

iGlobal Law Annual Alert 2023 : Hong Kong

Legal Change	Effective Date	Action required
<p>Abolition of the Mandatory Provident Fund (“MPF”) Offsetting Arrangement</p> <p>The Employment & Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Bill 2022 was passed on June 9th 2022. In essence, with effect from a date to be specified by the government (“Transition Date”), the MPF offsetting arrangement will be abolished in that employers will no longer be entitled to use the accrued benefits derived from their employers’ MPF mandatory contributions to offset statutory severance/long service payment which accrues after the Transition Date. This amendment does not affect employers’ right to offset statutory severance/long service payment which accrues before the Transition Date, as well as offsetting by using MPF voluntary contributions and gratuities based on length of service.</p> <p>In addition to the abolition of the offsetting arrangement, the amendment provides for other new rules, including, among others, (1) the revised calculation method for statutory severance/long service payment entitlements in respect of employees who began employment before and work through the Transition Date and (2) the new record-keeping requirements on the part of employers relating to wage and employment records for the specified period immediately preceding the Transition Date.</p> <p>Further to the above, the government will introduce an administrative subsidisation programme to help employers cope with the additional burden following the abolition of the MPF Offsetting Arrangement and will publish another legislative proposal regarding the Designated Saving Accounts regime (which essentially requires employers to make periodic contributions to a designated account to save up for meeting future statutory severance/long service payment obligations). Specific details of the above will be announced at a later stage.</p>	<p>The Transition Date will take place on a date to be announced (expected to be 2025).</p> <p>It is expected that the government will provide further details regarding the administrative subsidisation scheme and legislate the Designated Saving Accounts regime in due course (in 2023 or 2024).</p>	<p>Employers should keep an eye on further government announcements and proposals regarding the new arrangement.</p>