

1. The business environment

Social security

General

Social security in Hong Kong is a non-contributory system administered by the Social Welfare Department. The overall objective of the system is to provide very basic support to the members of the community who are in need of financial or material assistance.

Pensions

The Hong Kong Government does not provide a central pension scheme. However, the Mandatory Provident Fund Schemes Ordinance and the subsidiary legislation set out the standards and requirements governing the operation of a privately managed Mandatory Provident Fund ('MPF') system. It is compulsory for all employers to provide MPF to their employees aged from 18 to 65. Expatriates who work in Hong Kong for less than 13 months or who are members of retirement schemes in a place outside Hong Kong are exempted from joining the MPF schemes.

The Ordinance requires all MPF Schemes to be approved by and registered with the Mandatory Provident Fund Authority. Registered schemes must be under the management of trustees who must also be approved by the Mandatory Provident Fund Authority. Scheme assets should be kept by MPF custodians, separate and distinct from the assets of the employers, trustees, investment managers and other service providers.

Pursuant to the Ordinance, both the employer and the employee are required to contribute 5% of the employee's monthly income to the MPF scheme. Income for contribution purposes refers to any salaries, commissions, bonuses, or allowances (excluding housing allowances), expressed in monetary terms, paid or payable by an employer to an employee in consideration of the employment contract. Employees earning less than HKD 5,000 (EUR 481; USD 640) per month are not required to contribute but may elect to do so. However, regardless of the employee's decision, employers must make the contribution. The maximum level of monthly income for calculating the contribution is HKD 20,000 (EUR 1,925; USD 2,560). However, both the employer and the employee may make voluntary contributions in excess of this mandatory requirement.

Mandatory contributions and the derived benefits must be preserved until an employee attains the retirement age of 65. Early withdrawals are permitted under the following circumstances:

- early retirement after reaching the age of 60;
- death or total incapacity; or
- permanent departure from Hong Kong.

Employers' contributions are tax-deductible up to 15% of total annual emoluments of the employee. For the employees, contributions are also tax-deductible, subject to a limit of HKD 12,000 (EUR 1,155 ; USD 1,536) per annum.