



## Hong Kong – an overview of employee benefits

<b>State and Mandatory Benefits</b>	Normal retirement age is 65. The social security system provides benefits to the elderly, but these are means tested. Employers and employees are required to pay contributions under the Mandatory Provident Fund (MPF) system to provide defined contribution benefits in the form of a lump sum on retirement, death or disability, unless otherwise exempted. Medical care is provided for all residents by the Hospital Authority with minimal fees.
<b>Typical New Private Plan</b>	Additional provision may be made by voluntary contributions to plans registered under the MPF system. Contributions are typically based on length of service, with defined contribution benefits paid as a lump sum on leaving service. Lump sum death and disablement benefits and private medical insurance are also provided.
<b>Typical Costs</b>	Employers must pay 5% of each employee's covered earnings to an MPF plan, unless otherwise exempted. Covered earnings are earnings up to HKD 20,000 a month. Employees pay 5% of covered earnings over HKD 5,000 a month. Employers and employees may pay additional contributions. State medical care is financed from taxation.
<b>Tax Implications</b>	Employer contributions to pension plans are subject to a limit of 15% of earnings. Employee contributions are subject to a limit of HKD 12,000 a year. Other employer and employee contributions are not tax deductible. Lump sum benefits are tax free.
<b>Labour Law Issues</b>	Benefits under the MPF system are vested until retirement or death. There is also a one-time concession to withdraw MPF benefits on leaving Hong Kong. Benefits can be transferred between plans under the MPF system. Severance payments are due under the Long Service Payment Scheme (LSPS).
<b>Pooling Potential</b>	Insured benefits can be included in multinational pooling arrangements.
<b>International Financial Reporting</b>	Companies listed on the Hong Kong Stock Exchange can use International Financing Reporting Standards or Hong Kong Financial Reporting Standards.
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