


David's company earns HK\$2,000,000 per year.

If David takes out annual salary of \$900,000, what is the profits tax?

	HK\$	Profit tax HK\$
Service income	\$ 3,000,000	
Operation costs	\$ (700,000)	
Rental	\$ (300,000)	
Profit before David's salary	<u>\$ 2,000,000</u>	$\times 8.25\% = \$ 165,000$
David's salary	\$ (900,000)	
Profit	<u><u>\$ 1,100,000</u></u>	$\times 8.25\% = \$ 90,750$
		<u><u>\$ 74,250</u></u>

  
**Net saving**

**Conclusion:**

David's profit is \$2,000,000 and he only pays \$90,750 profit tax after he takes his own salaries. The effective tax rate is only **4.5%**