



Please note that this is NOT a full set of sample paper. The sample questions are selected to help candidates familiarise themselves with the form and style of questions which they may see in the examination. The best answers are highlighted in bold for your reference only. The sample questions and answers should be used with caution as the content may not have been updated to reflect any changes in legislations or cases.

The full set of Aptitude Test - Hong Kong Taxation paper comprises multiple-choice questions with a total of 100 marks which are all compulsory. The total time allowed for this paper is 1 hour and 45 minutes.

**Table A: Personal allowances and deductions**

	Year of assessment	
	2015/16 HK\$	2016/17 HK\$
<b>Personal allowances</b>		
Basic	120,000	132,000
Married person's	240,000	264,000
Single parent	120,000	132,000
<u>Child</u>		
1 <sup>st</sup> to 9 <sup>th</sup> child (each)	100,000	100,000
Additional allowance in the year of birth (each)	100,000	100,000
<u>Dependent parent/grandparent</u>		
Basic	40,000	46,000
Additional (for dependant residing with taxpayer)	40,000	46,000
<u>Dependent parent/grandparent (aged 55-59)</u>		
Basic	20,000	23,000
Additional (for dependant residing with taxpayer)	20,000	23,000
<u>Dependent brother/sister</u>	33,000	33,000
<u>Disabled dependant</u>	66,000	66,000
<b>Deductions</b>		
Self-education expenses	80,000	80,000
Home loan interest	100,000	100,000
Elderly residential care expenses	80,000	92,000
Contribution to recognised retirement scheme	18,000	18,000
Approved charitable donations	35%	35%
<b>Depreciation allowance</b>		
Plant and machinery: IA	60%	60%
AA	Given in question	
Industrial building: IA	20%	20%
AA	4%	4%
Commercial building: AA	4%	4%

**Table B: Tax rates**

Year of assessment			
2015/16*		2016/17*	
<b>Salaries tax</b>	<b>%</b>	<b>Salaries tax</b>	<b>%</b>
<u>Standard</u>	15.0	<u>Standard</u>	15.0
<u>Progressive</u>		<u>Progressive</u>	
HK\$1 - HK\$40,000	2.0	HK\$1 - HK\$40,000	2.0
HK\$40,001 - HK\$80,000	7.0	HK\$40,001 - HK\$80,000	7.0
HK\$80,001 - HK\$120,000	12.0	HK\$80,001 - HK\$120,000	12.0
above HK\$120,000	17.0	above HK\$120,000	17.0
<b>Corporation profits</b>	16.5	<b>Corporation profits</b>	16.5

\* 75% of final tax payable under salaries tax, profits tax and tax under personal assessment is waived, subject to a maximum of HK\$20,000.

Answer ALL multiple choice questions. Choose the best answer for each question. Marks will NOT be deducted for incorrect answers.

1. Which of the following is **NOT** a function of the Board of Inland Revenue? (1 mark)
- A **To hear appeals lodged by the taxpayers against the Commissioner of Inland Revenue's determination.**
  - B To prescribe the rates of annual allowance for depreciation on machinery and plant.
  - C To prescribe the returns to be used for property tax, salaries tax, profits tax and personal assessment or the form of the returns.
  - D None of the above.
2. Mr K owns a residential property in Hong Kong. During the year ended 31 March 2017, he received rental income of HK\$180,000 from the current tenant. He also received outstanding rent of HK\$20,000 from a former tenant. Outstanding rent totalling HK\$50,000 was deducted as irrecoverable rent in the year of assessment 2013/14. The net assessable value of Mr K's property for the year of assessment 2016/17 is: (1 mark)
- A HK\$144,000.
  - B **HK\$160,000.**
  - C HK\$184,000.
  - D HK\$200,000.
3. Mr L leased out his property to Mr M and received a lump-sum premium of HK\$48,000 from a lease of two years from 1 October 2015 to 30 September 2017. The amount of premium to be assessed under property tax for the year of assessment 2015/16 is: (2 marks)
- A HK\$8,000.
  - B **HK\$12,000.**
  - C HK\$16,000.
  - D HK\$48,000.

4. Mr Y owns a residential flat in Wanchai and he let it to Mr K under the following items:
- Lease period : 1 April 2013 – 31 March 2015 (2 years)
  - Monthly rent : HK\$22,000
  - Rates : HK\$2,700 per quarter payable by Mr Y (Due to rates concession, the rates for the years ended 31 March 2014 and 31 March 2015 were reduced to HK\$1,500 per quarter.)

Mr K moved out from the flat on 30 June 2014 and could not be traced anymore. He had not paid rent since 1 January 2014. It is accepted by the Inland Revenue Department that the rent is irrecoverable when Mr K moved out.

The flat was let to Mr L on 1 January 2015 at a monthly rent of HK\$25,000 with Mr Y responsible for the payment of rates. During the period from 1 July 2014 to 31 December 2014, the property was used by Mr Y's son.

The net assessable value of Mr Y's property for the year of assessment 2014/15 is:  
(3 marks)

- A HK\$57,600.
- B HK\$2,400.
- C HK\$4,800.**
- D HK\$2,880.

5. For property tax purposes, which of the following statements regarding irrecoverable rent is **FALSE**? (1 mark)

- A Rent which is proved to the satisfaction of the assessor to have become irrecoverable is deductible.
- B Irrecoverable rent may be carried backward.
- C Irrecoverable rent may be carried forward.**
- D Rent previously deducted as irrecoverable and subsequently recovered is taxable.

6. In which of the following circumstances is the taxpayer subject to property tax?  
(2 marks)

- A An individual sublets a room of a flat leased by him from the landlord.
- B An individual lets an office premises to a corporation.**
- C A corporation sublets a residential premises to another corporation.
- D A corporation sublets an office together with office equipment to a sole proprietor.

7. In March 2017, Mr A took a five-day business trip to New Zealand followed by a three-day vacation there. His employer paid HK\$32,000 to a travel company for the entire trip, including the cost of air ticket of HK\$8,000. The amount of holiday journey benefits to be included in Mr A's assessable income for the year of assessment 2016/17 is: (1 mark)
- A HK\$0.
  - B HK\$9,000.**
  - C HK\$12,000.
  - D HK\$32,000.

Based on the following scenario, answer Questions 8 and 9:

Mr D is employed by a Hong Kong company as a financial controller. You have been supplied with the following information for the year of assessment 2015/16:

Income:

- Salary : HK\$1,200,000

Expenses:

- Subscription to HKICPA : HK\$2,250
- Self-education expenses : HK\$60,000
- Home loan interest : HK\$120,000

Mrs D is a housewife. They have no other dependants.

8. Mr D's net assessable income for the year of assessment 2015/16 is: (2 marks)
- A HK\$1,197,750.
  - B HK\$1,137,750.**
  - C HK\$1,037,750.
  - D HK\$1,017,750.
9. Mr D's net chargeable income for the year of assessment 2015/16 is: (2 marks)
- A HK\$797,750.**
  - B HK\$917,750.
  - C HK\$1,037,750.
  - D HK\$1,137,750.

10. Mr Chan ordinarily resides in Hong Kong. He is single. He has supplied you with the following information for the year of assessment 2015/16:

	HK\$
• Net assessment value of his flat in Hong Kong	: 180,000
• Employment income	: 200,000
• Dividend	: 800,000
• Business loss	: (400,000)
• Home loan interest for his solely owned dwelling	: 120,000
• Mortgage interest for deriving rental income	: 150,000
• Approved charitable donations	: 150,000

Based on the above information, which of the following is **CORRECT**? (3 marks)

- A The amount of approved charitable donations allowable under personal assessment is HK\$70,000.
- B Loss carried forward to 2016/17 under personal assessment is HK\$170,000.
- C Loss carried forward to 2016/17 under personal assessment is HK\$370,500.
- D Loss carried forward to 2016/17 under personal assessment is HK\$350,500.**
11. Which of the following is **NOT** deductible from assessable income under salaries tax? (1 mark)
- A Expenses for travelling from one place of employment to another.
- B Payment in lieu of notice for termination of employment.**
- C Examination fees to sit for a professional examination related to the taxpayer's employment.
- D Depreciation allowances in respect of plant and machinery, the use of which is essential to the production of assessable income.
12. Ms U works as an accounts clerk in a trading firm. During the year ended 31 March 2017, she paid the following:

	HK\$
• Tuition fee for attending a diploma course in accounting organised by a university in Hong Kong	24,000
• Examination fee for attending a professional accountancy examination held by an overseas professional association	6,000
• Books for preparing for the examination	1,500

For the year of assessment 2016/17, Ms U is entitled to a deduction for self-education expenses of: (2 marks)

- A HK\$6,000.
- B HK\$24,000.
- C HK\$30,000.**
- D HK\$31,500.

13. G Inc is a company incorporated in the U.S. and does not carry on business in Hong Kong. In 2016, it purchased two trademarks – TM1 and TM2 – from H Ltd, its subsidiary carrying on business in Hong Kong. For the year ended 31 March 2017, G Inc granted the rights to use TM1 and TM2 in Hong Kong to H Ltd and I Ltd (an unrelated company), and received royalty income of HK\$1,000,000 and HK\$2,000,000 respectively. The assessable profits of G Inc for the year of assessment 2016/17 are: (2 marks)

- A HK\$0.
- B HK\$900,000.
- C HK\$1,600,000.**
- D HK\$3,000,000.

14. EB Ltd carries on business in Hong Kong. The following items appear in its profit and loss account for the year ended 31 March 2017:

	HK\$	HK\$
Gross profit from trading		38,000,000
Less: Cash donated to Red Cross	8,000,000	
Medicine donated to Red Cross	3,000,000	
Depreciation of fixed assets	1,000,000	
Other allowable expenses	<u>20,000,000</u>	
		<u>32,000,000</u>
Net profit		<u>6,000,000</u>

EB Ltd is entitled to a depreciation allowance of HK\$800,000 for the year of assessment 2016/17. The assessable profits of EB Ltd for this year of assessment are: (3 marks)

- A HK\$6,200,000.
- B HK\$11,180,000.**
- C HK\$12,200,000.
- D HK\$17,200,000.

15. In determining the locality of profits, which of the following activities is/are regarded as manufacturing operations according to Departmental Interpretation and Practice Notes No. 21 (Revised)? (1 mark)

- (i) The employment of labour.
- (ii) The use of machinery and plant.
- (iii) The design of products.
- (iv) The procurement of raw materials.

- A (i) only.
- B (i) and (ii) only.
- C (i), (ii) and (iii) only.
- D (i), (ii), (iii) and (iv).**



16. Which of the following assessable profits of a corporation arising in the year of assessment 2015/16 may be taxed at one-half of the normal profits tax rate? (2 marks)
- (i) The assessable profits of the corporation derived from the business of reinsurance of offshore risks as a professional reinsurer.
  - (ii) The assessable profits of the corporation derived from the business of insurance of offshore risks as an authorised captive insurer.
  - (iii) The assessable profits of the corporation derived from the sale of a qualifying debt instrument issued by the Airport Authority Hong Kong in April 2014 with a maturity period of two years.
  - (iv) The assessable profits of the corporation derived from the sale of a qualifying debt instrument issued by the Airport Authority Hong Kong in April 2014 with a maturity period of eight years.
- A (i) only.  
 B (i) and (iii) only.  
**C (i), (ii) and (iii) only.**  
 D (i), (ii) and (iv) only.

Based on the following scenario, answer Questions 17 and 18:

HH Ltd commenced business in 1965 and prepared its accounts to 30 June each year. It ceased business on 30 April 2016. Its adjusted profits before depreciation allowances are as follows:

	HK\$
• Year ended 30 June 1974	12,000
• Year ended 30 June 1975	18,000
• Year ended 30 June 2014	36,000
• Year ended 30 June 2015	24,000
• 1 July 2015 to 30 April 2016	10,000

17. The basis period of HH Ltd for the year of assessment 2016/17 is: (1 mark)
- A 1 July 2015 to 30 April 2016.  
**B 1 April 2016 to 30 April 2016.**  
 C 1 May 2015 to 30 April 2016.  
 D 1 July 2014 to 30 April 2016.
18. The adjusted profits of HH Ltd for the year of assessment 2016/17 are: (3 marks)
- A HK\$0.  
**B HK\$1,000.**  
 C HK\$10,000.  
 D HK\$29,500.

19. EK Ltd commenced business in 2002 and prepared its accounts to 31 October each year. In 2017, it changed its accounting date to 31 January. Its adjusted profits are as follows:

Accounting periods	Adjusted profits
	HK\$
12 months to 31 October 2015	240,000
12 months to 31 October 2016	360,000
3 months to 31 January 2017	60,000
12 months to 31 January 2018	480,000

The adjusted profits of EK Ltd for the year of assessment 2016/17 are: (2 marks)

- A HK\$240,000.  
B HK\$360,000.  
**C HK\$420,000.**  
D HK\$480,000.
20. P Ltd commenced business on 1 May 2016 and prepared its first set of accounts to 30 November 2017. Which of the following statements is **TRUE**? (1 mark)
- A The basis period for the year of assessment 2016/17 is 1 May 2016 to 31 March 2017.  
**B The basis period for the year of assessment 2016/17 is 1 May 2016 to 30 November 2016.**  
C There is no basis period for the year of assessment 2016/17.  
D The basis period for the year of assessment 2017/18 is 1 May 2016 to 30 November 2017.
21. FH Ltd sustained an agreed loss of HK\$100,000 and derived an assessable profit of HK\$300,000 for the years ended 31 March 2016 and 31 March 2017 respectively. FH Ltd was a partner in a partnership with Mr So. They shared profits and losses equally. During the year ended 31 March 2016, the partnership sustained an agreed loss of HK\$80,000. FH Ltd withdrew from the partnership as from 1 April 2016.

The profits tax payable by FH Ltd for the year of assessment 2016/17 (before any tax reduction) is: (2 marks)

- A HK\$19,800.  
B HK\$24,000.  
**C HK\$26,400.**  
D HK\$33,000.

22. G Ltd prepared its accounts to 31 December each year. It incurred losses of HK\$200,000 and HK\$100,000 for the years of assessment 2015/16 and 2016/17 respectively. G Ltd did not incur any loss before the year of assessment 2015/16.

During the year ended 31 December 2016, G Ltd formed a partnership with Mr Hong. The partners shared profits and losses equally. The partnership made an assessable profit of HK\$2,000,000 for the year of assessment 2016/17. Mr Hong did not elect for personal assessment for the year of assessment 2016/17.

The profits tax payable by the partnership for the year of assessment 2016/17 (before any tax reduction) is: (3 marks)

- A **HK\$265,500.**
- B HK\$298,500.
- C HK\$300,000.
- D HK\$315,000.

23. Mr A and Mr B are the partners of a partnership. Which of the following payments paid by the partnership may be deductible under profits tax? (1 mark)

- A Salary paid to Mr A.
- B Salary paid to Mr A's wife.
- C Interest on loan paid to Mr A's wife.
- D **Rent paid to Mr A.**

24. Mr Fong carries on business in Hong Kong and prepares his accounts to 30 April each year. On 1 May 2015, he inherited an office desk (Annual allowance = 20%) from his father's business and used it for business use. The details of the furniture were as follows:

- Tax written down value as at 1 May 2015 : HK\$2,000
- Original cost : HK\$100,000
- Market value as at 1 May 2015 : HK\$1,000

The depreciation allowance that Mr Fong is entitled to claim in respect of the office desk for the year of assessment 2016/17 is: (2 marks)

- A HK\$0.
- B HK\$200.
- C **HK\$400.**
- D HK\$680.

25. Mr Pang has carried on business in Hong Kong for many years and has the tax written down value of plant and machinery under the 30% pool as at 31 March 2016 of HK\$40,000. During the year ended 31 March 2017, Mr Pang purchased a motor car (Annual allowance = 30%) for HK\$150,000. He used the car partly for business use and partly for private use in the ratio of 60:40. The depreciation allowance of plant and machinery that Mr Pang is entitled to claim for the year of assessment 2016/17 is: (3 marks)
- A HK\$120,000.  
**B HK\$76,800.**  
C HK\$72,000.  
D HK\$57,000.
26. Which of the following assets is **NOT** classified as a prescribed fixed asset? (1 mark)
- A Machinery used specifically and directly for a manufacturing process.  
B Computer hardware.  
C Computer software.  
**D Motor vehicle.**
27. X Ltd carries on a trading business in Hong Kong. During the year ended 31 March 2017, it purchased an office at a cost of HK\$4,000,000 for its own use. The cost of construction of the office was HK\$1,500,000 and the land cost was HK\$1,000,000. The commercial building allowance that X Ltd is entitled to claim for the year of assessment 2016/17 is: (2 marks)
- A HK\$376,000.  
B HK\$360,000.  
C HK\$100,000.  
**D HK\$60,000.**
28. DX Ltd is a metal manufacturer in Hong Kong. It purchased a new industrial building with a total qualifying expenditure of HK\$30,000,000 and used it for manufacturing goods during the year ended 31 March 2017. 20% of the qualifying expenditure was attributable to environmental protection installations. The deduction that DX Ltd is entitled to claim for the year of assessment 2016/17 is: (3 marks)
- A HK\$2,160,000.  
B HK\$6,000,000.  
**C HK\$6,960,000.**  
D HK\$11,760,000.

29. Which of the following expenditures is accepted to be part of the cost of construction of the industrial building or structure? (1 mark)
- A Land premium.
  - B Site investigation expenses.**
  - C Cost of demolition of a previous building.
  - D Interest paid after the building was put into use. The loan was used to finance the purchase of land.
30. Mr Lo received a notice of profits tax assessment for the year of assessment 2014/15 with tax of HK\$18,000 payable on 1 November 2016. Mr Lo did not pay any tax on the due date. What is the amount of surcharge to be imposed on Mr Lo immediately after the due date for the late payment of tax? (2 marks)
- A HK\$900.**
  - B HK\$1,180.
  - C HK\$1,890.
  - D HK\$2,000.
31. Which of the following officers is empowered to make an assessment to additional tax under s.82A of the Inland Revenue Ordinance? (1 mark)
- A The Commissioner of Inland Revenue.**
  - B An Assessor.
  - C A Senior Assessor.
  - D A Chief Assessor.
32. In the case of an appeal against an assessment, under s.69A of the Inland Revenue Ordinance, the appellant or the Commissioner of Inland Revenue may, with the consent of the Court of Appeal, appeal directly to the Court of Appeal against the decision of the Board of Review without going through the Court of First Instance. Which of the following is **NOT** accepted by the Court of Appeal as a valid ground for direct transfer? (2 marks)
- A The amount of tax in dispute.
  - B The general or public importance of the matter.
  - C The extraordinary difficulty of the case.
  - D The number of years of assessment involved.**

\* \* \* END OF SAMPLE QUESTIONS \* \* \*  
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