Cessation of Self-employment

Report to the trustee

If you are no longer self-employed, you should send your trustee a written notice about the exact date of the cessation of self-employment on or before the next contribution day. Your contributions will be calculated based on the mandatory contributions that would be payable for the whole contribution period and adjusted by the number of days that you remain an SEP during the period. You should make the last contributions by the end of the contribution period.

Example 3: Cessation of Self-employment

Mrs Wong is a sole proprietor, running a fashion boutique, and has chosen to contribute the maximum amount on a monthly basis (i.e. $1,500 per month). She plans to cease to be self-employed after April 15. She should send her trustee a written notice of the cessation of self-employment on or before April 30 (i.e. the next contribution day) and make the last contributions by the end of the contribution period. As she will be self-employed for only 15 days out of 30 days in April, her last contributions should be $750 (i.e. $1,500 ÷ 30 x 15).

Transfer of Accrued Benefits

When you are no longer self-employed, you may retain your accrued benefits (i.e. total MPF contributions plus investment returns) in the original scheme or transfer them to any other MPF scheme. To transfer your accrued benefits, you have to fill in the **Scheme Member's Request for Fund Transfer Form** (Form MPF(S)-P(M)) and return the completed form together with required supporting documents to your new trustee. The form can be obtained from your new trustee, or downloaded from "Forms" section of the MPFA website.

Other Important Information

Update information

You should notify your trustee in writing within 30 days of any change of your particulars, such as residential address, business address, telephone number or fax number.

Non-compliance penalties

An SEP who fails to enrol in an MPF scheme or make mandatory contributions on time commits a criminal offence. Under the Mandatory Provident Fund Schemes Ordinance, the offender, on conviction, is liable to a maximum fine of $50,000 and six months' imprisonment on the first occasion. For each subsequent conviction, the maximum penalty is a $100,000 fine and 12 months' imprisonment.

Moreover, the MPFA is empowered to impose a financial penalty if an SEP:

- defaults on contributions;
- fails to inform the trustee of the cessation of self-employment; or
- fails to notify the trustee in writing within 30 days of any change of information, such as residential address, business address, telephone number or fax number.

Flowchart of Participation in an MPF Scheme by SEPs

Study the offering documents and fund fact sheets of different MPF schemes and compare their investment choices, risk profiles, fees and charges, as well as services provided, in relation to your personal circumstances and needs

↓

Choose an approved trustee and an MPF scheme

↓

Choose an investment fund or portfolio

↓

Opt to contribute monthly or yearly and calculate your relevant income

↓

Contribute on time

↓

Peruse carefully the periodic benefits statements issued by the trustee

↓

Regularly review your investment fund or portfolio, and consider the need for adjustments

↓

Notify your trustee of the contribution arrangement (monthly or yearly) for the next financial year and your relevant income during the reporting period (regardless of whether the relevant income has changed) at least 30 days before the end of the financial year of your scheme

↓

If you cease to be self-employed, you must notify your trustee in writing on or before the next contribution day and make the last contributions before the contribution period ends

Enquiries

Contact your trustee to learn more about the regulations and conditions of joining an MPF Scheme as an SEP.

Mandatory Provident Fund Schemes Authority

Hotline : 2918 0102

Fax : 2259 8806

Website : www.mpfa.org.hk

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Guide on MPF Rights and Obligations for Self-employed Persons

Mandatory Provident Fund Schemes Authority

What is a Self-employed Person (SEP)?

You are an SEP under the Mandatory Provident Fund (MPF) System if you are aged 18 to 64 and receive income from your provision of services or goods in a capacity other than an employee, irrespective of your capacity as a sole-proprietor or a partner in a partnership business.

Joining an MPF Scheme

Within 60 days from the day you become self-employed, you have to choose an MPF trustee (the "trustee") to open an MPF SEP account and make mandatory contributions on time.

- If you are both an SEP and an employee concurrently, you have to enrol in an MPF scheme in respective capacity. As an SEP, you have to enrol yourself in an MPF scheme. As an employee, whether it is full-time or part-time, when you are employed for 60 days or more, your employer must enrol you in an MPF scheme and make mandatory contributions.
- For details about factors to consider in choosing MPF schemes and funds, please refer to the leaflets "Step-by-Step Investing in MPF Funds" and "FAQs on MPF Investment".

Contribution Arrangement

SEPs can choose to contribute on a monthly or yearly basis. As the financial year of individual MPF schemes may vary, SEPs should inform their trustees of their contribution arrangement when they first enrol in an MPF scheme.

- Monthly contributions – you should notify your trustee in writing of your monthly contribution day;
- Yearly contributions – the contribution day is the last day of the financial year of the scheme and you should pay your mandatory contributions once per financial year of the scheme.

If you want to change the contribution arrangement for the next financial year, you should indicate your new arrangement to the trustee at least 30 days before the end of the current financial year, and the new arrangement will take effect in the next financial year.

Report Your Relevant Income

Irrespective of whether you choose to contribute on a monthly or a yearly basis, the contribution amount depends on the amount of relevant income you earned in the previous year. SEPs should report to their trustee their relevant income at least 30 days before the end of the financial year of the scheme. This will be used as a reference for calculating your mandatory contributions for the next financial year.

As an SEP, you may use your assessable profits ascertained in accordance with the Inland Revenue Ordinance as your relevant income for calculating mandatory contributions. Therefore, you can submit your most recent notice of assessment to ascertain your relevant income. If you cannot present your most recent notice of assessment (for example, if you do not have one because you have become self-employed only recently), you may ascertain your relevant income by one of the following ways:

- using the basic allowance;
- contributing the maximum amount of $18,000 per year or $1,500 per month; or
- making a written income declaration to your trustee (SEPs are reminded that it is a criminal offence to make a false or misleading declaration to the trustee and offenders may be prosecuted).

If you have any doubt about the calculation or report of relevant income, you may consult your trustee or refer to "Guidelines on Contribution Arrangement of a Self-employed person (IV.17)" on the MPFA website.

If you are a partner in a partnership business, your relevant income for the financial year of the scheme should be calculated by making a proportional adjustment of profits according to your share of partnership for that period.

How to Calculate Your MPF Contributions

SEPs have to pay 5% of their relevant income for mandatory contributions. The amount is subject to the maximum relevant income level (i.e. $30,000 a month or $360,000 a year) and the minimum relevant income level (i.e. $7,100 a month or $85,200 a year). If your relevant income is lower than the minimum level, you are not required to make contributions. If it is higher than the maximum level, you have to contribute the maximum amount (i.e. $1,500 a month or $18,000 a year).

Self-employed persons making contributions monthly or yearly

Relevant Income		Mandatory Contributions
Annual	Monthly Average	
Less than $85,200	Less than $7,100	Not required
$85,200 – $360,000	$7,100 – $30,000	Relevant income × 5%
More than $360,000	More than $30,000	$360,000×5%＝ $18,000 per year or $30,000×5%＝ $1,500 per month

Besides making the mandatory contributions, SEPs may consider making voluntary contributions in order to enhance their retirement protection.

Example 1: Making Monthly Contributions

Miss Chan is a wedding planner. Her monthly income varies according to the high and low seasons for weddings. During the past year, there were two months in which she earned nothing. From October to December, the high season, she earned $50,000 per month. For the remaining months, her monthly income ranged from $3,000 to $10,000. If Miss Chan chooses to contribute monthly, her mandatory contribution amount will be calculated according to the average monthly relevant income she earned in the previous year. Her total actual income for the year was $186,000, so her monthly relevant income was $15,500 (i.e. $186,000 ÷ 12). Thus, Miss Chan's monthly mandatory contributions will be $775 (i.e. $15,500 × 5%).

If you have more than one company, your relevant income is equal to your aggregate income (including profits and losses) derived from all of your companies for that period. 5% of the aggregate amount will then be the mandatory contributions you have to make to the scheme.

Example 2 : Making Yearly Contributions

Mr Lee is a lawyer. His income is calculated on each court case he handles. In the financial year of his MPF scheme, he has handled only two cases, but his actual income amounts to $550,000, which exceeds the maximum relevant income level of $360,000. If he chooses to contribute on a yearly basis, he should calculate his contributions against the maximum relevant income level (i.e. $360,000 x 5%), and make contributions of $18,000.