

SALARIES TAX

Reduction of marginal tax rates

Marginal Tax Band	Marginal Tax Rate (%)	
	<i>Present</i>	<i>Proposed</i>
First \$30,000 chargeable income	2.0	2.0
Next \$30,000	8.0	7.0
Next \$30,000	14.0	13.0
Remainder	20.0	19.0

Standard Rate (%)	
	16.0
	16.0

Effect of reduction of marginal rates on different income groups[#]

Annual income	No. of taxpayers with reduced liabilities	Average tax liabilities		Average tax savings per affected taxpayer
		Present	Proposed	
\$100,001 to \$200,000	220 000	\$2,840	\$2,590	\$250 (8.8%)
\$200,001 to \$300,000	276 000	\$9,500	\$8,830	\$670 (7.1%)
\$300,001 to \$400,000	190 000	\$19,330	\$18,140	\$1,190 (6.2%)
\$400,001 to \$600,000	165 000	\$40,640	\$38,370	\$2,270 (5.6%)
\$600,001 to \$900,000	79 000	\$86,710	\$82,250	\$4,460 (5.1%)
\$900,001 and above	45 000	\$172,290	\$165,120	\$7,170 (4.2%)
Total	975 000	\$28,950	\$27,400	\$1,550 (5.4%)

[#] Effects of the proposed extension of the entitlement period of the home loan interest deduction not included.

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Projected tax savings of taxpayers by income group after implementation of the proposed salaries tax measures (reduction in marginal rates and extension of home loan interest (HLI) deduction entitlement period)

Annual Income	Taxpayers with HLI deduction		
	Number	Average tax savings	Average tax savings as a percentage of tax payable
\$100,001 to \$200,000	65 000	\$1,900	54%
\$200,001 to \$300,000	105 000	\$4,900	37%
\$300,001 to \$400,000	89 000	\$7,000	28%
\$400,001 to \$600,000	90 000	\$10,600	21%
\$600,001 to \$900,000	43 000	\$14,700	14%
\$900,001 and above	38 000	\$17,700	6%
Total	430 000	\$8,200	15%

**Annual income levels at which salaries taxpayers
enter the standard rate zone[#]**

	<i>Present</i> (\$)	<i>Proposed</i> (\$)
No dependent parent/grandparent		
Single	770,000	983,334
Married	1,270,000	1,616,667
Married + 1 child	1,470,000	1,870,000
Married + 2 children	1,670,000	2,123,334
Married + 3 children	1,870,000	2,376,667
Including two dependent parents/grandparents aged 60 or above		
Single	1,070,000	1,363,334
Married	1,570,000	1,996,667
Married + 1 child	1,770,000	2,250,000
Married + 2 children	1,970,000	2,503,334
Married + 3 children	2,170,000	2,756,667
Including two dependent parents/grandparents both aged 60 or above and living with the taxpayer		
Single	1,370,000	1,743,334
Married	1,870,000	2,376,667
Married + 1 child	2,070,000	2,630,000
Married + 2 children	2,270,000	2,883,334
Married + 3 children	2,470,000	3,136,667
Including one dependent parent/grandparent aged 60 or above living with the taxpayer and one disabled dependent brother/sister		
Single	1,520,000	1,933,334
Married	2,020,000	2,566,667
Married + 1 child	2,220,000	2,820,000
Married + 2 children	2,420,000	3,073,334
Married + 3 children	2,620,000	3,326,667
Single parent with		
1 child	1,470,000	1,870,000
2 children	1,670,000	2,123,334
3 children	1,870,000	2,376,667

[#] Effects of the various deductions not included.

Effect of proposed salaries tax measures (reduction in marginal rates and extension of home loan interest deduction entitlement period) on different households

	Effect of measures on households which do not claim home loan interest deduction			Effect of measures on households which have used up the 7-year entitlement of home loan interest deduction [#]		
	Tax payable		Tax savings	Tax payable		Tax savings
	Present	Proposed		Present	Proposed	
A. Annual income \$300,000						
1. Single person with 1 dependent parent aged 60 or above living together with the taxpayer	\$17,200	\$16,100	\$1,100(6.4%)	\$17,200	\$10,400	\$6,800(39.5%)
B. Annual income \$360,000						
2. Married couple with 1 child and 1 dependent parent aged 60 or above not living together with the taxpayer	\$7,200	\$6,600	\$600(8.3%)	\$7,200	\$2,350	\$4,850(67.4%)
3. Married couple with 1 child and 2 dependent parents aged 60 or above not living together with the taxpayer	\$3,000	\$2,700	\$300(10%)	\$3,000	\$500	\$2,500(83.3%)
C. Annual income \$480,000						
4. Married couple with 1 child and 1 dependent parent aged 60 or above not living together with the taxpayer	\$31,200	\$29,400	\$1,800(5.8%)	\$31,200	\$21,800	\$9,400(30.1%)
5. Married couple with 2 children and 2 dependent parents aged 60 or above not living together with the taxpayer	\$17,200	\$16,100	\$1,100(6.4%)	\$17,200	\$8,500	\$8,700(50.6%)

[#] For illustration, the amounts of home loan interest deduction for the households with annual incomes \$300,000, \$360,000, \$480,000 and \$720,000 are taken to be \$30,000, \$35,000, \$40,000 and \$50,000 respectively.

	Effect of measures on households which do not claim home loan interest deduction			Effect of measures on households which have used up the 7-year entitlement of home loan interest deduction [#]		
	Tax payable		Tax savings	Tax payable		Tax savings
	Present	Proposed		Present	Proposed	
<u>D. Annual income \$720,000</u>						
6. Married couple with 1 child and 1 dependent parent aged 60 or above not living together with the taxpayer	\$79,200	\$75,000	\$4,200(5.3%)	\$79,200	\$65,500	\$13,700(17.3%)
7. Married couple with 2 children and 2 dependent parents aged 60 or above not living together with the taxpayer	\$65,200	\$61,700	\$3,500(5.4%)	\$65,200	\$52,200	\$13,000(19.9%)