



## HONG KONG INTRODUCES NEW TAX INCENTIVES ON RETIREMENT SAVINGS

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Effective 1 Apr 2019, eligible individuals who make voluntary contributions into Hong Kong's Mandatory Provident Fund (MPF) or purchase qualified annuity products can benefit from tax deductions of up to HK\$60,000 per year — equivalent to annual tax savings of HK\$10,200 based on the tax rate for the 2018/19 assessment year.

New tax deductible voluntary contributions (TVCs) and qualifying deferred annuity policies (QDAPs), which featured in Inland Revenue and MPF schemes legislation that passed the Legislative Council on 20 Mar 2019, aim to boost employees' voluntary retirement savings. Previously, only MPF mandatory contributions were tax-deductible.

### INFORMATION ABOUT TVCS AND QDAPS

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| <b>TVC</b>                       | <ul style="list-style-type: none"><li>• Members of MPF schemes or MPF-exempted Occupational Retirement Schemes Ordinance (ORSO) schemes are eligible to make contributions and have flexibility regarding the amount, frequency and timing of contributions.</li><li>• The maximum deductible amount (inclusive of QDAP) is HK\$60,000 per year.</li><li>• Contributions must be made directly to a newly opened and separate TVC account under an MPF scheme.</li><li>• Amounts in a TVC account can be transferred to another TVC account for the same person.</li><li>• Age limits for withdrawing a TVC account balance are similar to the mandatory requirements for MPF withdrawals — usually at age 65.</li></ul> |

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| <b>QDAP</b> | <ul style="list-style-type: none"><li>• This is a deferred annuity product that must comply with certain guidelines issued by the insurance authority.</li><li>• The earliest payout period starts at age 50 for at least 10 years' duration.</li><li>• Premiums paid are entitled to tax deductions of up to HK\$60,000 per year (inclusive of TVC).</li><li>• A married couple can allocate tax deductions to a maximum amount of HK\$120,000.</li></ul> |
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The tax incentives have limited impact on employers because employees choose whether or not to make contributions. But employers may want to tell employees about the incentives and talk to MPF service providers about helping employees take advantage of the benefit — for example, by refining the options in the employer's scheme for making voluntary contributions and negotiating favorable fees.

#### RELATED RESOURCES

- [Inland Revenue And MPF Schemes Legislation \(Tax Deductions For Annuity Premiums and MPF Voluntary Contributions\) \(Amendment\) Bill 2018](#) (Legislative Council of the Hong Kong Special Administration Region of the People's Republic of China, 20 Mar 2019)
- [Information on Tax Deductible Voluntary Contributions](#) (Mandatory Provident Fund Schemes Authority, 9 Apr 2019)
- [Learn More About the Tax Deductions for QDAP and TVC](#) (Investor and Financial Education Council, 10 Apr 2019)

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