Tax Assessment

How Salaries Tax is computed

- Salary Tax payable is calculated at progressive rates on your net CHARGEABLE income or at standard rate on your net income, whichever is lower.

- Net CHARGEABLE Income = Total Income - Deductions – Allowances

- Net Income = Total Income – Deductions

- Use the link below:

https://www.ird.gov.hk/eng/ese/st_comp_2018_19/stcfrm.htm

Personal Allowances

Allowances for individuals		2014-2015 HKD	2015-2016 HKD	2016-2017 HKD	2017-2018 HKD	2018-2019 HKD	2019-2020 HKD	2020-2021 HKD
Personal allowances	Basic	120,000	120,000	132,000	132,000	132,000	132,000	132,000
	Married	240,000	240,000	264,000	264,000	264,000	264,000	264,000
	Single parent	120,000	120,000	132,000	132,000	132,000	132,000	132,000
	Disabled	-	-	-	-	75,000	75,000	75,000

Tax Bracket

Tax rates

The tax charge for Salaries Tax is the lower of the:

(a) Net assessable income less charitable donations and allowable deductions at the standard rate (15%); or

(b) Net assessable income less charitable donations, allowable deductions and personal allowances, charged at the progressive rates below.

2013-14 to 2016-17	Rate	HKD	2017-2018	Rate	HKD	2018-19 to 2020-21	Rate	HKD
First HKD 40,000	2%	800	First HKD 45,000	2%	900	First HKD 50,000	2%	1,000
Next HKD 40,000	7%	2,800	Next HKD 45,000	7%	3,150	Next HKD 50,000	6%	3,000
Next HKD 40,000	12%	4,800	Next HKD 45,000	12%	5,400	Next HKD 50,000	10%	5,000
						Next HKD 50,000	14%	7,000
Remaining balance	17%			17%			17%	

Example: 2018/19 Tax Bracket

	Net chargeable Income	Rate	Tax
	$		$
On the First	50,000	2%	1,000
On the Next	50,000	6%	3,000
	100,000		4,000
On the Next	50,000	10%	5,000
	150,000		9,000
On the Next	50,000	14%	7,000
	200,000		16,000
Remainder		17%	

Standard Tax Rate

Year of Assessment	Tax Rate
2012/13 onwards#	15%

Annual Income Levels at Which Salaries Tax Payers Approach the Standard Rate Zone

	Year of Assessment			
	2018/19 $	2017/18 $	2016/17 $	2015/16 $
Single	2,022,000	1,797,000	1,722,000	1,620,000
Married	3,144,000	2,919,000	2,844,000	2,640,000
Married + 1 child^	4,164,000	3,769,000	3,694,000	3,490,000
Married + 2 children^	5,184,000	4,619,000	4,544,000	4,340,000
Married + 3 children^	6,204,000	5,469,000	5,394,000	5,190,000

Tax Reduction

* Legislative amendments are required for implementing the tax measures as proposed by the Financial Secretary in the 2020-21 Budget.

Year of Assessment	% of Tax Reduction	Maximum Per Case ($)	Applicable Tax Types
2012/13 & 2013/14	75%	10,000	profits tax, salaries tax and tax under personal assessment
2014/15 to 2016/17	75%	20,000	profits tax, salaries tax and tax under personal assessment
2017/18	75%	30,000	profits tax, salaries tax and tax under personal assessment
2018/19*	75%	20,000	profits tax, salaries tax and tax under personal assessment
2020/21	100%	20,000	profits tax, salaries tax and tax under personal assessment

Mandatory Contribution

Monthly relevant income	Amount of mandatory contributions	
	Employer's contributions	Employee's contributions
Less than $7,100	Relevant income × 5%	Not required
$7,100 to $30,000	Relevant income × 5%	Relevant income × 5%
More than $30,000	$1,500	$1,500

So MPF Maximum contribution per YEAR is $1,500 x 12 = $18,000

Deductions – maximum limit	2014-2015 HKD	2015-2016 HKD	2016-2017 HKD	2017-2018 HKD	2018-2019 HKD	2019-2020 HKD	2020-2021 HKD
Self-education expenses	80,000	80,000	80,000	100,000	100,000	100,000	100,000
Elderly residential care expenses	80,000	80,000	92,000	92,000	100,000	100,000	100,000
Mandatory contributions to recognised retirement schemes	17,500	18,000	18,000	18,000	18,000	18,000	18,000

Test Cases

Husband's Net Chargeable Income (that is, after deducting MPF contribution and personal allowance)
0 to 50000
50,001 to 100,000
100,001 to 150,000
150,001 to 200,000
Over 200000 to Standard Rate Threshold
> Standard Rate Threshold

Wife's Net Chargeable Income (that is, after deducting MPF contribution and personal allowance)
0 to 50000
50,001 to 100,000
100,001 to 150,000
150,001 to 200,000
Over 200000 to Standard Rate Threshold
> Standard Rate Threshold