

PROFORMA PROFITS TAX COMPUTATION

File No.: _____

Business Name: _____

Business Registration Number: _____

Year of Assessment : _____ / _____

Cross Reference to
Item No. on Part 5
of BIR60

Item	HK\$	HK\$	
(1) Net Profit / (Loss) per the financial statements/accounts attached from _____ to _____			(A) Item 6

ADDITIONS: Non-deductible expenses charged in the financial statements/accounts: —

- (2) Depreciation not calculated in accordance with the Inland Revenue Ordinance _____
- (3) Remuneration and other benefits accrued to you or your spouse
(e.g. salaries, drawings, messing and interest on capital / loan) _____
- (4) Contributions to Mandatory Provident Fund Scheme (MPFS) for you in excess of the amount allowable under the Inland Revenue Ordinance, and any contributions to MPFS for your spouse _____
- (5) Domestic or private expenses (e.g. life insurance, share of rent, utility, motor car, travelling and entertainment expenses for private or domestic use) _____
- (6) Expenses or losses of a capital nature
(e.g. cost of purchase of capital / fixed assets or loss on disposal) _____
- (7) Other expenses/losses not allowable for tax purposes
(e.g. tax or fine paid/payable and rent accrued to you from the business, please specify) _____

Sub-total of (2) to (7) _____ (B)

Sub-total of (A) and (B) _____ (C)

DEDUCTIONS: Allowable expenses or non-assessable income (exclude approved charitable donations which are to be claimed under Item 8, Part 5 of BIR60): —

- (8) Gains on disposal of capital / fixed assets _____
- (9) Dividend and other non-assessable profits (please specify) _____
- (10) (a) Expenses incurred for purchase of computer hardware and software or prescribed manufacturing plant / machinery _____
- (b) Capital expenditure on environmental protection facilities (applicable from year of assessment 2008/09 onwards) _____
- (c) Depreciation allowance calculation (see example in Note I): —

	10% Pool HK\$	20% Pool HK\$	30% Pool HK\$	Total Allowance HK\$
Reducing value b/f	_____	_____	_____	
Add : New assets acquired	_____	_____	_____	
Less : Initial allowance 60%	_____	_____	_____	(D1)
Less : Disposal proceeds (restricted to cost)	_____	_____	_____	
Less : Annual allowance	_____	_____	_____	(D2)
Reducing value c/f	_____	_____	_____	
Less : Portion for private use	_____	_____	_____	(D3)

Total depreciation allowances on machinery or plant (D1)+(D2)-(D3) = _____

(11) Industrial building allowance (see example in Note II) _____

(12) Commercial building allowance (see example in Note III) _____

Sub-total of (8) to (12) _____ (E)

Assessable Profits / (Adjusted Losses) before charitable donations (C)-(E) _____

Item 7

NOTES AND EXAMPLES

I Depreciation Allowance (item 10(c) of proforma computation)

1. Machinery or plant ranking for depreciation allowances can be classified into 3 groups:—

<i>Qualifies for</i>	<i>Common examples of machinery or plant in each group</i>
10% Annual allowance	• Air-conditioning plant excluding room air-conditioning units
20% Annual allowance	• Furniture (excluding soft furnishings which are allowable on replacement basis) • Room air-conditioning units
30% Annual allowance	• Motor vehicles, lorries, tractors and bicycles • Concrete pipe moulds

2. Example of Depreciation Allowance Calculation

		20% pool	30% pool	Motor car partly for private use 30%	Total Allowance
	\$	\$	\$	\$	\$
Reducing value b/f ⁽¹⁾		6,800	3,300	1,800	
Add : Total new assets acquired	2,000				
Less : Initial allowance 60%	<u>1,200</u> ⁽²⁾	<u>800</u>	<u>0</u>	<u>0</u>	<u>1,200</u>
		7,600	3,300	1,800	
Less : Total disposal proceeds (restricted to cost)		<u>4,600</u>	<u>0</u>	<u>0</u>	
		3,000	3,300	1,800	
Less : Annual allowance		<u>600</u> ⁽³⁾	<u>990</u> ⁽⁴⁾	<u>540</u>	<u>2,130</u>
Reducing value c/f		<u>2,400</u>	<u>2,310</u>	<u>1,260</u>	
					3,330
Less: Portion representing private use of motor car ($\frac{1}{3}$)					<u>180</u> ⁽⁵⁾
					<u>3,150</u>

N.B. (1) For new business, reducing value b/f is zero

(2) Cost of total new assets x 60% (rate of initial allowance) i.e. \$2,000 x 60% = \$1,200

(3) Reducing value x 20% (rate of annual allowance) i.e. \$3,000 x 20% = \$600

(4) Reducing value x 30% (rate of annual allowance) i.e. \$3,300 x 30% = \$990

(5) [Initial allowance and annual allowance of the relevant asset] x portion of private use
i.e. (\$0 + \$540) x $\frac{1}{3}$ = \$180

II Industrial Building Allowance (item 11 of proforma computation)

Example of Industrial Building Allowance Calculation

Location of property _____			Total Allowance
	\$	\$	\$
Reducing value b/f			
Add : Addition of cost of construction	100,000		
Less : Initial allowance 20%	<u>20,000</u> ⁽¹⁾	<u>80,000</u>	20,000
		80,000	
Less : Annual allowance 4%		<u>4,000</u> ⁽²⁾	<u>4,000</u>
Reducing value c/f		<u>76,000</u>	<u>24,000</u>

N.B. (1) Cost of construction x 20% (rate of initial allowance) i.e. \$100,000 x 20% = \$20,000

(2) Cost of construction x 4% (rate of annual allowance) i.e. \$100,000 x 4% = \$4,000

III Commercial Building Allowance (item 12 of proforma computation)

Example of Commercial Building Allowance Calculation

Location of property _____		Total Allowance
	\$	\$
Cost of construction ⁽¹⁾	50,000	
Less : Annual allowance 4%	<u>2,000</u> ⁽²⁾	<u>2,000</u>
Reducing value c/f	<u>48,000</u>	

N.B. (1) For years of assessment 1998/99 onwards, the deemed cost of construction of a building acquired prior to 1998/99 is the capital expenditure incurred on construction less the aggregate of rebuilding allowances previously granted in all prior years.

(2) Cost of construction x 4% (rate of annual allowance is 2% for years of assessment 1997/98 and before).
i.e. \$50,000 x 4% = \$2,000