



PORTCULLIS NEWS

MCI (P) 013/06/2017

9 March 2018

HONG KONG TAX UPDATES – 2018/19 BUDGET ANNOUNCED BY FINANCIAL SECRETARY

The Hong Kong Financial Secretary announced his 2018/19 budget on 28 February 2018. We are pleased to share with you some key points:-

1. Reduce profits tax, salaries tax and tax under personal assessment for the year of assessment 2017/18 by 75%, capped at HK\$30,000

Ceiling of HK\$30,000 is applied to the tax reduction. As shown in the Profits Tax scenario analysis below, Example 2 illustrates if a company generates net assessable profits of HK\$242,435 for the year of assessment 2017/18, it will be able to fully utilize the tax reduction.

(ignore cents) in HKD	Example 1	Example 2	Example 3	
Net assessable profits (after set off with tax loss brought forward)	242,436	242,435	242,424	A
Tax at prevailing rate of 16.5%	40,002	40,001	39,999	$B = A * 16.5\%$
Tax reduction calculated at 75%	30,001	30,000	29,999	$C1 = B * 75\%$
Tax reduction capped at HK\$30,000	30,000			C2
Tax payable after tax reduction	10,002	10,001	10,000	B – the lower of C1 and C2
Analysis results	Not fully enjoy 75% tax reduction due to the ceiling of HK\$30,000	Fully utilize tax reduction	Not fully utilize tax reduction of HK\$30,000	



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2. Widen the marginal bands and adjust the marginal tax rates for salaries tax for the year of assessment 2018/19

From the table below, if an individual taxpayer having net chargeable income covering all the marginal bands (i.e. exceed HK\$200,000) for the year of assessment 2018/19, his tax saving will be at least HK\$6,550 (being HK\$16,000 - HK\$9,450).

2017/18			2018/19		
Net chargeable income	%	Tax thereon	Net chargeable income	%	Tax thereon
45,000	2	900	50,000	2	1,000
45,000	7	3,150	50,000	6	3,000
45,000	12	5,400	50,000	10	5,000
135,000		9,450	50,000	14	7,000
			200,000		16,000
Remaining	17		Remaining	17	

* Net chargeable income = Assessable income after deductions and allowances

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