

Tax Deductible Voluntary Contributions (TVC)▼



Maximum tax deductible amount for the year of assessment 2019/2020 and onwards: HK\$60,000¹

Making MPF Tax Deductible Voluntary Contributions (“TVC”) may enjoy tax concession. In the 2019/2020 year of assessment and each subsequent year of assessment, the tax deductible limit per year is **HK\$60,000**¹.

1) What is TVC?

TVC is a new type of contributions and can only be paid into a TVC account (“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 Question 2 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. **Please note that accrued benefits held in a TVC account can only be withdrawn upon retirement at age 65 or on other statutory grounds under the MPF legislation (Please refer to Question 5 below).**

2) Who are eligible to make TVC?

Any person who is:

- a) a current holder of contribution account or personal account of an **MPF scheme**; or
- b) a current member of an MPF exempted **ORSO scheme**, can make TVC to an MPF scheme by opening a TVC Account.

▼ To meet the purpose of encouraging extra savings for retirement, the TVC is subject to the preservation requirements. It means that withdrawal is allowed only upon retirement at the age of 65 or on statutorily permissible grounds including early retirement attaining the age of 60, total incapacity, terminal illness, permanent departure from Hong Kong, death and small balances.

¹ It is an aggregate limit for both TVC and other qualifying deferred annuity premiums. Please refer to the Inland Revenue Ordinance for further details.

3) The maximum tax concession amount for TVC in the year of assessment 2019/2020 and each subsequent year of assessment is HK\$60,000, can both of the TVC and qualifying deferred annuity premiums be selected simultaneously to enjoy the tax concession HK\$60,000?

TVC and qualifying deferred annuity premiums are both retirement financial planning tools, you may choose both simultaneously or either one. However, they differ in terms of nature, features and limitations. You should study the details and select appropriate products based on your own financial circumstances, retirement financial needs and risk tolerance level. 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 and each subsequent year of assessment, is HK\$60,000. Such tax concession amount, allowable under salaries tax or personal assessment, is an aggregate limit for both TVC and other qualifying deferred annuity premiums rather than TVC only; and any claim for tax deductions will be applied to TVC before qualifying deferred annuity premiums.

4) What are the differences between TVC and other types of member voluntary contributions?

Key differences are described below :

	Tax deductible Voluntary Contributions (TVC)	Employee Standard Voluntary Contributions (EEVC)	Special Voluntary Contributions (SVC)
Eligibility[^]	(i) a current holder of contribution account or personal account of an MPF scheme; or (ii) a current member of an MPF exempted ORSO scheme	A current employee member of the Scheme	Any person who is or had been a member of an MPF scheme or of an occupational retirement scheme
Tax Deductible Concession	Yes	No	No
TVC Contribution Summary	Annually	NA	NA
Withdrawal Criteria	Upon Retirement at age 65 or other statutory grounds under the MPF legislation	Upon cessation of employment	Free withdrawal (Subject to the prevailing terms and conditions set by the MPF providers)

[^]The trustee reserves the right not to accept any non-mandatory MPF account applications or contributions at its absolute discretion.

5) When can members withdraw the TVC accrued benefits?

Withdrawal can only be made under the following circumstances:

- 1) Upon retirement at **age 65**
- 2) Early retirement (attaining the age of 60 and ceased all employment / self-employment with no intention of becoming employed or self-employed again)
- 3) Death
- 4) Small balances
- 5) Permanent departure from Hong Kong
- 6) Total incapacity
- 7) Terminal illness

6) How much can be saved from this new tax concessions?

Based on the prevailing highest tax rate (i.e. 17%), the maximum tax savings can reach up to HK\$10,200 every year. Yet, it does not mean that any taxpayer who uses up to the deduction cap of HK\$60,000 can enjoy HK\$10,200 in tax savings. Tax savings depends on a number of factors, including personal income level, entitled tax allowances and deductions as well as the amount of qualifying deferred annuity premiums or TVC, etc.

The following table provides an example of the potential annual tax savings for individuals with different incomes and tax brackets. Assuming the taxpayer is only entitled to basic allowance and tax deductions from MPF mandatory contributions, the tax savings per year are²:

	A Single Person	B Single Person	C Single Person
Monthly income	HK\$15,000 (annual income: HK\$180,000)	HK\$30,000 (annual income: HK\$360,000)	HK\$60,000 (annual income: HK\$720,000)
Original tax payable	HK\$780	HK\$17,700	HK\$78,900
Amount of TVC and / or of Qualifying Deferred Annuity Premiums	HK\$9,000*	HK\$18,000*	HK\$60,000
New tax payable	HK\$600	HK\$14,880	HK\$68,700
Annual tax savings	HK\$180	HK\$2,820	HK\$10,200

² Source: Investor and Financial Education Council Website (www.thechinfamily.hk)

The example above is only for illustration and reference and takes 20 March 2019 as the date of calculation.

*For the 2 scenarios, it is assumed that the taxpayers will not make HK\$60,000 of tax deductible savings and will not make claims with the full tax deductible amount for qualifying deferred annuity premiums and TVC.

Should you have any queries regarding the TVC, please contact BOCI-Prudential Asset Management through the following means:

- Hotline: 2280-8686
- Email: info@boci-pru.com.hk

Make Appointment / Meeting Time	<u>(Every Monday to Friday) From 9:00a.m. to 6:00p.m.</u> <Please note: Please call 2280-8686 to make appointment for meeting in advance>
Notes	If you wish to submit relevant TVC form(s) during the meeting, the following documents are required in general: <ul style="list-style-type: none"><input type="checkbox"/> A certified true copy of HKID / Passport*. If NOT holders of permanent HKID, please also provide a certified true copy of Passport<input type="checkbox"/> Residential address proof, latest residential address proof showing your name issued within the last 3 months (e.g. utility bill, bank statement)<input type="checkbox"/> Proof of participating in other MPF Scheme/ ORSO scheme. Documents evidencing your current participation of any registered MPF scheme or ORSO scheme (e.g. membership certificate, notice of participation or annual benefit statement)<input type="checkbox"/> Supporting document for personal bank account in relation to direct debit authorization (if applicable) <p><u>(+Notes:</u> The certified copy of identification document must be certified as a true copy by a professional person such as <u>a practising lawyer/certified public accountant/notary public or MPF Intermediary.</u>)</p>

Important Information

Investment involves risks and the account balance of TVC (as tax incentivized retirement savings) may go up as well as down. It is subject to market fluctuations and inherent risks. Investment in emerging markets involves special risks and considerations. Investors could face no returns and/or suffer significant loss related to the investments. Past performance is not indicative of future performance.

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