

MANDATORY PROVIDENT FUND SCHEMES AUTHORITY

IV.19 Guidelines on Minimum and Maximum Levels of Relevant Income of a Self-employed Person

INTRODUCTION

Schedules 2 and 3 to the Mandatory Provident Fund Schemes Ordinance (“the Ordinance”) provide for the minimum and maximum levels of relevant income for mandatory contribution purpose of a self-employed person other than a self-employed person who is less than 18 or is 65 years of age or more (“SEP”).

2. The Mandatory Provident Fund Schemes (Amendment) Bill 2002 was passed on 12 July 2002. The enacted Mandatory Provident Fund Schemes (Amendment) (No. 2) Ordinance 2002 (“the Amendment Ordinance”) was gazetted on 19 July 2002. Section 12 of the Amendment Ordinance provides that the minimum level of relevant income for MPF contributions in the case of an SEP is \$5,000 per month or \$60,000 per year. This section shall come into operation on a day to be appointed by the Secretary for Financial Services and the Treasury by notice published in the Gazette (“the Date of Operation”).

3. Section 6H of the Ordinance provides that the Mandatory Provident Fund Schemes Authority (“the Authority”) may issue guidelines for the guidance of approved trustees, service providers, participating employers and their employees, self-employed persons and other persons concerned with the Ordinance.

4. The Authority hereby issues these guidelines on the application of the minimum and maximum relevant income levels for mandatory contribution purposes of an SEP.

EFFECTIVE DATE

5. These revised Guidelines shall become effective for contribution periods commencing on or after the Date of Operation. The previous version of these Guidelines (Version 2 – May 2002) shall remain valid for contribution periods commencing before the Date of Operation.

DETERMINATION OF MINIMUM AND MAXIMUM LEVELS OF RELEVANT INCOME

An SEP with Full Contribution Period Commencing On or After the Date of Operation

6. In respect of an SEP who elects to contribute on a monthly basis and his full contribution period commences on or after the Date of Operation, the minimum relevant income level for the period is HK\$5,000 a month whereas the maximum relevant income level is HK\$20,000 a month. For an SEP who elects to contribute on a yearly basis and his full contribution period commences on or after the Date of Operation, the minimum relevant income level for the period is HK\$60,000 a year whereas the maximum relevant income is HK\$240,000 a year.

An SEP Who Contributes on a Yearly Basis

7. If an SEP, who elects to contribute on a yearly basis, is not a member of a registered scheme for a complete financial period (i.e. 12 months) (for example, the financial period of the scheme changes during a year or an SEP ceases to be self-employed during a financial period), the minimum and maximum

relevant income levels for mandatory contribution purposes of the SEP should be adjusted. The adjusted amounts are to be calculated in accordance with the following formulae:

$$\text{MIN} = \text{HK\$60,000} \times \frac{\text{DC}}{365} \quad \text{and} \quad \text{MAX} = \text{HK\$240,000} \times \frac{\text{DC}}{365}$$

where –

MIN represents the minimum relevant income level for the financial period of the scheme;

MAX represents the maximum relevant income level for the financial period of the scheme; and

DC represents the number of calendar days within the financial period of the scheme, beginning with the first day on which the SEP is a member and ending on the last day on which the SEP is a member.

8. For example, assuming the Date of Operation is 1 February 2003 and if an SEP, who contributes on a yearly basis and is a member of a registered scheme which has a financial period ending on 31 March each year, ceases to be self-employed on 15 August 2003, the minimum and maximum relevant income levels for calculating his mandatory contribution for the period from 1 April 2003 to 15 August 2003 would be 22,521 (i.e. HK\$60,000 x 137 / 365) and HK\$90,082 (i.e. HK\$240,000 x 137 / 365) respectively where 137 represents the number of days between 1 April 2003 and 15 August 2003 inclusive.

SEP Who Contributes on a Monthly Basis

9. If an SEP, who elects to contribute on a monthly basis, is not a

member of a registered scheme for a complete contribution period (i.e. a whole month), the minimum and maximum relevant income levels for mandatory contribution purposes of the SEP should be adjusted. The adjusted amounts are to be calculated in accordance with the following formulae:

$$\text{MIN} = \text{HK\$}5,000 \times \frac{\text{DC}}{\text{DM}} \quad \text{and} \quad \text{MAX} = \text{HK\$}20,000 \times \frac{\text{DC}}{\text{DM}}$$

where –

MIN represents the minimum relevant income level for the contribution period;

MAX represents the maximum relevant income level for the contribution period;

DC represents the number of days within the contribution period of the scheme, beginning with the first day on which the SEP is a member and ending on the last day on which the SEP is a member; and

DM represents the number of days in the contribution period.

10. For example, assuming the Date of Operation is 1 February 2003 and if the SEP as mentioned in paragraph 7 elects to contribute on a calendar month basis rather than on a yearly basis, the minimum and maximum relevant income levels for calculating his mandatory contribution for the period from 1 August 2003 to 15 August 2003 would be HK\$2,419 (i.e. HK\$5,000 x 15 / 31) and HK\$9,677 (i.e. HK\$20,000 x 15 / 31) respectively where 15 represents the number of days between 1 August 2003 and 15 August 2003 inclusive and 31 represents the number of days in August 2003.

DEFINITION OF TERMS

11. Except where otherwise specified in the Guidelines, the terms common to the Ordinance and the subsidiary legislation of the Ordinance carry the same meanings as defined in the Ordinance and the subsidiary legislation. Reference should be made to the Ordinance and the subsidiary legislation, where necessary.