

From the year of assessment 2018/19, the requirement for the election of Personal Assessment is relaxed by allowing married persons the option to elect Personal Assessment separately. Following examples illustrate how Salaries tax and tax under Personal Assessment are calculated after allowing the option for married persons to elect Personal Assessment separately. Please note that no one-off tax reduction for year of assessment 2018/19 is presumed in the following examples.

Example 1

Mr. Lee is married with 1 child. The incomes and expenses reported in the 2018/19 tax returns of Mr. Lee and Mrs. Lee are listed below. The couple elected for Personal Assessment.

	Mr. Lee	Mrs. Lee
	\$	\$
Salaries	480,000	200,000
Rental income	300,000	300,000
Mortgage interests on rented out property	50,000	50,000
Child Allowance (1 child)	claim	not claim

Before allowing the option for married persons to elect for Personal Assessment separately

Salaries tax

	Mr. Lee	Mrs. Lee
	\$	\$
Income	480,000	200,000
Less: Allowances		
Basic / Married Person's	132,000	132,000
Child	<u>120,000</u>	<u>-</u>
Net chargeable income	<u>228,000</u>	<u>68,000</u>
Tax payable at progressive rates:		
First \$50,000 @2%	1,000	1,000
Next \$50,000 @6%	3,000	1,080
Next \$50,000 @10%	5,000	
Next \$50,000 @14%	7,000	
Remainder \$28,000 @17%	<u>4,760</u>	<u>-</u>
Total tax payable*	<u>20,760</u>	<u>2,080</u>

Property tax

	Mr. Lee	Mrs. Lee	Total
	\$	\$	\$
Net assessable value (\$300,000x80%)	240,000	240,000	480,000
Tax payable	<u>36,000</u>	<u>36,000</u>	<u>72,000</u>

Total tax payable under schedular basis

	Mr. Lee	Mrs. Lee	Total
	\$	\$	\$
Salaries tax	20,760	2,080	22,840
Property tax	<u>36,000</u>	<u>36,000</u>	<u>72,000</u>

56,760 38,080 94,840

Personal Assessment elected jointly

	Mr. Lee	Mrs. Lee	Total
	\$	\$	\$
Salaries income	480,000	200,000	680,000
Net assessable value (\$300,000 x 80%)	<u>240,000</u>	<u>240,000</u>	<u>480,000</u>
Total income	720,000	440,000	1,160,000
Less:			
Interest payable on property let	<u>50,000</u>	<u>50,000</u>	<u>100,000</u>
Reduced total income	670,000	390,000	1,060,000
Less: Allowances			
Married Person's			264,000
Child			<u>120,000</u>
Net chargeable income			<u>676,000</u>
Tax payable at progressive rates:			
First \$50,000 @ 2%			1,000
Next \$50,000 @ 6%			3,000
Next \$50,000 @ 10%			5,000
Next \$50,000 @ 14%			7,000
Remainder \$476,000 @ 17%			<u>80,920</u>
Total tax payable	<u>61,261</u>	<u>35,659</u>	<u>96,920</u>

* It is not advantageous for Mr. Lee and Mrs. Lee to elect Personal Assessment.

After allowing the option for married persons to elect for Personal Assessment separately

Salaries tax

	Mr. Lee	Mrs. Lee
	\$	\$
Income	480,000	200,000
Less: Allowances		
Basic	132,000	132,000
Child	<u>120,000</u>	<u>-</u>
Net chargeable income	<u>228,000</u>	<u>68,000</u>
Tax payable at progressive rates:		
First \$50,000 @ 2%	1,000	1,000
Next \$50,000 @ 6%	3,000	1,080
Next \$50,000 @ 10%	5,000	
Next \$50,000 @ 14%	7,000	
Remainder \$28,000 @ 17%	<u>4,760</u>	
Total tax payable	<u>20,760</u>	<u>2,080</u>

Property tax

	Mr. Lee	Mrs. Lee
	\$	\$
Net assessable value (\$300,000 x 80%)	240,000	240,000
Tax payable	<u>36,000</u>	<u>36,000</u>

Total tax payable under schedular basis

	Mr. Lee	Mrs. Lee
	\$	\$
Salaries tax	20,760	2,080
Property tax	<u>36,000</u>	<u>36,000</u>
	<u>56,760</u>	<u>38,080</u>

Mr. Lee and Mrs. Lee elected Personal Assessment separately

	Mr. Lee	Mrs. Lee
	\$	\$
Salaries income	480,000	200,000
Net assessable value (\$300,000 x 80%)	<u>240,000</u>	<u>240,000</u>
Total income	720,000	440,000
Less:		
Interest payable on property let	50,000	50,000
Less: Allowances		
Basic	132,000	132,000
Child	<u>120,000</u>	<u>-</u>
Net chargeable income	<u>418,000</u>	<u>258,000</u>
Tax payable at progressive rates:		
First \$50,000 @2%	1,000	1,000
Next \$50,000 @6%	3,000	3,000
Next \$50,000 @10%	5,000	5,000
Next \$50,000 @14%	7,000	7,000
Remainder \$218,000 @17%	37,060	
Remainder \$58,000 @17%	<u> </u>	<u>9,860</u>
Total tax payable	<u>53,060</u>	<u>25,860</u>

* It is advantageous for Mr. Lee and Mrs. Lee to elect Personal Assessment separately.

Tax position of Mr. Lee and Mrs. Lee before and after the relaxation of the requirement for married persons to elect Personal Assessment:

<u>Total Tax Payable</u>	Mr. Lee	Mrs. Lee	Total
	\$	\$	\$
Before allowing the option for married persons to elect for Personal Assessment separately	56,760	38,080	94,840 ¹
After allowing the option for married persons to elect for Personal Assessment separately	53,060 ²	25,860 ³	78,920
Tax savings	<u>3,700</u>	<u>12,220</u>	<u>15,920</u>

¹ Tax Payable under schedular tax.

² Tax Payable under Personal Assessment elected by Mr. Lee separately.

³ Tax Payable under Personal Assessment elected by Mrs. Lee separately.

Example 2

Mr. Cheung is married with 2 children. The incomes reported in the 2018/19 tax returns of Mr. Cheung and Mrs. Cheung are listed below.

	Mr. Cheung	Mrs. Cheung
	\$	\$
Salaries	300,000	-
Rental income	437,500	437,500
Child Allowance (2 children)	claim	not claim

Before allowing the option for married persons to elect for Personal Assessment separately

Salaries tax payable of Mr. Cheung

	\$	\$
Income		300,000
Less: Allowances		
Married Person's	264,000	
Child	<u>240,000</u>	<u>504,000</u>
Net chargeable income		<u>0</u>
Tax payable		<u>0</u>

Property tax

	Mr. Cheung	Mrs. Cheung	Total
	\$	\$	\$
Net assessable value (\$437,500 x 80%)	350,000	350,000	700,000
Tax payable	<u>52,500</u>	<u>52,500</u>	<u>105,000</u>

Total tax payable under schedular basis

	Mr. Cheung	Mrs. Cheung	Total
	\$	\$	\$
Salaries tax	0	-	0
Property tax	<u>52,500</u>	<u>52,500</u>	<u>105,000</u>
	<u>52,500</u>	<u>52,500</u>	<u>105,000</u>

Personal Assessment elected jointly

	Mr. Cheung	Mrs. Cheung	Total
	\$	\$	\$
Salaries income	300,000	-	300,000
Net assessable value (\$437,500 x 80%)	<u>350,000</u>	<u>350,000</u>	<u>700,000</u>
Total income	650,000	350,000	1,000,000
Less: Allowances			
Married Person's			264,000
Child			<u>240,000</u>
Net chargeable income			<u>496,000</u>
Tax payable at progressive rates			
First \$50,000 @2%			1,000
Next \$50,000 @6%			3,000

Next \$50,000	@10%		5,000
Next \$50,000	@14%		7,000
Remainder \$296,000	@17%		<u>50,320</u>
Total tax payable		<u>43,108</u>	<u>23,212</u>

* It is advantageous for Mr. Cheung and Mrs. Cheung to elect Personal Assessment. By election of Personal Assessment, the total tax payable by the couple is reduced from \$105,000 to \$66,320.

After allowing the option for married persons to elect for Personal Assessment separately

Salaries tax payable of Mr. Cheung

		\$	\$
Income			300,000
Less: Allowances			
Married Person's ^{Note 1}		264,000	
Child		<u>240,000</u>	<u>504,000</u>
Net chargeable income			<u>0</u>
Tax payable			<u>0</u>

Property tax

	Mr. Cheung	Mrs. Cheung
	\$	\$
Net assessable value (\$437,500 x 80%)	350,000	350,000
Tax payable	<u>52,500</u>	<u>52,500</u>

Total tax payable under schedular basis

	Mr. Cheung	Mrs. Cheung
	\$	\$
Salaries tax	0	-
Property tax	<u>52,500</u>	<u>52,500</u>
	<u>52,500</u>	<u>52,500</u>

Only Mr. Cheung elected Personal Assessment separately

		Mr. Cheung
		\$
Salaries income		300,000
Net assessable value (\$437,500 x 80%)		<u>350,000</u>
Total income		650,000
Less: Allowances		
Married Person's ^{Note 1}		264,000
Child		<u>240,000</u>
Net chargeable income		<u>146,000</u>
Tax payable at progressive rates		
First \$50,000	@2%	1,000
Next \$50,000	@6%	3,000
Remainder \$46,000	@10%	<u>4,600</u>
Total tax payable		<u>8,600</u>

* It is advantageous for Mr. Cheung to elect Personal Assessment separately. By election of

Personal Assessment, the total tax payable by Mr. Cheung is reduced from \$52,500 to \$8,600.

Note 1 Under section 29(1)(b) of the Inland Revenue Ordinance, Married Person's Allowance can be allowed to a taxpayer if his/her spouse did not have any assessable income and has not elected for Personal Assessment for the year of assessment. In the above example, Married Person's Allowance is allowed to Mr. Cheung under salaries tax assessment and Personal Assessment as Mrs. Cheung does not have any assessable income and does not elect for Personal Assessment.

Tax position of Mr. Cheung and Mrs. Cheung before and after the relaxation of the requirement for married persons to elect for Personal Assessment:

<u>Total tax payable</u>	Mr. Cheung \$	Mrs. Cheung \$	Total \$
Before allowing the option for married persons to elect for Personal Assessment separately	43,108	23,212	66,320 ¹
After allowing the option for married persons to elect for Personal Assessment separately	<u>8,600²</u>	<u>52,500³</u>	<u>61,100</u>
Tax savings/(Additional amount of tax)	<u>34,508</u>	<u>(29,288)</u>	<u>5,220</u>

Although tax payable by Mrs. Cheung is increased from \$23,212 to \$52,500, the overall tax payable by the couple is reduced from \$66,320 to \$61,100.

¹ Tax Payable under Personal Assessment elected by Mr. Cheung and Mrs. Cheung jointly.

² Tax Payable under Personal Assessment elected by Mr. Cheung separately.

³ Property Tax Payable by Mrs. Cheung.

Example 3

Mr. Ho is married with 1 child. The incomes and expenses reported in the 2018/19 tax returns of Mr. Ho and Mrs. Ho are listed below. The couple elected for Personal Assessment.

	Mr. Ho	Mrs. Ho
	\$	\$
Salaries	350,000	80,000
Rental income	100,000	212,500
Business loss from sole proprietorship	-	120,000
Home loan interest	50,000	not claim
Child Allowance (1 child)	claim	not claim

Before allowing the option for married persons to elect for Personal Assessment separately

Salaries tax

	Mr. Ho	Mrs. Ho	Joint Assessment
	\$	\$	\$
Income	350,000	80,000	430,000
Less:			
Home loan interest	50,000	-	50,000
Less: Allowances			
Basic/Married Person's	132,000	132,000	264,000
Child	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Net chargeable income	<u>48,000</u>	<u>0</u>	<u>0</u>
Tax payable at progressive rates			
First \$48,000 @2%	<u>960</u>	<u>0</u>	<u>0</u>
Total tax payable	<u>960</u>	<u>0</u>	<u>0</u>

* It is advantageous for Mr. Ho and Mrs. Ho to elect joint assessment.

Property tax

	Mr. Ho	Mrs. Ho	Total
	\$	\$	\$
Net assessable value (Rental income x80%)	80,000	170,000	250,000
Tax payable	<u>12,000</u>	<u>25,500</u>	<u>37,500</u>

Total tax payable under schedular basis

	Mr. Ho	Mrs. Ho	Total
	\$	\$	\$
Salaries tax	0	0	0
Property tax	<u>12,000</u>	<u>25,500</u>	<u>37,500</u>
	<u>12,000</u>	<u>25,500</u>	<u>37,500</u>

Personal Assessment elected jointly

	Mr. Ho	Mrs. Ho	Total
	\$	\$	\$
Salaries income	350,000	80,000	430,000
Net assessable value (Rental income x 80%)	<u>80,000</u>	<u>170,000</u>	<u>250,000</u>
Total income	430,000	250,000	680,000
Less:			
Business loss from sole proprietorship	-	120,000	120,000
Home loan interest	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Reduced total income	380,000	130,000	510,000
Less: Allowances			
Married Person's			264,000
Child			<u>120,000</u>
Net chargeable income			<u>126,000</u>
Tax payable at progressive rates			
First \$50,000 @ 2%			1,000
First \$50,000 @ 6%			3,000
First \$26,000 @ 10%			<u>2,600</u>
Total tax payable	<u>4,918</u>	<u>1,682</u>	<u>6,600</u>

* It is advantageous for Mr. Ho and Mrs. Ho to elect Personal Assessment. By election of Personal Assessment, the total tax payable by the couple is reduced from \$37,500 to \$6,600.

After allowing the option for married persons to elect for Personal Assessment separately

Salaries tax ^(Note 2)

	Mr. Ho	Mrs. Ho
	\$	\$
Income	350,000	80,000
Less:		
Home loan interest	50,000	-
Less: Allowances		
Basic/Married Person's	132,000	132,000
Child	<u>120,000</u>	<u>-</u>
Net chargeable income	<u>48,000</u>	<u>0</u>
Tax payable at progressive rates		
First \$48,000 @ 2%	<u>960</u>	<u>0</u>
Total tax payable	<u>960</u>	<u>0</u>

Property tax

	Mr. Ho	Mrs. Ho
	\$	\$
Net assessable value (Rental income x80%)	80,000	170,000
Tax payable	<u>12,000</u>	<u>25,500</u>

Total tax payable under schedular basis

	Mr. Ho	Mrs. Ho
	\$	\$
Salaries tax	960	0
Property tax	<u>12,000</u>	<u>25,500</u>
	<u>12,960</u>	<u>25,500</u>

Mr. Ho and Mrs Ho elected Personal Assessment separately

	Mr. Ho	Mrs. Ho
	\$	\$
Salaries income	350,000	80,000
Net assessable value (Rental income x 80%)	<u>80,000</u>	<u>170,000</u>
Total income	430,000	250,000
Less:		
Business loss from sole proprietorship		120,000
Home loan interest	<u>50,000</u>	<u>-</u>
Reduced total income	380,000	130,000
Less: Allowances		
Basic	132,000	132,000
Child	<u>120,000</u>	<u>-</u>
Net chargeable income	<u>128,000</u>	<u>0</u>
Tax payable at progressive rates		
First \$50,000 @2%	1,000	
Next \$50,000 @6%	3,000	
Remainder \$28,000 @10%	<u>2,800</u>	<u>-</u>
Total tax payable	<u>6,800</u>	<u>0</u>

* It is advantageous for Mr. Ho and Mrs. Ho to elect Personal Assessment separately.

Note 2 Under section 41(1B) of Inland Revenue Ordinance, if an individual or the individual's spouse is chargeable to Salaries tax under section 10(3) (i.e. joint assessment), the individual and his/her spouse may not make an election for Personal Assessment separately.

Tax position of Mr. Ho and Mrs. Ho under joint Personal Assessment and separate Personal Assessment:			
<u>Total Tax Payable</u>	Mr. Ho	Mrs. Ho	Total
	\$	\$	\$
Joint Personal Assessment	4,918	1,682	6,600
Separate Personal Assessment	<u>6,800</u>	<u>0</u>	<u>6,800</u>
Tax savings/(Additional amount of tax)	<u>(1,882)</u>	<u>1,682</u>	<u>(200)</u>

For the couple as a whole, total tax payable will be increased from \$6,600 to \$6,800 if they elect Personal Assessment separately. However, for Mrs. Ho, her tax payable will be reduced from \$1,682 to \$0 if she elected Personal Assessment separately.

Example 4

Mr. Chan is married. The incomes and expenses reported in the 2018/19 tax returns of Mr. Chan and Mrs. Chan are listed below. The couple elected for Personal Assessment.

	Mr. Chan	Mrs. Chan
	\$	\$
Salaries	700,000	-
Rental income	125,000	800,000
Mortgage interests on rented out property	-	200,000
Loss brought forward from previous years under Personal Assessment	-	400,000

Before allowing the option for married persons to elect for Personal Assessment separately

Salaries tax payable of Mr. Chan

Income		\$	700,000
Less: Allowances			
Married Person's			<u>264,000</u>
Net chargeable income			<u>436,000</u>
Tax payable at progressive rates			
First \$50,000	@2%		1,000
Next \$50,000	@6%		3,000
Next \$50,000	@10%		5,000
Next \$50,000	@14%		7,000
Remainder \$236,000	@17%		<u>40,120</u>
Total tax payable			<u><u>56,120</u></u>

Property tax

	Mr. Chan	Mrs. Chan	Total
	\$	\$	\$
Net assessable value (Rental income x 80%)	100,000	640,000	740,000
Tax payable	<u>15,000</u>	<u>96,000</u>	<u>111,000</u>

Total tax payable under schedular basis

	Mr. Chan	Mrs. Chan	Total
	\$	\$	\$
Salaries tax	56,120	-	56,120
Property tax	<u>15,000</u>	<u>96,000</u>	<u>111,000</u>
	<u>71,120</u>	<u>96,000</u>	<u>167,120</u>

Personal Assessment elected jointly

	Mr. Chan	Mrs. Chan	Total
	\$	\$	\$
Salaries income	700,000	-	700,000
Net assessable value (Rental income x 80%)	<u>100,000</u>	<u>640,000</u>	<u>740,000</u>
Total income	800,000	640,000	1,440,000
Less: Interest payable on property let	<u>-</u>	<u>200,000</u>	<u>200,000</u>
	800,000	440,000	1,240,000

Less: Loss brought forward	-	400,000	400,000
Reduced total income	<u>800,000</u>	<u>40,000</u>	840,000
Less: Allowances			
Married Person's			<u>264,000</u>
Net chargeable income			<u>576,000</u>
Tax payable at progressive rates			
First \$50,000	@2%		1,000
Next \$50,000	@6%		3,000
Next \$50,000	@10%		5,000
Next \$50,000	@14%		7,000
Remainder \$376,000	@17%		<u>63,920</u>
Total tax payable		<u><u>76,115</u></u>	<u><u>3,805</u></u>

* It is advantageous for Mr. Chan and Mrs. Chan to elect Personal Assessment. By election of Personal Assessment, the total tax payable by the couple is reduced from \$167,120 to \$79,920.

After allowing the option for married persons to elect for Personal Assessment separately

Salaries tax payable of Mr. Chan

		\$
Income		700,000
Less: Allowances		
Basic ^{Note 3}		<u>132,000</u>
Net chargeable income		<u>568,000</u>
Tax payable at progressive rates		
First \$50,000	@2%	1,000
Next \$50,000	@6%	3,000
Next \$50,000	@10%	5,000
Next \$50,000	@14%	7,000
Remainder \$368,000	@17%	<u>62,560</u>
Tax payable		<u><u>78,560</u></u>

Property tax

	Mr. Chan	Mrs. Chan
	\$	\$
Net assessable value (Rental income x 80%)	100,000	640,000
Tax payable	<u>15,000</u>	<u>96,000</u>

Total tax payable under schedular basis

	Mr. Chan	Mrs. Chan
	\$	\$
Salaries tax	78,560	-
Property tax	<u>15,000</u>	<u>96,000</u>
	<u><u>93,560</u></u>	<u><u>96,000</u></u>

Mr. Chan and Mrs. Chan elected Personal Assessment separately

	Mr. Chan	Mrs. Chan
	\$	\$
Salaries income	700,000	-
Net assessable value (Rental income x 80%)	<u>100,000</u>	<u>640,000</u>
Total income	800,000	640,000
Less: Interest payable on property let	<u>-</u>	<u>200,000</u>
	800,000	440,000
Less: Loss brought forward	<u>-</u>	<u>400,000</u>
Reduced total income	800,000	40,000
Less: Allowances		
Basic	<u>132,000</u>	<u>132,000</u>
Net chargeable income	<u>668,000</u>	<u>0</u>
Tax payable at progressive rates		
First \$50,000 @2%	1,000	
Next \$50,000 @6%	3,000	
Next \$50,000 @10%	5,000	
Next \$50,000 @14%	7,000	
Remainder \$468,000 @17%	<u>79,560</u>	
Total tax payable	<u>95,560</u>	<u>0</u>

* It is not advantageous for Mr. Chan to elect Personal Assessment separately. However, it is advantageous for Mrs. Chan to elect Personal Assessment separately.

Note³ Under section 29(1)(b) of the Inland Revenue Ordinance, Married Person's Allowance can be allowed to a taxpayer if his/her spouse does not have any assessable income and has not elected for Personal Assessment for the year of assessment. Since Mrs. Chan has elected for Personal Assessment separately, Married Person's allowance will not be granted to Mr. Chan.

Tax position of Mr. Chan and Mrs. Chan before and after the relaxation of the requirement for married persons to elect for Personal Assessment:

<u>Total tax payable</u>	Mr. Chan	Mrs. Chan	Total
	\$	\$	\$
Before allowing the option for married persons to elect for Personal Assessment separately	76,115	3,805	79,920 ¹
After allowing the option for married persons to elect for Personal Assessment separately	<u>93,560²</u>	<u>0³</u>	<u>93,560</u>
Tax savings/(Additional amount of tax)	<u>(17,445)</u>	<u>3,805</u>	<u>(13,640)</u>

If Mrs. Chan elects for Personal Assessment separately, her tax payable will be reduced from \$3,805 to zero. However, Mr. Chan's tax payable will be increased from \$76,115 to \$93,560.

¹ Tax Payable under Personal Assessment elected by Mr. Chan and Mrs. Chan jointly.

² Total Tax Payable under schedular basis by Mr. Chan.

³ Tax Payable under Personal Assessment elected by Mrs. Chan separately.

Example 5

Mr. Wong is married. The incomes and expenses reported in the 2018/19 tax returns of Mr. Wong and Mrs. Wong are listed below. The couple elected for Personal Assessment.

	Mr. Wong	Mrs. Wong
	\$	\$
Salaries	250,000	180,000
Rental income	-	100,000
Profits from sole proprietorship business [A Co.]	100,000	-

Before allowing the option for married persons to elect for Personal Assessment separately

Salaries tax

	Mr. Wong	Mrs. Wong
	\$	\$
Income	250,000	180,000
Less: Allowances		
Basic/Married Person's	<u>132,000</u>	<u>132,000</u>
Net chargeable income	<u>118,000</u>	<u>48,000</u>
Tax payable at progressive rates		
First \$50,000 @2%	1,000	960
Next \$50,000 @6%	3,000	
Remainder \$18,000 @10%	<u>1,800</u>	
Total tax payable	<u>5,800</u>	<u>960</u>

Profits tax payable of Mr. Wong

Assessable profits of A Co.		\$	100,000
Tax payable @7.5% *			<u>7,500</u>

* Since A 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 payable of Mrs. Wong

Net assessable value (\$100,000 x 80%)		\$	80,000
Tax payable			<u>12,000</u>

Total tax payable under schedular basis

	Mr. Wong	Mrs. Wong	Total
	\$	\$	\$
Salaries tax	5,800	960	6,760
Profits tax	7,500	-	7,500
Property tax	-	<u>12,000</u>	<u>12,000</u>
	<u>13,300</u>	<u>12,960</u>	<u>26,260</u>

Personal Assessment elected jointly

	Mr. Wong	Mrs. Wong	Total
	\$	\$	\$
Salaries income	250,000	180,000	430,000
Business profits	100,000	-	100,000
Net assessable value (\$100,000 x 80%)	<u>-</u>	<u>80,000</u>	<u>80,000</u>
Total income	350,000	260,000	610,000
Less: Allowances			
Married Person's			<u>264,000</u>
Net chargeable income			<u>346,000</u>
Tax payable at progressive rates			
First \$50,000 @2%			1,000
Next \$50,000 @6%			3,000
Next \$50,000 @10%			5,000
Next \$50,000 @14%			7,000
Remainder \$146,000 @17%			<u>24,820</u>
Total tax payable	<u>23,422</u>	<u>17,398</u>	<u>40,820</u>

* It is not advantageous for Mr. Wong and Mrs. Wong to elect Personal Assessment. By election of Personal Assessment, the total tax payable by the couple is increased from \$26,260 to \$40,820.

After allowing the option for married persons to elect for Personal Assessment separately

Salaries tax

	Mr. Wong	Mrs. Wong
	\$	\$
Income	250,000	180,000
Less: Allowances		
Basic	<u>132,000</u>	<u>132,000</u>
Net chargeable income	<u>118,000</u>	<u>48,000</u>
Tax payable at progressive rates:		
First \$50,000 @2%	1,000	960
Next \$50,000 @6%	3,000	
Remainder \$18,000 @10%	<u>1,800</u>	
Total tax payable	<u>5,800</u>	<u>960</u>

Profits tax payable of Mr. Wong

Assessable profits of A Co.		\$ 100,000
Tax payable @7.5% *		<u>7,500</u>

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

<u>Property tax payable of Mrs. Wong</u>	\$
Net assessable value (\$100,000 x 80%)	80,000
Tax payable	<u>12,000</u>

Total tax payable under schedular basis

	Mr. Wong	Mrs. Wong
	\$	\$
Salaries tax	5,800	960
Profits tax	7,500	-
Property tax	<u>-</u>	<u>12,000</u>
	<u>13,300</u>	<u>12,960</u>

Mr. Wong and Mrs. Wong elected Personal Assessment separately

	Mr. Wong	Mrs. Wong
	\$	\$
Salaries income	250,000	180,000
Assessable profits	100,000	
Net assessable value (\$100,000 x 80%)		<u>80,000</u>
Total income	<u>350,000</u>	<u>260,000</u>
Less: Allowances		
Basic	<u>132,000</u>	<u>132,000</u>
Net chargeable income	<u>218,000</u>	<u>128,000</u>
Tax payable at progressive rates:		
First \$50,000 @ 2%	1,000	1,000
Next \$50,000 @ 6%	3,000	3,000
Next \$50,000 @ 10%	5,000	2,800
Next \$50,000 @ 14%	7,000	
Remainder \$18,000 @ 17%	<u>3,060</u>	
Total tax payable	<u>19,060</u>	<u>6,800</u>

* It is not advantageous for Mr. Wong to elect Personal Assessment separately. However, it is advantageous for Mrs. Wong to elect Personal Assessment separately.

Tax position of Mr. Wong and Mrs. Wong before and after the relaxation of the requirement for married persons to elect Personal Assessment:

<u>Total Tax Payable</u>	Mr. Wong	Mrs. Wong	Total
	\$	\$	\$
Before allowing the option for married persons to elect for Personal Assessment separately	13,300	12,960	26,260 ¹
After allowing the option for married persons to elect for Personal Assessment separately	13,300 ²	6,800 ³	20,100
Tax savings	<u>0</u>	<u>6,160</u>	<u>6,160</u>

If Mrs. Wong elects for Personal Assessment separately, her tax payable will be reduced from \$12,960 to \$6,800. However, there is no change on Mr. Chan's tax payable after allowing the option for married persons to elect for Personal Assessment separately.

¹ Tax Payable under scheduler tax.

² Total Tax Payable under scheduler basis by Mr. Wong.

³ Tax Payable under Personal Assessment elected by Mrs. Wong separately.