

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 income¹ 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. 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, regulated persons and other persons concerned with the Ordinance.

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

An SEP Who Contributes on a Yearly Basis

4. 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

¹ The minimum and maximum levels of relevant income may be adjusted from time to time. Past and current levels of relevant income are set out in the website of the Authority www.mpfa.org.hk.

maximum relevant income levels for calculating his mandatory contributions should be adjusted. The adjusted levels are to be calculated in accordance with the following formulae:

$$\text{MIN} = \frac{\text{the prevailing yearly minimum level of relevant income} \times \text{DC}}{365}$$

$$\text{MAX} = \frac{\text{the prevailing yearly maximum level of relevant income} \times \text{DC}}{\div 365}$$

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.

5. For example, 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 December each year, ceases to be self-employed after 15 November 2014, the minimum and maximum relevant income levels for calculating his mandatory contribution for the period from 1 January 2014 to 15 November 2014 would be as follows:

- MIN: \$74,462 (i.e. $\$85,200$ (i.e. the yearly minimum level of relevant income for the contribution year commencing 1 January 2014) $\times 319$ (i.e. number of days from 1 January 2014 to 15 November 2014 inclusive) $\div 365$); and

- MAX: \$262,192 (i.e. \$300,000 (i.e. the yearly maximum level of relevant income for the contribution year commencing 1 January 2014) x 319 (i.e. number of days from 1 January 2014 to 15 November 2014 inclusive) ÷ 365).

This example is for illustrative purposes only. The minimum and maximum levels of relevant income may be adjusted from time to time. Please refer to paragraph 1.

An SEP Who Contributes on a Monthly Basis

6. 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 calculating his mandatory contributions should be adjusted. The adjusted levels are to be calculated in accordance with the following formulae:

MIN = the prevailing monthly minimum level of relevant income x
DC ÷ DM

MAX = the prevailing monthly maximum level of relevant income x
DC ÷ 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 calendar days within the contribution period, 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 calendar days in the contribution period.

7. For example, if the SEP as mentioned in paragraph 4 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 November 2014 to 15 November 2014 would be as follows:

- MIN: \$3,550 (i.e. $\$7,100$ (i.e. the monthly minimum level of relevant income for the contribution month of November 2014) \times 15 (i.e. number of days from 1 November 2014 to 15 November 2014 inclusive) \div 30 (i.e. the number of days within the contribution period)); and
- MAX: \$15,000 (i.e. $\$30,000$ (i.e. the monthly maximum level of relevant income for the contribution month of November 2014) \times 15 (i.e. number of days from 1 November 2014 to 15 November 2014 inclusive) \div 30 (i.e. the number of days within the contribution period)).

This example is for illustrative purposes only. The minimum and maximum levels of relevant income may be adjusted from time to time. Please refer to paragraph 1.

DEFINITION OF TERMS

8. Where a term used in the Guidelines is defined in the Ordinance or the subsidiary legislation then, except where specified in the Guidelines, that term carries the meaning as defined in the Ordinance or the subsidiary legislation.