Frequently Asked Questions to Tax Deductible Voluntary Contributions

1. What is Tax Deductible Voluntary Contributions (TVC)? When shall the tax concessions take effect?

TVC is a new type of contributions and it is different from the Voluntary Contributions defined in the current Section 11 of the Mandatory Provident Fund Schemes Ordinance Members. Scheme members can open a TVC account under any MPF scheme of their choice, which is different from the existing employment-related voluntary contribution account. If taxpayers wish to make TVC, they can open a TVC account under the MPF scheme of their choice, and make tax deductible contributions directly by themselves without involvement of employers. The tax concessions will take effect from the assessment year 2019/20. The HK citizens can claim relevant tax deductions when completing the tax return in 2020. In order to facilitate scheme members in completing the tax return on TVC amount, the MPF trustee will provide them with a TVC contribution summary each year.

2. Who is eligible to open a TVC account to make TVC which is tax deductible?

Any person who falls under any one of the following categories may open a TVC account:

- a current employee member of an MPF scheme;
- a current self-employed person member of an MPF scheme;
- a current personal account holder of an MPF scheme;
- a current member of an MPF exempted ORSO scheme.

3. How can I open a new TVC account?

You should complete the TVC Application Form and execute the participation agreement for TVC account.

4. Should I open a TVC account under the same MPF scheme in which my employee member account or self-employed person member account or personal account is maintained?

No, to allow for flexibilities, the TVC account may or may not be under the same scheme in which your employee member account or self-employed person member account or personal account is maintained. You are free to select which the MPF trustee/scheme to make TVC.

5. What is the tax concession arrangement in TVC?

The maximum tax concession amount for TVC in each year of assessment is set out in the Inland Revenue Ordinance and, in the year of assessment 2019/2020, is HK$60,000. It should be noted that such tax concession amount is an aggregate limit for both TVC and other qualifying annuity premiums rather than TVC only; and any claim for tax deductions will be applied to TVC before qualifying annuity premiums.

6. Any default contribution issue if employees failed to contribute TVC on time?

No, as employees pay TVC voluntarily.

7. How will a TVC account holder be notified on the deductible amount of TVC for tax filing?

Trustee will provide a TVC summary to each TVC member if TVC is made by the member to the scheme during a year of assessment. Such summary will be made available by around the 10th of May after the end of relevant year of assessment (i.e. before the end of a period of 40 days from the beginning of the next tax assessment year commencing on 1 April).

8. Who will decide if the deductible amount of TVC is to be reported on tax filing?

TVC account holders will decide whether or not to file tax return on the amount of TVC for tax concessions. The TVC account will be preserved regardless of whether the TVC account holder has filed for tax concession or not.

9. What are the withdrawal conditions for accrued benefits derived from TVC?

As with accrued benefits derived from mandatory contributions, the accrued benefits derived from TVC can be withdrawn under the following withdrawal conditions only:

- Retirement (attaining the age of 65) / early retirement (attaining the age of 60 and ceased all employment/ self-employment with no intention of becoming employed or self-employed again)
- Death
- Small balances
- Permanent Departure from Hong Kong SAR
- Total incapacity
- Terminal illness

If scheme members attain the age of 65 or take early retirement to withdraw accrued benefits derived from TVC, they may choose to either withdraw their MPF benefits by instalments or withdraw all their MPF benefits in a lump sum.

10. Are the accrued benefits in the TVC portable (i.e. transferable to another MPF scheme or not)?

TVC account is a separate account and the portability of the accrued benefits of TVC applies. Accrued benefits derived from TVC can only be transferred to another TVC account in whole, but not in part.

11. What is the investment mandate of the TVC?

This is a separate TVC account. TVC account holders can decide on the investment mandate of the TVC account among constituent funds available under an MPF scheme. If the TVC account holder fails to submit to the trustee a valid investment instruction or does not make any investment choice, TVC will be entirely invested in Default Investment Strategy. Nonetheless, TVC account holders can also change their investment options from time to time.

12. Can scheme members have more than one TVC account?

Scheme members can only have one TVC account under each MPF scheme. However, scheme members can open TVC account under more than one MPF scheme.

13. Will TVC affect the voluntary contributions in the current contribution account?

MPF voluntary contributions made by employees are similar to mandatory contributions. They are usually deducted from the employee's monthly salary and paid to relevant MPF trustees through employers. These voluntary contributions are not subject to the “preservation requirements”, but to the terms of relevant scheme. Apart from the specified conditions for withdrawal of mandatory contributions, accrued benefits derived from such voluntary contributions can only be withdrawn or transferred after cessation of employment, and are not tax deductible. If a scheme member who has an MPF contribution account or a personal account wishes to enjoy tax concessions under Salaries Tax and Personal Assessment, a separate TVC account is required for such purpose. All “preservation requirements” for MPF mandatory contributions shall as well apply to TVC benefits.

14. Can scheme members make TVC contributions into existing contribution accounts or personal accounts?

Only contributions made to the TVC accounts are eligible for tax concessions; voluntary contributions made by employers to contribution accounts, and/or special voluntary contributions made by scheme members are not eligible for tax deductions.

15. If TVC contributions exceed the maximum deductible amount, could scheme members take them back?

To achieve the purpose of encouraging extra savings for retirement, similar to mandatory contributions, TVC contributions must be preserved until the age of 65 (except for specific circumstances prescribed by law) and withdrawn afterwards. TVC contributions exceeding the maximum deductible amount are not tax deductible and cannot be withdrawn before the age of 65 (except for specific circumstances prescribed by law).

16. Why do Self-Employed Persons (SEP) can enjoy tax reduction for MPF mandatory contributions when calculating assessable profits, but the tax concessions for TVC contributions do not apply to them this time?

According to the Inland Revenue Ordinance, the voluntary contributions made by SEP to MPF Schemes are not tax deductible because they are expenses of a private nature and not incurred in deriving assessable income. Based on this principle, the tax concessions for TVC do not apply to SEP. If such SEP wishes to make TVC for tax purposes, they can submit a Personal Assessment to the Inland Revenue Department.

17. Will the pre-existing tax deductions for mandatory contributions be affected after the implementation of TVC?

The pre-existing maximum amount deductible of mandatory contributions ($18,000) will not be affected after the implementation of TVC.

18. Will TVC contributions be exempted from debt repayment like mandatory contributions in case of bankruptcy?

If a scheme member is adjudicated bankrupt, the Official Receiver's Office or relevant trustee will take control of the assets of the bankrupt to pay off the debt. Accrued benefits derived from mandatory contributions are exempted from debt repayment under the Bankruptcy Ordinance. However, contributions (such as voluntary contributions and TVC contributions) not specified by laws will not be exempted, as they are additional voluntary savings of scheme members.

Yours faithfully,
BOCI-Prudential Trustee Limited