

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 amendment history of the minimum and maximum relevant income levels specified in Schedules 2 and 3 to the Ordinance respectively is set out below:

- The Provident Fund Schemes Legislation (Amendment) Ordinance 1998 (Ordinance No. 4 of 1998) stipulated the minimum and maximum relevant income levels with effect from 1 December 2000;
- The Mandatory Provident Fund Schemes (Amendment) (No. 2) Ordinance 2002 (Ordinance No. 29 of 2002) amended the minimum relevant income level with effect from 1 February 2003;
- The Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 2) Notice 2011 (L.N. 119 & 120 of 2011) amended the minimum relevant income level with effect from 1 November 2011; and
- The Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 3) Notice 2011 (L.N. 167 & 168 of 2011) amending

the maximum relevant income level was approved by the Legislative Council on 23 November 2011 and becomes effective on 1 June 2012.

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.

MINIMUM AND MAXIMUM RELEVANT INCOME LEVELS

5. The amendment history pertaining to the minimum and maximum relevant income levels in respect of SEPs is summarized as follows:

Ordinance No./L.N.	Contribution Frequency	Minimum Level of Relevant Income	Maximum Level of Relevant Income
Ord. No. 4 of 1998	Monthly	\$4,000	\$20,000
	Yearly	\$48,000	\$240,000
	Effective for contribution periods commencing	Before 1 February 2003	Before 1 June 2012
Ord. No. 29 of 2002	Monthly	\$5,000	Not applicable*
	Yearly	\$60,000	
	Effective for contribution periods commencing	Between 1 February 2003 and 31 October 2011 inclusive	

Ordinance No./L.N.	Contribution Frequency	Minimum Level of Relevant Income	Maximum Level of Relevant Income
L.N. 119 & 120 of 2011	Monthly	\$6,500	Not applicable*
	Yearly	\$78,000	
	Effective for contribution periods commencing	On or after 1 November 2011	
L.N.167 & 168 of 2011	Monthly	Not applicable [#]	\$25,000
	Yearly		\$300,000
	Effective for contribution periods commencing		On or after 1 June 2012

* Only the minimum relevant income level was amended (see paragraph 2 above).

[#] Only the maximum relevant income level was amended (see paragraph 2 above).

An SEP Who Contributes on a Yearly Basis

6. 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 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.

7. 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 March each year, ceases to be self-employed on 15 February 2012, the minimum and maximum relevant income levels for calculating his mandatory contribution for the period from 1 April 2011 to 15 February 2012 would be as follows:

- MIN: $\$52,767$ (i.e. $\$60,000$ (i.e. the minimum level of relevant income for the contribution year commencing 1 April 2011) \times 321 (i.e. number of days from 1 April 2011 to 15 February 2012 inclusive) \div 365); and
- MAX: $\$211,068$ (i.e. $\$240,000$ (i.e. the maximum level of relevant income for the contribution year commencing 1 April 2011) \times 321 (i.e. number of days from 1 April 2011 to 15 February 2012 inclusive) \div 365).

SEP Who Contributes on a Monthly Basis

8. 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 days in the contribution period.

9. For example, if the SEP as mentioned in paragraph 6 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 February 2012 to 15 February 2012 would be as follows:

- MIN: \$3,362 (i.e. \$6,500 (i.e. the minimum level of relevant income for the contribution month commencing 1 February 2012) x 15 (i.e. number of days from 1 February 2012 to 15 February 2012 inclusive) ÷ 29 (i.e. the number of days within the contribution period)); and

- MAX: \$10,345 (i.e. \$20,000 (i.e. the maximum level of relevant income for the contribution month commencing 1 February 2012) x 15 (i.e. number of days from 1 February 2012 to 15 February 2012 inclusive) ÷ 29 (i.e. the number of days within the contribution period)).

DEFINITION OF TERMS

10. 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.