<u>10,120</u>	<u>18,180</u>

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

	Mr. Cheng (\$)	Mrs. Cheng (\$)	Total (\$)
Salaries Income	500,000	290,000	790,000
Assessable Profits	<u>100,000</u>	-	<u>100,000</u>
Total income	600,000	290,000	890,000
<u>Less: Domestic Rents</u>	<u>100,000</u>	-	<u>100,000</u>
	500,000	290,000	790,000
<u>Less: Married Person's Allowance</u>			264,000
Child Allowance			<u>240,000</u>
Net Chargeable Income			<u>286,000</u>
Total tax payable	<u>19,380</u>	<u>11,240</u>	<u>30,620</u>

* It is not advantageous for Mr. Cheng and Mrs. Cheng to elect for personal assessment jointly. By election of Personal Assessment jointly, the total tax payable by the couple increases from \$18,180 to \$30,620.

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

	Mr. Cheng (\$)	Mrs. Cheng (\$)
Salaries Income	500,000	290,000
Assessable Profits	<u>100,000</u>	-
Total income	600,000	290,000
<u>Less: Domestic Rents</u>	<u>100,000</u>	-
	500,000	290,000
<u>Less: Basic Allowance</u>	132,000	132,000
Child Allowance	<u>240,000</u>	-
Net Chargeable Income	<u>128,000</u>	<u>158,000</u>
Tax payable	<u>6,800</u>	<u>10,120</u>

* It is not advantageous for Mrs. Cheng to elect Personal Assessment separately as her tax payable will not be reduced. However, it is advantageous for Mr. Cheng to elect Personal Assessment separately as his tax payable will be reduced from \$8,060 to \$6,800.

After Implementation of Budget Proposals

Salaries Tax

	Mr. Cheng (\$)	Mrs. Cheng (\$)
Income	500,000	290,000
<u>Less: Domestic Rents</u>	<u>100,000</u>	
	400,000	
<u>Less: Basic Allowance</u>	132,000	132,000
Child Allowance	<u>240,000</u>	-
Net Chargeable Income	<u>28,000</u>	<u>158,000</u>
Tax thereon	560	10,120
<u>Less: 100% Tax Reduction, capped at \$6,000</u>	<u>560</u>	<u>6,000</u>
Tax payable	<u>0</u>	<u>4,120</u>

Profits Tax

	Mr. Cheng (\$)
Assessable Profits of Cheng's Co.	100,000
Tax thereon (\$100,000 x 7.5%*)	7,500
<u>Less: 100% Tax Reduction, capped at</u>	<u>6,000</u>
Tax payable	<u>1,500</u>

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

Total tax payable under schedular basis

	Mr. Cheng (\$)	Mrs. Cheng (\$)	Total (\$)
Salaries Tax	0	4,120	4,120
Profits Tax	1,500	-	1,500
Total tax payable	<u>1,500</u>	<u>4,120</u>	<u>5,620</u>

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

	Mr. Cheng (\$)	Mrs. Cheng (\$)	Total (\$)
Salaries Income	500,000	290,000	790,000
Assessable Profits	100,000	-	100,000
Total income	600,000	290,000	890,000
<u>Less: Domestic Rents</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
	500,000	290,000	790,000
<u>Less: Married Person's Allowances</u>			264,000
Child Allowance			240,000
Net Chargeable Income			286,000
Tax Thereon			30,620
<u>Less: 100% Tax Reduction, capped at</u>			<u>6,000</u>
Total tax payable	<u>15,583</u>	<u>9,037</u>	<u>24,620</u>

* It is not advantageous for Mr. Cheng and Mrs. Cheng to elect Personal Assessment jointly. By election of Personal Assessment jointly, the total tax payable by the couple increases from \$5,620 to \$24,620.

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

	Mr. Cheng (\$)	Mrs. Cheng (\$)
Salaries Income	500,000	290,000
Assessable Profits	100,000	-
Total income	600,000	290,000
<u>Less: Domestic Rents</u>	<u>100,000</u>	
	500,000	
<u>Less: Basic Allowance</u>	132,000	132,000
Child Allowance	240,000	-
Net Chargeable Income	128,000	158,000
Tax Thereon	6,800	10,120
<u>Less: 100% Tax Reduction, capped at</u>	<u>6,000</u>	<u>6,000</u>
Tax payable	<u>800</u>	<u>4,120</u>

* It is not advantageous for Mrs. Cheng to elect Personal Assessment separately as her tax payable will not be reduced. However, it is advantageous for Mr. Cheng to elect Personal Assessment separately as his tax payable will be reduced from \$1,500 to \$800.

For the couple as a whole, the tax savings resulting from the 2022/23 tax reduction will be \$12,000 and their total tax payable will be reduced from \$16,920 to \$4,920.

	Mr. Cheng	Mrs. Cheng	Total
	(\$)	(\$)	(\$)
Tax payable before implementation of Budget Proposals	6,800	10,120	16,920
Tax payable after implementation of Budget Proposals	<u>800</u>	<u>4,120</u>	<u>4,920</u>
Tax savings	<u>6,000</u>	<u>6,000</u>	<u>12,000</u>