

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 (“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 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.

DETERMINATION OF MINIMUM AND MAXIMUM LEVELS OF RELEVANT INCOME

4. In respect of an SEP who elects to contribute on a monthly basis, the minimum relevant income level is HK\$4,000 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, the minimum relevant income level is HK\$48,000 a year whereas the maximum relevant income is HK\$240,000 a year.

SEP who Contributes on a Yearly Basis

5. 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:–

$$\text{MIN} = \text{HK\$}48,000 \times \frac{\text{DC}}{365} \quad \text{and} \quad \text{MAX} = \text{HK\$}240,000 \times \frac{\text{DC}}{365}$$

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.

6. 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 on 15 August 2001, the minimum and maximum relevant income levels for calculating his mandatory contribution for the period from 1 January 2001 to 15 August 2001 would be HK\$29,852 (i.e. HK\$48,000 x 227 / 365) and HK\$149,260 (i.e. HK\$240,000 x 227 / 365) respectively where 227 represents the number of days between 1 January 2001 and 15 August 2001 inclusive.

SEP who Contributes on a Monthly Basis

7. 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:–

$$\text{MIN} = \text{HK\$}4,000 \times \frac{\text{DC}}{\text{DM}} \quad \text{and} \quad \text{MAX} = \text{HK\$}20,000 \times \frac{\text{DC}}{\text{DM}}$$

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.

8. For example, if the SEP as mentioned in paragraph 5 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 2001 to 15 August 2001 would be HK\$1,935 (i.e. $\text{HK\$}4,000 \times 15 / 31$) and HK\$9,677 (i.e. $\text{HK\$}20,000 \times 15 / 31$) respectively where 15 represents the number of days between 1 August 2001 and 15 August 2001 inclusive and 31 represents the number of days in August 2001.

DEFINITION OF TERMS

9. 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.

WARNING

10. While the above represents the current view of the Authority, it must be stressed that the Authority is not empowered to definitively interpret the law. The Authority, therefore, urges you to obtain advice from your own professional advisers, particularly your solicitor. In the event that the Authority's advice or opinions are subsequently determined to be wrong by a court of law, the Authority will not be held liable for consequent loss or damage.