The MPF System was implemented in December 2000. As an employer, you must enrol your employees in an MPF scheme and make contributions. Employers should pay attention to the following 7 smart tips in handling MPF matters:

1. Choosing an MPF scheme
2. Enrolling employees
3. Making contributions
4. Providing pay-records
5. Arranging for employees' cessation of employment
6. Keeping records
7. Updating information

Friendly reminders to caring employers:

- Review the service of your trustee and the investment performance of the scheme regularly.
- Communicate with your employees to better understand the performance of your chosen trustee and gauge their views on the trustee's services.
- Consider choosing more than one trustee to allow more choices for your employees.

Penalties against non-compliant employers:

Failure to enrol employees:

- It is an offence for an employer who fails to enrol his employees into an MPF scheme. The employer is liable to a maximum penalty of a fine of $350,000 and imprisonment for three years.

Failure to make contributions:

- It is an offence for an employer who fails to pay contributions for the previous month for his employees on or before the contribution day (i.e. the 10th day of a month). Trustee will send a default contribution report to the MPFA. The MPFA will then issue a "Payment Notice for Outstanding Mandatory Provident Fund Contributions and Surcharge" to the defaulting employer to demand the settlement of contributions in arrears and a 5% surcharge. The MPFA can also impose a financial penalty of $5,000 or 10% of the amount of contributions payable (whichever is greater) on the defaulting employer.

- The defaulting employer may also be prosecuted and is liable to a maximum penalty of a fine of $350,000 and imprisonment for three years. If the employer has also deducted the employee mandatory contributions from the wages of an employee but failed to pay them to the trustee, he is liable to a heavier fine of $450,000 and imprisonment for four years.

Providing false pay-records:

- If an employer provides false or misleading information in pay-records given to employees, he is liable to a maximum penalty of a fine of $100,000 and imprisonment for one year on the first conviction; and to a fine of $200,000 and imprisonment for two years on each subsequent conviction.

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Mandatory Provident Fund Schemes Authority

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MPF
7 Smart Tips for Smart Employers

Mandatory Provident Fund Schemes Authority

Employers **should take note** of the following when handling MPF matters:

Choosing an MPF scheme | Enrolling employees | Making contributions | Providing pay-records | Arranging for employees' cessation of employment | Keeping records | Updating information

Choosing an MPF scheme

- Employers should choose an MPF trustee and participate in an MPF scheme administered by that trustee which suits their needs and those of their employees.
- The Mandatory Provident Fund Schemes Authority (MPFA) will issue a participation certificate to employers through their trustees. Employers shall display the certificate in a conspicuous location at their workplace.

Enrolling employees

- Employers should enrol both full-time and part-time employees aged 18 to aged below 65 in an MPF scheme within the first 60 days of employment. (Note: For casual employees (temporary employees) in the catering and construction industries, employers are still required to make MPF contributions for them even if their period of employment is less than 60 days.)
- Employers can arrange with their trustees to conduct briefings for their employees on the details of the schemes and fund options.
- Employers should pass the membership certificates to their employees within 7 working days after they receive the certificates from the trustees (if the trustees arrange to issue the certificates through the employers).

Making contributions

Computation of contributions:

- An employer and an employee each has to make contributions at 5% of the employee's "relevant income".
- Relevant income refers to all payments in monetary terms given to employees, including wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance (including housing allowance or other housing benefit), but excluding severance payments and long service payments as defined under the Employment Ordinance.
- Employees whose relevant income is less than $5,000 a month do not have to make MPF contributions, but their employers are still required to contribute an amount equivalent to 5% of the employees' relevant income. For employees whose relevant income is more than $20,000 a month, mandatory contributions are capped at $1,000 for both the employers and the employees.

First contribution arrangement:

- "Employees' contribution holiday": The first 30 days of employment and the first incomplete payroll cycle (wage period) (i.e. the wage period in which the 30th day of employment falls).
- Employers are not required to deduct any employee contributions from their employees' salaries earned during the employees' contribution holiday. (e.g. For a monthly-paid employee who commences employment on 6 May, his 30th day of employment will fall on 4 June. He will enjoy a contribution holiday from 6 May to 30 June. The employer should not deduct any employee contributions for that period.)
- Employer contributions should be calculated from the employees' first day of employment.
- After the employees' 60th day of employment, employers should make the first contribution for their employees within the first 10 days of the following calendar month. (e.g. For a monthly-paid employee who commences employment on 6 May, his 60th day of employment will fall on 4 July. Accordingly, the first contribution should be made on or before 10 August, i.e. the contribution day.)

Proper preparation of contribution documents:

- Employers should complete a "remittance statement" every month, setting out the amount of relevant income and contribution in respect of each employee.
- When completing the remittance statement, please ensure that:
  - ✓ The amount of relevant income and contribution of each employee are provided. (Mark "0" on the statement in case the employee has no relevant income for the month.)
  - ✓ The calculation of the amount of contributions stated on the remittance statement is accurate and tallies with the amount specified in the cheque for payment of contributions.
  - ✓ The remittance statement is signed and bears the company chop.
  - ✓ If there are any employees ceasing employment in the month, the cessation of employment of the employees should be reported through the remittance statement or a written notice to the trustee.

Providing pay-records

- Employers should provide each employee with a "pay-record" within 7 working days after contributions are made. The record should contain information including the amount of relevant income, the respective amounts of employer and employee mandatory contributions, as well as the date on which contributions were made. The amounts of voluntary contributions, if any, should also be set out in the pay-record.

Arranging for employees' cessation of employment

- When an employee ceases employment, the employer should notify the trustee of the employee's date of cessation of employment through the monthly remittance statement or a written notice on or before the 10th day of the following month after the employee ceases employment.

Keeping records

- Employers are required to keep a proper record of the information related to employees and the MPF scheme, including names of employees, their addresses, dates of employment, amounts of relevant income and MPF contributions, and contribution dates.

Updating information

- To ensure smooth MPF operation, employers should give written notice to their trustee within 30 days after making any amendments on company particulars, including company name, business address, telephone number, etc.

Other points to note when making contributions:

- **Employers are required to remit the contributions for the previous month together with the duly completed remittance statement to the trustee on or before the 10th day of each month (i.e. the contribution day).**
- **If employers choose to make contribution payments by autopay or by cheque, please ensure there are sufficient funds in the bank account to effect the transfer.**
- **If employers choose to make contribution payments by post, please allow sufficient time for postal delivery to ensure that the trustee receives the cheque and the remittance statement on or before the contribution day.**
- **Employers should avoid making payments of contributions in cash. Moreover, payments should be made directly to the trustee instead of through intermediaries.**

For details about the date of payment of contribution, please consult your trustee or refer to the MPFA leaflet "Date of Payment of Contribution".