

## **Tax Information: Property Tax – Obligation to Notify liability to Tax**

### **Example 1 (For property solely owned by an individual person)**

Mr. AU is single and resides in Kowloon City. He is therefore eligible to elect for Personal Assessment and his personal allowance is \$132,000.

He owns a property 100% and received rental income of \$13,700 per month during the 12 months from 1 April 2020 to 31 March 2021. His tenant is responsible for the payment of rates. The “net assessable value” from his property is \$131,520 ( $\$13,700 \times 12 \times 80\%$ ). The rental income is his sole source of income.

*IRD does not issue a tax return*

For the past few years he did not receive any Tax Return – Individuals (BIR60).

*For the year of assessment 2020/21*

As his personal allowance of \$132,000 exceeds the “net assessable value” from his property (\$131,520), he is exempt from tax. He is not required to inform IRD that he has received the rental income.

*For the year of assessment 2021/22*

Mr. AU increases rent to \$31,000 per month. As the personal allowance for the 2021/22 year of assessment remains as \$132,000, the “net assessable value” i.e. \$297,600 ( $\$31,000 \times 12 \times 80\%$ ) exceeds his personal allowance and Mr. AU will become chargeable to tax for that year.

He has to inform the Commissioner in writing that he is liable to tax for the year of assessment 2021/22. He must notify on or before 31 July 2022, unless he receives a tax return (BIR60) from the IRD before that date.

### **Example 2 (For property solely owned by an individual person)**

Ms. CHAN is single and resides in North Point. She is therefore eligible to elect for Personal Assessment and her personal allowance is \$132,000.

During the year of assessment 2021/22 she received rental income of \$258,000 from her solely owned property and paid interest of \$75,000 on a mortgage loan (taken out by her in 2017 to finance the acquisition of that property). The “net assessable value” of her property is \$206,400 ( $\$258,000 \times 80\%$ ). The rental income is her sole source of income.

For the past few years she did not receive any Tax Return – Individuals (BIR60).

As the “net assessable value” for the year of assessment 2021/22 is less than the aggregate of her personal allowance (\$132,000) and mortgage interest (\$75,000), she is exempt from tax under Personal Assessment.

She is not required to inform the Commissioner that she has received rental income.

However, in the next year of assessment, she may be chargeable to tax under Personal Assessment because

- ✧ deduction for mortgage interest may be less than \$75,000,
- ✧ rent may be increased, and/or
- ✧ her personal allowance may be reduced.

For this reason, she should check carefully to see if the aggregate of her personal allowance and mortgage interest deduction still exceeds the “net assessable value” from the property. If exceeded, she does not have to write to the Commissioner. Otherwise, she has to notify chargeability to tax.

### **Example 3 (For property owned by two individual persons or more)**

Mr. Lee and his sister jointly own a property. They had used the property for dwelling for a few years. The property was subsequently let since 1 April 2021. The monthly rent is \$25,000 and the tenant is responsible for the payment of rates. They received rental income \$300,000 during the 12 months from 1 April 2021 to 31 March 2022. The “net assessable value” from the property is \$240,000 ( $\$25,000 \times 12 \times 80\%$ ).

*For the 2021/22 year of assessment*

As the property has been let out during the year of assessment 2021/22, they should inform the Commissioner in writing that they are chargeable to tax for that year of assessment on or before 31 July 2022 unless they received a 2021/22 Property Tax Return (BIR57) from the IRD.