

## **Note for Employer and Employee on MPF in Hong Kong** *Amendment of MPF Ordinance 2008*

To provide basic retirement benefits to Hong Kong's workforce, the Government of the Hong Kong Special Administrative Region (HKSAR) has implemented the Mandatory Provident Fund ("MPF") system. All employers and employees, including the self-employed, must contribute to a MPF Scheme.

「 Employees may check their accounts through MPF providers' hotlines, websites and customer service centres to ensure their employers have made the contributions. 」

### **Employer's Responsibilities**

Under MPF legislation, an employer is required to make arrangements for relevant employees aged between 18 and 65, who have been employed for 60 days or more, to join a registered MPF Scheme. An employee refers to any full-time and part-time employee. In the construction and catering industries, casual employees engaged under an employment contract less than 60 days are also covered by the MPF system.

Both employer and employee make regular contributions into an employee's account, 100% of contributions and investment returns are fully and immediately vested in the employee. Meanwhile, self-employed persons must enrol themselves in a MPF Scheme. All contributions must be managed by an authorised MPF provider to ensure that the MPF Scheme is administered securely and professionally.

### **Mandatory contribution levels**

Employers and employees

<b>Employee's monthly relevant income (HKD)</b>	<b>Employer's contribution (HKD)</b>	<b>Employee's contribution (HKD)</b>
<b>Less than 5,000</b>	5%	Nil
<b>5,000 - 20,000</b>	5%	5%
<b>More than 20,000</b>	20,000 x 5%	20,000 x 5%

An employer and an employee are each required to make a monthly MPF mandatory contribution based on 5% of the employee's "relevant income" which has been capped at HK\$20,000 per month. Employee who earns less than HK\$5,000 per month is

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exempt from making employee MPF mandatory contribution although his or her employer is still required to make the employer's MPF mandatory contribution.

#### Self-employed persons

Self-employed person's relevant income (HKD)		Contribution (HKD)
Per month	Per year	
Less than 5,000	Less than 60,000	Nil
5,000 - 20,000	60,000 - 240,000	5%
More than 20,000	More than 240,000	20,000 x 5% per month, or 240,000 x 5% per year

#### Exempt persons

If employees belong to any one of the following categories of persons, the employer and the respective employees are NOT required to join a MPF Scheme:

- i. Employees and self-employed person who have attained 64 years of age;
- ii. Household employees;
- iii. Self-employed hawkers;
- iv. People covered by statutory pension and provident fund schemes (e.g. Hong Kong civil servants and teachers);
- v. Members of occupational retirement schemes that are granted exemption certificates;
- vi. People from overseas who enter Hong Kong for employment or self-employment not exceeding 13 months, or who are covered by overseas retirement schemes;
- vii. Employees of the European Union Office or the European Commission in Hong Kong; and
- viii. Any relevant employee who has been employed under a contract of employment for a period of less than 60 days.

#### Amendments Related to MPF Ordinance

The Mandatory Provident Fund Schemes (Amendment) Ordinance 2008 will come into force on 1 November 2008.

- *Definition of Relevant Income and housing allowance*

Currently, relevant income includes wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance, expressed in monetary terms, but does not include severance payments or long service payments under the Hong Kong Employment Ordinance. Housing allowance and housing benefits are excluded from the definition of "relevant income" and, therefore, no mandatory contributions need to be paid in respect of such amounts.

With effect from 1 November 2008, housing allowance and other housing benefits will be included in the definition of "relevant income". As such housing allowance and other housing benefits will be included in the calculation of mandatory contributions. For the avoidance of doubt, only housing allowance and housing benefit payable in cash terms will be included as relevant income while the monetary value of quarters or accommodation provided by employer would not be included as relevant income.

● *Settlement Period For Payment Of Contributions*

The Amendment Ordinance removes the 30-day settlement period. As such employers will be required to make contributions on or before the 10th day of each month.

**Tax concession**

An Employer MPF contribution is profits tax deductible, provided that the deduction does not exceed 15% of employees' total emolument.

**Withdrawn of MPF**

No withdrawal until attaining the retirement age, except for those other conditions as stipulated by the law.

Accrued benefits may be paid before the age of 65 due to:

- retires early between ages 60 and 65;
- has departed or will depart from Hong Kong permanently;
- has died;
- has become totally incapacitated; and
- maintains only one MPF account with less than HK\$5,000 into which no mandatory contributions were paid or were required to be paid in the past 12 months.

**Need More Information?**

For more detailed information, please visit:

MPFA's website at <http://www.mpfahk.org> or Labour Department's website at <http://www.labour.gov.hk/> for detailed information.

Enquiries on exemption of occupational retirement schemes from the MPF System could be made at 2918 0102 while enquiries on the Employment Ordinance could be made at 2717 1771 - Press '3' - '0'.