

HONG KONG - AN OVERVIEW OF EMPLOYEE BENEFITS

State and Mandatory Benefits	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 to provident funds under the Mandatory Provident Fund (MPF) system, unless otherwise exempted. The funds provide defined contribution benefits in the form of a lump sum on retirement, death or disability. Provident funds are offered by licensed trustees, including banks and insurance companies. The employer chooses the provider and the employee chooses one of the funds offered. There are proposals to allow employees greater choice in the investment of their own contributions. Medical care is provided for all residents by the Hospital Authority with minimal fees.
Typical New Pension Plan	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.
Typical Costs	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.
Tax Implications	Employer contributions to provident funds are tax deductible up to 15% of payroll. Employee contributions are tax deductible up to HKD 12,000 a year. Other employer and employee contributions are not tax deductible. Lump sum benefits are tax free.
Labour Law Issues	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).
Pooling Potential	Insured benefits can be included in multinational pooling arrangements
International Financial Reporting	Companies listed on the Hong Kong Stock Exchange can use International Financial Reporting Standards or Hong Kong Financial Reporting Standards.
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