

Bills Committee on Inland Revenue (Amendment) Bill 2014

The Administration's Responses to Matters Arising from the Meeting held on 27 May 2014

This paper sets out the Administration's responses to the matters raised at the meeting on 27 May 2014, covering -

- (a) information on overseas jurisdictions in respect of their adoption of joint assessment arrangements for taxpayers similar to those provided for married couples under salaries tax in Hong Kong; and
- (b) the respective numbers and percentages of taxpayers in past years -
 - (i) who elected joint assessment under salaries tax;
 - (ii) who actually benefited from reduced tax liability as a result of the election of joint assessment;
 - (iii) who elected personal assessment; and
 - (iv) who actually benefited from reduced tax liability as a result of the election of personal assessment.

Joint Assessment for Married Persons in Hong Kong

2. Under salaries tax, a married person is responsible for all aspects of his or her own tax affairs including lodgement of returns and payment of tax assessed. However, if the aggregate salaries tax of a married couple under separate assessments is greater than it would have otherwise been when they are jointly assessed, they may elect joint assessment. In other words, all married couples with joint assessments raised receive tax benefits.

3. The numbers and percentages of salaries tax payers who elected and benefited from joint assessment for the years of assessment 2010/11 to 2012/13 are tabulated below -

Year of Assessment	2010/11	2011/12	2012/13
Number of taxpayers who elected and benefited from joint assessment	267 360	286 956	318 766
As a percentage of the total number of individuals subject to salaries tax	11.7%	11.8%	12.7%

Personal Assessment in Hong Kong

4. Personal assessment provides a means whereby an individual can elect to be assessed on his or her total income from three taxable sources: profits from trade, income from employment and rentals from properties. The individual can claim deduction of business losses, deduction of interest incurred to produce rental income, as well as concessionary deductions and personal allowances under salaries tax. Progressive rates under salaries tax are also applicable to personal assessment.

5. The numbers and percentages of taxpayers who elected and benefited from personal assessment for the years of assessment 2010/11 to 2012/13 are tabulated below -

Year of Assessment	2010/11	2011/12	2012/13
Number of taxpayers who elected and benefited from personal assessment	291 522	299 206	321 994
As a percentage of the total number of individuals subject to profits tax, salaries tax and property tax	12.0%	11.5%	12.0%

Taxation Arrangements in Overseas Jurisdictions

6. Based on information available to the Inland Revenue Department, married couples are either taxed separately, or taxed jointly/as a family unit in other jurisdictions (see table below).

Jurisdictions	Separate Taxation	Joint or Family Unit Taxation
Australia	✓	
Austria	✓	
Belgium		✓
Canada	✓	
China	✓	
Denmark	✓	
France		✓
Germany ^(Note)	✓	✓
Ireland ^(Note)	✓	✓
Italy	✓	
Japan	✓	
Korea	✓	
Netherlands	✓	
New Zealand	✓	
Norway ^(Note)	✓	✓
Singapore	✓	
Sweden	✓	
Switzerland		✓
United Kingdom	✓	
United States	✓	✓

(Source: International Bureau of Fiscal Documentation)

Note: These jurisdictions allow married couples to enjoy the lower of the tax liability from either separate taxation or joint/family unit taxation.

Financial Services and the Treasury Bureau
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