BOC-Prudential Easy-Choice Mandatory Provident Fund Scheme

Notice to Participating Employers and Members

Attention: This notice is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional advice. The Trustee accepts responsibility for the information contained in this document.

1 April 2019

Dear Sir/Madam,

Re: BOC-Prudential Easy-Choice Mandatory Provident Fund Scheme (the "Scheme")

Thank you very much for your participation in the Scheme. We would like to inform you the following changes to the Trust Deed and the Principal Brochure of the Scheme.

Unless otherwise defined, capitalised terms used herein shall have the same meaning as defined in Principal Brochure of BOC-Prudential Easy-Choice Mandatory Provident Fund Scheme.

Summary of key changes effective from 1 April 2019:

A) Amendments in relation to tax deductible voluntary contributions ("TVC")

1. TVC is a new type of contributions and can only be paid into a TVC account of an MPF scheme, such as the Scheme. TVC may be eligible for tax concessions starting from the year of assessment 2019/2020. The maximum tax deductible amount for the year of assessment 2019/2020 is HK$60,000. It is an aggregate limit for both TVC and other qualifying annuity premiums.

2. TVC is voluntary in nature. However, it is subject to the same vesting, preservation and withdrawal restrictions applicable to mandatory contributions. In particular, members should note that the accrued benefits held in a TVC account can only be withdrawn upon retirement at age 65 or on other statutory grounds under the MPF legislation.

B) Amendments in relation to withdrawal in instalments

To enhance the scheme features in the interests of the members of the Scheme, effective from 1 April 2019, the first twelve (12) payments in instalments in a calendar year (rather than the first four (4) payments in instalments in a calendar year, per the existing practice) will be free of charge.

Please refer to the main body of this notice for (i) the eligibility requirements for opening a TVC account and other details relating to TVC in part A, and (ii) changes relating to phased withdrawal in part B.

The changes mentioned above will not have any adverse impact on the interests of the members of the Scheme.

If you have any queries in relation to the changes set out in this notice, please contact our Customer Service Centre at 25/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong or call our Customer Services Representative at 2929 3030.

A. Changes relating to tax deductible voluntary contributions

Changes to the Inland Revenue Ordinance will take effect on 1 April 2019. From 1 April 2019, similar to premiums paid for qualifying deferred annuity products, MPF voluntary contributions made in a specified account set up by scheme members (namely, TVC account) can also enjoy tax concession in order for them to meet the long-term saving objective for retirement protection.

Your investment decision should not be based on this document alone. We encourage you to read the latest Principal Brochure (including its Addenda) carefully because the new arrangement may affect your retirement planning and tax benefits associated with the TVC account.

(i) What is TVC?

TVC is a new type of contributions and can only be paid into a TVC account of an MPF scheme. TVC may enjoy tax concession. Other characteristics of TVC are as follows:

- TVC can only be made directly by the persons who fulfil the eligibility requirements as mentioned in section A(iii) below
- Involvement of employers is not required
- Although it is voluntary in nature, TVC is subject to the same vesting, preservation and withdrawal restrictions applicable to mandatory contributions

Accordingly, any accrued benefits derived from TVC (including the TVC made in excess of the maximum tax deduction limit during a tax assessment year) will be preserved. **Members should note that accrued benefits held in a TVC account can only be withdrawn upon retirement at age 65 or on other statutory grounds under the MPF legislation.**

TVC members can make their own fund selection or choose to invest in the DIS under the Scheme according to their circumstance and risk appetite. If a TVC member fails to submit to the Trustee a valid Specific Investment Instruction or does not make any investment choice at the time of TVC account opening, his/her TVC will be invested in the DIS.

(ii) Tax Concessions for TVC

TVC may be eligible for tax concessions starting from the year of assessment 2019/2020. The maximum tax deductible amount for the year of assessment 2019/2020 is HK$60,000. It is an aggregate limit for both TVC and other qualifying annuity premiums.

Same as the tax deduction for mandatory contributions and other tax concessions, **the individual tax payer (not the Trustee, sponsor and/or other operators of the Scheme) is responsible for the application of tax deduction and keeping track of how the maximum tax deductible limit is fully utilized**. In this regard, the Trustee will provide a TVC summary to facilitate TVC members in filling in the relevant tax concession information on their tax return if TVC is made by the member to the Scheme during a year of assessment.

(iii) Eligibility

Any person who is:

- **a current holder of contribution account or personal account of an MPF scheme; or**
- **a current member of an MPF exempted ORSO scheme,**

can make TVC to an MPF scheme by opening a TVC account.

The Trustee may reject any application to open a TVC account in the event of (i) having reason to know that information and documents provided to the Trustee are incorrect or incomplete; (ii) failure of applicants to provide information and documents as required by the Trustee to ensure compliance with applicable laws and regulations relating to anti-money laundering or tax reporting; and/or (iii) other circumstances which the Trustee may consider appropriate.

For compliance purposes, there could be circumstances (such as (i) to (iii) in the preceding paragraph) that TVC may be rejected. Any rejected TVC (with no interest) will be refunded within 45 days of receipt of any such TVC unless for some exceptional regulatory reasons the Trustee is unable to effect a refund within such a timeframe.

(iv) Transfer of TVC accrued benefits

A TVC member may, at any time, choose to have ALL accrued benefits in the TVC account in the Scheme transferred to another TVC account in another MPF scheme nominated by such TVC member. **Transfer of TVC accrued benefits in part or to a contribution account / personal account, however, will not be accepted.**

For the avoidance of doubt, such benefit transfer amount cannot be claimed as deductions for taxation purpose.

(v) Termination of TVC accounts

TVC accounts with zero balance and in respect of which there is no transaction activity for 365 days may be terminated by the Trustee.

Note: Investment involves risks and the account balance of TVC (as tax incentivized retirement savings) may go up as well as down.

B. Handling fee relating to withdrawal in instalments

At present, in respect of withdrawal of accrued benefits by way of instalments, the Trustee will not charge any handling fee for payment of the first four (4) instalments in each calendar year and payment of the final instalment for all remaining and payable accrued benefits under the Scheme. With effect from 1 April 2019, the Trustee will not charge any handling fee for payment of the first twelve (12) instalments in each calendar year and payment of the final instalment for all remaining and payable accrued benefits under the Scheme. Other than such circumstances, the Trustee will charge a handling fee of HK$100 per withdrawal of accrued benefits by way of instalments as specified in Table (E) of section 7.1 of the Principal Brochure, and such fee will be deducted from your withdrawal amount. The Trust Deed and the Principal Brochure will be amended accordingly to reflect this change.

C. Amendments to the Trust Deed and Principal Brochure

The changes mentioned above will not have any adverse impact on the interests of the members of the Scheme.

Details of the amendments are set out in the Second Addendum to the Principal Brochure. To preserve the environment by reducing paper usage, the Trustee is not sending a copy of the Second Addendum to each member of the Scheme. If you wish to obtain a copy of the Second Addendum, you can download it from our website at www.bocpt.com or request a copy in writing or verbally. You may write to our Customer Service Centre at 25/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong or call our Customer Services Representative at 2929 3030.

A copy of the latest deed of amendment amending the trust deed constituting the Scheme to reflect the above changes will be made available for inspection free of charge by the scheme participants at our Customer Service Centre at 25/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong. The Principal Brochure together with its Addenda are also available for inspection free of charge at our Customer Service Centre or can be downloaded from our website: www.bocpt.com.

D. Enquiry

If you have any questions regarding the above amendments, please do not hesitate to call our Customer Services Representative at 2929 3030.

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Yours faithfully,
BOCI-Prudential Trustee Limited

BOC-PRUDENTIAL EASY-CHOICE
MANDATORY PROVIDENT FUND SCHEME
中銀保誠簡易強積金計劃 (the "Scheme")
SECOND ADDENDUM TO THE PRINCIPAL BROCHURE DATED 27 AUGUST 2018

The amendments to the Principal Brochure (English version) are hereby shown in italics and underlined for your ease of reference.

This Second Addendum should be read in conjunction with and forms part of the Principal Brochure dated 27 August 2018 as amended and supplemented from time to time (the "**Principal Brochure**") for the BOC-Prudential Easy-Choice Mandatory Provident Fund Scheme. All capitalised terms in this Second Addendum shall have the same meaning as in the Principal Brochure, unless otherwise stated.

You may visit our website at www.bocpt.com for the Principal Brochure of the Scheme or obtain a copy of the Principal Brochure at our Customer Service Centre at 25/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.

The amendments to the Principal Brochure set out below shall take effect from 1 April 2019:

1. Page 1 – "INTRODUCTION"

The "Important Information" box shall be amended by: (i) changing the heading "Important Information – General" to "Important Information"; and (ii) deleting the heading "Important Information – Withdrawal of Accrued Benefits by Instalments" and the paragraph under the heading "Important Information – Withdrawal of Accrued Benefits by Instalments".

2. Page 3 – "1. SUMMARY"

The first paragraph shall be replaced in its entirety with the following:

"The BOC-PRUDENTIAL EASY-CHOICE MANDATORY PROVIDENT FUND SCHEME (the "Scheme") is a mandatory provident fund scheme governed by a master trust deed dated 27 January 2000 and its subsequent deeds of amendment (collectively referred to as the "Trust Deed") and subject to the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"). The Scheme is designed to provide retirement benefits to the members under the Scheme. In addition, subject to the Trustee's and the Investment Manager's approval, any person who is or had been a member of a registered scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPFS Ordinance") or of an occupational retirement scheme may participate in the Scheme as an SVC member (as described in more detail in section 4.1) by completing an application form and executing a participation agreement. <u>*Subject to the provisions of the MPFS Ordinance and the Trustee's and the Investment Manager's approval, any person who is an employee member of a scheme, a self-employed person member of a scheme, a personal account holder of a scheme, or a member of an occupational retirement scheme in respect of which an exemption has been granted under section 5 of the MPFS Ordinance may participate in the Scheme as a TVC member (as defined in sub-section 4.3A.1 headed "Definitions" under section 4.3A headed "Tax Deductible Voluntary Contributions") (as described in more detail in section 4.1) by completing an application form and executing a participation agreement.*</u> More information regarding the types of membership is set out in section 4.1. The Scheme has been approved as a registered scheme by the Mandatory Provident Fund Schemes Authority (the "Authority") under the MPFS Ordinance and authorised by the Securities and Futures Commission (the "SFC")."

3. Page 3 – "1. SUMMARY"

The following sentences shall be added at the end of the second paragraph:

"*SFC authorisation is not a recommendation or endorsement of an MPF scheme or pooled investment fund nor does it guarantee the commercial merits of an MPF scheme or pooled investment fund or its performance. It does not mean the MPF scheme or pooled investment fund is suitable for all scheme participants or fund holders nor is it an endorsement of its suitability for any particular scheme participant or fund holder.*"

4. Page 18 – "3. INVESTMENT AND BORROWING" – "3.1A MPF Default Investment Strategy"

The first paragraph appearing immediately after the definition of "Specific Investment Instruction" shall be replaced in its entirety with the following:

"Any investment mandate and switching instruction must meet the requirements for a "Specific Investment Instruction" in order to be valid. A "Specific Investment Instruction" of a member shall apply to the mandatory contributions (regardless of whether they are made by the member's employer or the member), voluntary contributions (if any) (regardless of whether they are made by the member's employer or the member), special voluntary contributions (if any) *and TVC (as defined in sub-section 4.3A.1 headed "Definitions" under section 4.3A headed "Tax Deductible Voluntary Contributions") (if any)* of the member separately."

5. Page 29 – "4. CONTRIBUTIONS AND WITHDRAWAL" – "4.1 Application for Membership"

The first paragraph shall be replaced in its entirety with the following:

"The Scheme has been registered by the Authority under the MPFS Ordinance. Commencing from 1 December 2000, any employer, self-employed person or other eligible person may participate in the Scheme by establishing a participating scheme *or opening a relevant account*."

6. Page 29 – "4. CONTRIBUTIONS AND WITHDRAWAL" – "4.1 Application for Membership"

The following new paragraph shall be inserted immediately after the third paragraph:

"*Further, an applicant who wishes to participate in the Scheme as a TVC member and is eligible to do so may open a TVC account (as defined in sub-section 4.3A.1 headed "Definitions" under section 4.3A headed "Tax Deductible Voluntary Contributions") under the Scheme by completing the application form prescribed by the Trustee, executing the relevant participation agreement and agreeing in writing to comply with the provisions of the Trust Deed.*"

7. Page 31 – "4. CONTRIBUTIONS AND WITHDRAWAL"

The paragraph appearing immediately before section 4.4 headed "Investment Mandate" shall be replaced in its entirety with the following:

"4.3A Tax Deductible Voluntary Contributions

4.3A.1 Definitions

The following definitions shall apply to this Principal Brochure:

"TVC" means tax deductible voluntary contributions as defined in the MPFS Ordinance.

"TVC account" has the meaning given to it in the MPFS Ordinance.

"TVC member" means a member who has been admitted to participate in the Scheme as a TVC member in accordance with the provisions of the Trust Deed.

"TVC Balance" means, in respect of a TVC member and at any date, the value on that date of the balance held in the TVC account of such TVC member in the Scheme, as determined in accordance with the provisions of the Trust Deed.

"TVC Benefits" means all accrued benefits, in respect of a TVC member, derived from TVC of such TVC member paid or transferred into the TVC account of such TVC member in the Scheme, and payable in accordance with the provisions of the Trust Deed.

4.3A.2 General

Any person who fulfils the eligibility requirements as mentioned in sub-section 4.3A.4 headed "Eligibility" can set up a TVC account under the Scheme and pay TVC into such account. TVC paid into the account will be eligible for tax deduction in accordance with the Inland Revenue Ordinance. With effect from 1 April 2019, the Scheme offers TVC accounts to eligible persons.

The characteristics of TVC are as follows:

(i) TVC can only be made directly by eligible persons into TVC account of a scheme in order to enjoy tax concession, subject to relevant conditions. Please refer to sub-section 4.3A.3 headed "Tax Concession Arrangement in TVC" and sub-section 4.3A.4 headed "Eligibility" for details;

(ii) Involvement of employers is not required;

(iii) Though it is voluntary in nature, TVC is subject to the same vesting, preservation and withdrawal restrictions applicable to mandatory contributions. Accordingly, any accrued benefits derived from TVC (including any TVC made in excess of the maximum tax deduction limit during a tax assessment year) will be preserved and can only be withdrawn upon retirement at age 65 or on other statutory grounds under the MPF legislation. Please refer to sub-section 4.3A.7 headed "Withdrawal and Termination" for details.

4.3A.3 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.

To facilitate the tax return filing by TVC members, the Trustee will provide a TVC summary to each TVC member if TVC is made by him to the Scheme during a year of assessment. Such summary will be made available around 10 May after the end of the relevant year of assessment (i.e. before the end of a period of 40 days (unless the 40th day is not a business day, then the next business day) from the beginning of the next tax assessment year commencing on 1 April).

4.3A.4 Eligibility

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

(i) *an employee member of a scheme;*

(ii) *a self-employed person member of a scheme;*

(iii) *a personal account holder of a scheme;*

(iv) *a member of an occupational retirement scheme in respect of which an exemption has been granted under section 5 of the MPFS Ordinance.*

Each eligible person can only have one TVC account under a scheme.

The Trustee may reject any application to open a TVC account in the Scheme in the event of (i) having reason to know that information and documents provided to the Trustee are incorrect or incomplete; (ii) failure of applicants to provide information and documents as required by the Trustee to ensure compliance with applicable laws and regulations relating to anti-money laundering or tax reporting; and/or (iii) other circumstances which the Trustee may consider appropriate.

For compliance purposes, there could be circumstances (such as (i) to (iii) in the preceding paragraph) that TVC may be rejected. Any rejected TVC (with no interest) will be refunded within 45 days of receipt of any such TVC unless for some exceptional regulatory reasons the Trustee is unable to effect a refund within such a timeframe.

4.3A.5 Contributions

TVC can only be made into a TVC account, which is separate from a contribution account or a personal account. Any other forms of voluntary contributions that are not made into the TVC account are not TVC (for example, voluntary contributions that are made by employee members through their employers will not be eligible for claiming TVC tax deduction).

TVC is subject to the same vesting, preservation and withdrawal requirements applicable to mandatory contributions. This also applies to contributions that exceed the maximum tax deductible amount per assessment year.

The relevant application form and/or participation agreement sets out the minimum limit imposed on the amount or frequency of contribution made to the TVC account.

TVC will be fully vested in the TVC member once it is paid into the Scheme.

For the avoidance of doubt, the protection of accrued benefits under the MPFS Ordinance is not applicable to the TVC account, meaning that accrued benefits derived from TVC will generally be vested in the trustee-in-bankruptcy or official receiver as part of the property of a bankrupt TVC member.

TVC members can make their own fund selection or choose to invest in the MPF Default Investment Strategy under the Scheme according to their circumstance and risk appetite. If a TVC member fails to submit to the Trustee a valid Specific Investment Instruction or does not make any investment choice at the time of TVC account opening according to section 4.4, his TVC will be invested in the DIS. Please refer to section 3.1A headed "MPF Default Investment Strategy" for details of the DIS arrangement.

4.3A.6 Portability

TVC is portable and TVC members should note that:

(i) A TVC member may at any time choose to transfer the accrued benefits derived from TVC to another scheme that offers TVC;

(ii) The transfer must be in a lump sum (full account balance);

(iii) The TVC account in the original scheme from which the accrued benefits are transferred (resulting in zero balance) may be terminated upon such transfer;

(iv) For the avoidance of doubt, transfer of accrued benefits derived from a TVC account to another TVC account of the member in another scheme cannot be claimed as deductions for taxation purpose; and

(v) Transfer of TVC accrued benefits to another TVC account of the member in another scheme will also be subject to the same preservation and withdrawal restrictions applicable to mandatory contributions in the MPF regulations.

4.3A.7 Withdrawal and Termination

As with accrued benefits derived from mandatory contributions, the TVC Benefits will be paid in the following withdrawal conditions only:

(i) 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)

(ii) Death

(iii) Small balances

(iv) Permanent departure from Hong Kong

(v) Total incapacity

(vi) Terminal illness.

In addition, TVC member may elect to receive the accrued benefits payable to him by way of instalments under the following withdrawal conditions:

(a) Retirement (attaining the age of 65)

(b) Early retirement (attaining the age of 60 and ceased all employment/self-employment with no intention of becoming employed or self-employed again).

Please refer to section 4.7 for details of withdrawal of benefits.

Apart from the withdrawal of accrued benefits, the Trustee may terminate the member's TVC account without giving any prior notice to TVC member if:

1. the balance of the TVC account is zero; and

2. there is no transaction activity in respect of the TVC account for 365 days.

All mandatory contributions, voluntary contributions *and TVC* to the Scheme must be made to the Trustee."

8. Page 31 – "4. CONTRIBUTIONS AND WITHDRAWAL" – "4.4 Investment Mandate"

The first paragraph shall be replaced in its entirety with the following:

"The relevant member (i.e. the employee member, the self-employed person, the personal account member, the SVC member *or the TVC member*, as the case may be) must forward to the Trustee an investment mandate meeting the requirements for a Specific Investment Instruction as to how his contributions and accrued benefits should be invested, before:

(i) the first contribution is made by or the first transfer of accrued benefits from other scheme to the Scheme by an employee member or a self-employed person;

(ii) the first transfer of accrued benefits from another scheme to the Scheme by a personal account member;

(iii) the first contribution is made by the SVC member*; or*

(iv) *the first TVC is paid or transferred from a TVC account in another scheme into the TVC account of a TVC member in the Scheme.*"

9. Page 31 – "4. CONTRIBUTIONS AND WITHDRAWAL" – "4.5 Transfer into the Scheme"

The following paragraph shall be inserted at the end of section 4.5 headed "Transfer into the Scheme":

"*For details on transfer of accrued benefits from a TVC account under another scheme to the Scheme, please refer to sub-section 4.3A.6 headed "Portability" under section 4.3A headed "Tax Deductible Voluntary Contributions".*"

10. Page 32 – "4. CONTRIBUTIONS AND WITHDRAWAL" – "4.5A Member's Choice – Transferring benefits into the Scheme"

The last paragraph shall be replaced in its entirety with the following:

"Please note that the above transfers in this section 4.5A shall not apply in circumstances where a member ceases to be employed by his employer *(*in which case, section 4.5 above will apply*) or where a member is a TVC member*."

11. Page 33 – "4. CONTRIBUTIONS AND WITHDRAWAL" – "4.6 Vesting of Benefits"

The following new sub-section 4.6.3 headed "TVC Member" shall be inserted immediately after the existing sub-section 4.6.2 headed "Self-employed Person, Personal Account Member and SVC Member":

"*4.6.3 TVC Member*

A TVC member shall be fully vested at all times with his TVC Balance."

12. Page 33 – "4. CONTRIBUTIONS AND WITHDRAWAL" – "4.7 Withdrawal of Benefits"

The first, second and third paragraphs shall be replaced in their entirety with the following:

"Subject to the provisions in the MPFS Ordinance, the Regulation, the rules of the Trust Deed and the provisions of the participation agreement *(where applicable)*, an employee member, self-employed person, personal account member *or TVC member* (or their personal representative, as the case may be) will be entitled to receive a lump sum payment of all benefits accrued (including all benefits attributable to mandatory contributions, standard voluntary contributions (if any), special voluntary contributions (if any) and *TVC (if any)*) under the Scheme when:

(i) he attains the normal retirement age of 65*^;

(ii) he attains the early retirement age of 60** and certifies to the Trustee by statutory declaration that he has permanently ceased his employment or self-employment *with no intention of becoming employed or self-employed again*^;

(iii) he dies before his benefits have been paid;

(iv) he has departed or is about to depart from Hong Kong permanently; or

(v) he becomes totally incapacitated.

In addition, subject to the provisions in the MPFS Ordinance, the Regulation, the rules of the Trust Deed and the provisions of the participation agreement (where applicable), an employee member, self-employed person, personal account member *or TVC member* who has a terminal illness that is likely to reduce his life expectancy to 12 months or less, will be entitled to receive a lump sum payment of:

(i) in the case of self-employed person and personal account member, benefits accrued (including all benefits attributable to mandatory contributions and voluntary contributions (if any)) under the Scheme;

(ii) in the case of employee member, benefits accrued (including all benefits attributable to mandatory contributions and employee's voluntary contributions (if any)) under the Scheme;

(iii) in the case of TVC member, TVC Benefits under the Scheme.

The accrued benefits paid under the above circumstances will be valued as at the dealing day as soon as reasonably practicable after the date on which the Trustee receives and approves the withdrawal request and any other necessary and duly completed documentation. The rules of the Trust Deed also contain provisions which allow the employee member, self-employed person, personal account member *or TVC member* to receive accrued benefits (including all benefits attributable to mandatory contributions, standard voluntary contributions (if any), special voluntary contributions (if any) *and TVC (if any)*) in the Scheme if such benefits kept in the Scheme as at the date of the claim for the payment of those benefits do not exceed HK$5,000 (or any other amount as may be prescribed by the Regulation) and, as at the date of the claim, at least 12 months have elapsed since the contribution day in respect of the latest contribution period for which a mandatory contribution is required to be made to the Scheme or to any other registered scheme by or in respect of the member and there are no accrued benefits in any other registered schemes."

13. Page 34 – "4. CONTRIBUTIONS AND WITHDRAWAL" – "4.7 Withdrawal of Benefits"

The first two of the three paragraphs marked with " ^ " shall be replaced in their entirety with the following:

"An employee member, self-employed person, personal account member *or TVC member* may elect to receive the accrued benefits payable to him by way of instalments at any time by giving to the Trustee prior written notice in a form acceptable to the Trustee. There is no limit on the number of withdrawals for each employee, self-employed person, personal account member *or TVC member* in each calendar year.

In respect of withdrawal of accrued benefits by instalments, the Trustee will not charge any handling fee for payment of the first *twelve (12)* instalments in each calendar year and payment of the final instalment for all remaining and payable accrued benefits under the Scheme. Other than such circumstances, the Trustee will charge a handling fee for withdrawal by instalments as specified in Table (E) of Section 7.1."

14. Page 35 – "4. CONTRIBUTIONS AND WITHDRAWAL" – "4.8 Withdrawal of Voluntary Contributions"

The following new section 4.8A headed "Withdrawal of TVC Benefits" shall be inserted immediately after the existing section 4.8 headed "Withdrawal of Voluntary Contributions":

"***4.8A Withdrawal of TVC Benefits***

For details with regard to the withdrawal of TVC Benefits, please refer to sub-section 4.3A.7 headed "Withdrawal and Termination" under section 4.3A headed "Tax Deductible Voluntary Contributions"."

15. Page 35 – "4. CONTRIBUTIONS AND WITHDRAWAL" – "4.9 Payment of Accrued Benefits"

The first paragraph shall be replaced in its entirety with the following:

"Subject to the provisions in the Regulation, an employee member, self-employed person, personal account member *or TVC member*, who is entitled to receive his benefits under the Scheme, may lodge with the Trustee a claim for the relevant benefits by submitting a form as prescribed by the Trustee."

16. Page 35 – "4. CONTRIBUTIONS AND WITHDRAWAL" – "4.10 Portability of Benefits"

The first paragraph shall be replaced in its entirety with the following:

"The rules of the Trust Deed also contain provisions relating to the portability of accrued benefits of an employee member, self-employed person, personal account member *or TVC member*."

17. Page 37 – "4. CONTRIBUTIONS AND WITHDRAWAL" – "4.10 Portability of Benefits"

The following new sub-section headed "TVC Benefits" shall be inserted immediately after the existing sub-section headed "Member's Choice - Benefits in the personal account":

" *TVC Benefits*

For details with regard to the portability of the TVC Benefits, please refer to sub-section 4.3A.6 headed "Portability" under section 4.3A headed "Tax Deductible Voluntary Contributions"."

18. Page 37 – "4. CONTRIBUTIONS AND WITHDRAWAL" – "4.10 Portability of Benefits"

The first sentence in the first paragraph under the sub-section headed "Notification to the trustee" shall be replaced in its entirety with the following:

"An employee member, self-employed person, personal account member *or TVC member* who wishes to make the transfer should notify the trustee of the scheme to which the benefits will be transferred (the "New Trustee") of his election and provide necessary information in accordance with the rules of such scheme."

19. Page 37 – "4. CONTRIBUTIONS AND WITHDRAWAL"

The following new section 4.11A headed "Termination of TVC Account" shall be inserted immediately after the existing section 4.11 headed "Termination of Participating Scheme":

"4.11A Termination of TVC Account

For details with regard to the termination of a TVC member's TVC account in the Scheme, please refer to sub-section 4.3A.7 headed "Withdrawal and Termination" under section 4.3A headed "Tax Deductible Voluntary Contributions"."

20. Page 38 – "4. CONTRIBUTIONS AND WITHDRAWAL" – "4.12 No Assignment of Benefits"

The second paragraph shall be replaced in its entirety with the following:

"Members should also note that if he is adjudged bankrupt by a court of competent jurisdiction in Hong Kong, his benefits derived from the employer's voluntary contributions shall be forfeited to the Trustee as at the date of the bankruptcy order unless (i) otherwise provided for in the relevant participation agreement (where applicable); or (ii) such benefit has been charged to the employer against any debts owed to the employer; or (iii) the Trustee in its discretion decides to pay it in case of hardship to the employee member or to his spouse or dependant. *For the avoidance of doubt, the protection of accrued benefits under the MPFS Ordinance is not applicable to the TVC account, meaning that accrued benefits derived from TVC will generally be vested in the trustee-in-bankruptcy or official receiver as part of the property of a bankrupt TVC member.*"

21. Page 42 – "6. DEALING IN CONSTITUENT FUNDS" – "6.3 Investment mandate regarding future contributions and switching between Constituent Funds"

The first sentence in the first paragraph under sub-section (A) headed "Procedure for handling investment mandate regarding future contributions and switching" shall be replaced in its entirety with the following:

"Subject to any limitation which may be imposed by the Trustee, an employee member, self-employed person, personal account member, SVC member *or TVC member* may submit a new investment mandate meeting the requirements for a Specific Investment Instruction and request the Trustee to apply any future contributions which are paid to his account to invest or subscribe for units in one or more constituent funds in accordance with the new investment mandate."

22. Page 42 – "6. DEALING IN CONSTITUENT FUNDS" – "6.3 Investment mandate regarding future contributions and switching between Constituent Funds"

The second paragraph under sub-section (A) headed "Procedure for handling investment mandate regarding future contributions and switching" shall be replaced in its entirety with the following:

"Subject to any condition and limitation which may be imposed by the Trustee, an employee member, self-employed person, personal account member, SVC member *or TVC member* may also submit a switching instruction form meeting the requirements for a Specific Investment Instruction to the Trustee to withdraw any investment or redeem any units in a constituent fund and to apply such redemption proceeds to invest or acquire units in other constituent funds in accordance with the switching instruction. If the switching instruction does not comply with the requirements for a Specific Investment Instruction, such switching instruction will be rejected and the Trustee shall be under no obligation to process such switching instruction form and the investment arrangement of accrued benefits will remain unchanged. The Trustee will, under normal circumstances, process such switching instruction within a reasonable time after the Trustee receives and accepts the switching instruction and any other necessary and duly completed documentation. In general, if the Trustee receives the switching instructions via facsimile, website, interactive voice response system or other electronic means *at* or before 4:00 p.m. on any business day, the instruction will be processed on the same business day; whereas if the switching instruction is received after 4:00 p.m. on any business day, the instruction will be processed on the following business day. If the switching instruction is submitted by post, the instruction will be processed within two business days after the Trustee has received such instruction by post. Members are reminded that fund switching instruction only applies to the existing accrued benefits and should not affect the way in which any future contributions should be invested which should be made in accordance with the latest valid investment mandate submitted by the relevant member. Notwithstanding any limitation which may be imposed by the Trustee, each member will be entitled to transfer his entire benefits under the Scheme into any one constituent fund."

23. Page 44 – "6A. OPERATIONAL AND ADMINISTRATIVE ARRANGEMENTS RELATING TO DIS" – "6A.2 Switching in and out of DIS"

The first paragraph shall be replaced in its entirety with the following:

"Members can switch into or out of the DIS Funds under the DIS at any time, subject to the rules of the Scheme. Should a member wish to transfer his accrued benefits from the DIS Funds to other constituent funds such accrued benefits will be transferred without applying de-risking. On the contrary, should a member wish to transfer his accrued benefits from the other constituent funds to the DIS Funds under the DIS, such accrued benefits will be transferred to the DIS Funds according to the allocation percentages in the DIS De-risking Table as shown in Diagram 2 above. Partial switching in/out of the DIS is allowed. Members' switching instruction to switch in or out of the DIS will apply to their mandatory contributions, voluntary contributions (if any), special voluntary contributions (if any) *and TVC (if any)* separately. In other words, if a member only gives a switching instruction to switch his mandatory contributions in the DIS, his voluntary contributions *(if any),* special voluntary contributions *(if any) and TVC (if any)* will not be switched in the DIS unless there are switching instructions
given in respect of these types of contributions to this effect. Members should, however, bear in mind that the DIS has been designed as a long-term investment arrangement. Also, members may change their investment mandate to invest in the DIS at any time."

24. Page 45 – "6A. OPERATIONAL AND ADMINISTRATIVE ARRANGEMENTS RELATING TO DIS" – "6A.3 Circumstances for Accrued Benefits to be Invested in the DIS"

The following row BB shall be inserted immediately after the existing row B in the table appearing in paragraph (i)(b):

BB. An invalid investment mandate (i.e. an investment mandate not meeting the requirements for a Specific Investment Instruction) or no investment mandate is given in respect of the TVC.	*The entire TVC will be invested in the DIS.*

25. Page 49 – "7. FEES AND CHARGES" – "7.1 Fee Tables"

The table headed "(A) Joining fee & annual fee" shall be replaced in its entirety with the following:

(A) Joining fee & annual fee		
Type of fees	**Current amount** (HK$)	**Payable by**
Joining fee[1]	Currently waived	Employer/Self-employed person/ Personal account member/ SVC member*/TVC member*
Annual fee[2]	Nil	Employer/Self-employed person/ Personal account member/ SVC member*/TVC member*

26. Page 51 – "7. FEES AND CHARGES" – "7.1 Fee Tables"

The table headed "(E) Other fees and charges for providing additional services" shall be replaced in its entirety with the following:

(E) Other fees and charges for providing additional services	
Type of charges & expenses	**Current amount** (HK$)
Handling fee for withdrawal of accrued benefits by instalments [j]	HK$100 per withdrawal*^# * Not applicable to payment of the first *twelve (12)* instalments in each calendar year and payment of the final instalment as mentioned under Section 4.7 above. ^ The fee specified above does not include any necessary transaction costs that are incurred, or reasonably likely to be incurred in selling or purchasing investments in order to give effect to the payment. *# Not applicable to TVC Benefits.*
Copy of Trust Deed and constitutive documents	HK$300 per copy
Copy of consolidated reports of the Scheme	HK$300 per copy
Re-issuance of annual benefit statement: Per employer Per employee member, self-employed person, personal account member *and TVC member*	 HK$200 per statement HK$100 per statement
Additional copy or re-issuance of statements and reports: Per employer Per employee member, self-employed person, personal account member *and TVC member*	 HK$200 per statement / report HK$100 per statement / report
Handling returned cheque due to insufficient funds or other reasons [j]	$100 per statement
Making special voluntary contribution	Nil
Withdrawal of special voluntary contribution	Nil

27. Page 52 – "7. FEES AND CHARGES" – "7.1 Fee Tables"

The definition of "Bid spread" in paragraph 5 under the part headed "Definitions" shall be replaced in its entirety with the following:

"is charged by the trustee/sponsor upon redemption of units of a constituent fund by a scheme member. Bid spread does not apply to a MPF conservative fund. Bid spread for a transfer of accrued benefits, withdrawal of accrued benefits in a lump sum, or payment of a scheme member's accrued benefits by instalments for the first *twelve (12)* instalments in each calendar year can only include necessary transaction costs that are incurred, or reasonably likely to be incurred in selling or purchasing investments in order to give effect to the transfer or payment and are payable to a party other than the trustee. "Bid spread" is the same as "Redemption charge" as stated in the Principal Brochure of the Umbrella Unit Trust."

28. Page 52 – "7. FEES AND CHARGES" – "7.1 Fee Tables"

The definition of "Withdrawal charge" in paragraph 6 under the part headed "Definitions" shall be replaced in its entirety with the following:

"means the fee charged by the trustee/sponsor of a scheme upon withdrawal of accrued benefits from the scheme. This fee is usually charged as a percentage of the withdrawal amount and will be deducted from the withdrawal amount. This charge does not apply to a MPF conservative fund. A withdrawal charge for a transfer of accrued benefits, withdrawal of accrued benefits in a lump sum, or payment of a scheme member's accrued benefits by instalments for the first *twelve (12)* instalments in each calendar year can only include necessary transaction costs that are incurred, or reasonably likely to be incurred in selling or purchasing investments in order to give effect to the transfer or payment and are payable to a party other than the trustee. "Withdrawal charge" is the same as "Redemption Fee" as stated in the Principal Brochure of the Umbrella Unit Trust."

29. Page 54 – "7. FEES AND CHARGES" – "7.1 Fee Tables"

The first sub-paragraph under paragraph (h) headed "Other Expenses" in the part headed "Explanatory Notes" shall be replaced in its entirety with the following:

"The employer, self-employed person, personal account member, SVC member *or TVC member* shall be responsible for the legal costs involved, if any, for preparing the participation agreement referred to in section 4.1."

30. Page 56 – "8. GENERAL INFORMATION" – "8.4 Documents for Inspection"

The second paragraph shall be replaced in its entirety with the following:

"Subject to the prior approval of the relevant authorities and the provisions in the Trust Deed, the Trustee may modify the Trust Deed by supplemental deed, provided that no such modification may change the main purpose of the Scheme to be other than the provision of retirement and other benefits for employees of employers, self-employed persons, personal account members *or TVC members*."

31. Page 58 – "8. GENERAL INFORMATION" – "8.6 Hong Kong Taxation"

The first sentence in the first paragraph shall be replaced in its entirety with the following:

"Prospective members under the Scheme (including, without limitation, employers, employee members, self-employed persons, personal account members, SVC members *and TVC members*) should inform themselves of and, where appropriate, take their own advice on the taxes applicable to contributions to, withdrawals from and investments in the Scheme."

32. Page 58 – "8. GENERAL INFORMATION" – "8.6 Hong Kong Taxation"

The following new paragraph (iii) headed "TVC Members" shall be inserted immediately after the existing paragraph (ii) headed "Employee Members and Self-employed Persons" under sub-section A headed "Contributions to the Scheme":

"*(iii) TVC Members*

TVC members will be able to deduct the TVC paid into their TVC account, subject to a maximum deduction per year as specified in the IRO. More information can be found in sub-section 4.3A.3 headed "Tax Concession Arrangement in TVC" under section 4.3A headed "Tax Deductible Voluntary Contributions"."

33. Page 58 – "8. GENERAL INFORMATION" – "8.6 Hong Kong Taxation"

The first paragraph under sub-section B headed "Payments out of the Scheme" shall be replaced in its entirety with the following:

"Under the terms of the Scheme only employee members, self-employed persons, personal account members, SVC members *and TVC members* will be entitled to withdraw amounts under the Scheme."

1 April 2019

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