



March 2019

Tax Deductible Voluntary Contributions – Frequently Asked Questions to the Scheme Participants of the HSBC Mandatory Provident Fund – SuperTrust Plus and the HSBC Mandatory Provident Fund – ValueChoice (collectively, the ‘HSBC Master Trusts’)

Changes to the Inland Revenue Ordinance will take effect on 1 April 2019. From 1 April 2019, MPF voluntary contributions made in a specified account (namely, a TVC account) set up by members of the HSBC Master Trusts can also enjoy certain tax concessions designed to enable Members to meet the long-term saving objective for retirement protection.

Terms not defined in this FAQ have the same meanings as in the ‘Principal Brochures’ of each of the HSBC Master Trusts.

General

1. What is a Tax Deductible Voluntary Contributions (‘TVC’)?

TVC is a new type contribution to be offered in a Registered Scheme upon each MPF service provider’s decision, which can only be paid into a specific TVC account of a Registered Scheme, such as the HSBC Master Trusts. The purpose of TVC is to provide eligible members a tax concession for voluntary contributions and to assist in member’s long term saving for a better retirement.

A TVC account will allow any members to make tax deductible voluntary contributions starting from 1 April 2019. The maximum tax deductible amount for the year of assessment 2019/2020 is HK\$60,000, which is an aggregate limit for both TVC and other qualifying annuity premiums.

Such contributions are voluntary, and are subject to the same vesting, preservation and withdrawal restrictions applicable to mandatory contributions. TVC can only be made directly by the persons who fulfill the eligibility requirement (as explained in Question 3 of this FAQ). Therefore, involvement from the employers is not required.

2. When does TVC start?

TVC will commence on and from 1 April 2019. Contributing TVC Account Holders may be eligible for tax concessions starting from the year of assessment 2019/2020.

3. Can I apply for a TVC account?

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

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

These eligible members can apply for a TVC account, by completing the ‘Tax Deductible Voluntary Contributions Account Holder Application Form’. For a copy of this form, please visit our designated TVC webpage at www.hsbc.com.hk/mpf/tvc, contact our HSBC MPF Member Hotline on (852) 3128 0128, or alternatively visit any of our designated HSBC branches (listed on HSBC MPF website at www.hsbc.com.hk/mpf) during normal business hours.

4. What is the difference between TVC, employment related voluntary contributions and Flexi-Contributions?

TVC, voluntary in nature, and same as Flexi-Contributions that could be made to the HSBC Master Trusts voluntarily.

TVC are tax deductible (with a maximum tax deductible amount of HK\$60,000 for the year of assessment 2019/2020), while all the other types of voluntary contributions are generally not tax deductible.

For Employee Members, they can make employment related additional voluntary contributions via their employers. They can also make Flexi-Contributions or open a TVC account for the making of TVC at their own pace by returning the relevant application form to the Administrator. It should be noted that the Flexi-Contributions and TVC are totally private and independent of their employers.

For Personal Account Holders and Self-employed Members, they can make Flexi-Contributions and/or additional voluntary contributions (as the case maybe) or open a TVC account for the making of TVC.

5. What is the tax deductible amount in a TVC account?

The maximum tax deductible amount for the year of assessment 2019/2020 is HK\$60,000 and it is an aggregated limit for both TVC and other qualifying deferred annuity premiums.

For example, a Member can make a TVC or pays deferred annuity premium of HK\$60,000 which is the maximum tax deductible amount for the year of assessment 2019/2020, or alternatively, can use the HK\$60,000 cap as a combination of the two, e.g. TVC of HK\$45,000, with the deferred annuity premium of HK\$15,000.

6. How do I claim tax deduction on the TVC amount contributed in a tax assessment year?

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 HSBC Master Trusts) is responsible for the application of tax deduction and keeping track of how the maximum tax deductible limit is fully utilized.

As such, to facilitate the tax return filing by TVC account holders, the Trustee will provide a TVC summary to each TVC account holder in the HSBC Master Trusts 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).

7. How many TVC accounts I can open?

You may only open one TVC account for each Registered Scheme. If you would like your voluntary contributions made to a Registered Scheme to be subject to tax deduction, it must be contributed to the TVC account.

Portability of TVC Benefits

8. Can I transfer my existing voluntary contributions or Flexi-Contributions in my contribution/self-employed/personal account into my new TVC account?

Unfortunately, transfers of voluntary contributions or Flexi-Contributions in the form without subscription and redemption of units from your contribution/self-employed/personal account into your TVC account is not permissible currently. Only new contributions into your TVC account are allowed.

9. Can I transfer my TVC Benefits to my current contribution/self-employed/personal account with HSBC Master Trusts?

Unfortunately, transfers of TVC Benefits to your contribution/self-employed/personal account is not permissible. Your TVC account is maintained separately to your other MPF accounts. This will allow you to easily track your TVC in your TVC account.

10. Can I transfer my TVC Benefits to another TVC account (with another MPF scheme)?

TVC Account Holders may, at any time choose to have all their accrued benefits in their TVC account under the HSBC Master Trusts transferred to another TVC account with another MPF service provider, or vice versa.

However, partial transfers to another TVC account (with another MPF service provider) is not allowed.

TVC Account Holders can transfer their TVC Benefits by completing 'Scheme Member's Request For Transfer of Tax Deductible Voluntary Contributions (TVC)' form, available on our designated TVC webpage at www.hsbc.com.hk/mpf/tvc.

For the avoidance of doubt, transfer of accrued benefits derived from a TVC account to another TVC account of the Member in another Registered Scheme cannot be claimed as deductions for taxation purpose, as it would have been counted in the original MPF scheme for which the TVC were originally made as new contributions in the relevant tax assessment year.

Contributions into TVC account

11. How can I make the TVC?

TVC Account Holders can make TVC at their own pace. However, there is a maximum tax deductible amount and for the year of assessment 2019/2020 is HK\$60,000. As such, contributions greater than HK\$60,000 would not have any tax concessions applied.

TVC Account Holders can contribute into their TVC accounts via two methods:

1. Make monthly contributions from as little as HK\$300 by direct debit. To set up or change your monthly direct debit arrangement in your TVC account, please complete the 'Set up/Change of Regular Tax Deductible Voluntary Contributions Instruction Form'.
2. Pay a lump sum of HK\$1,000 or more by cheque at any time. This method provides Members the flexibility to contribute into their TVC account whenever they want. For TVC Account Holders interested in making a lump sum TVC, please complete the 'Tax Deductible Voluntary Contributions Lump Sum Deposit Form'.

For a copy of these forms (as listed above), please visit our HSBC MPF website at www.hsbc.com.hk/mpf, contact our HSBC MPF Member Hotline on (852) 3128 0128, or alternatively visit any of our designated HSBC branches.

Please note:

- As you are accumulating your funds for retirement purposes, you should consider your personal circumstances before deciding on the TVC amount to contribute.
- TVC will have the same vesting, preservation and withdrawal requirements applicable to mandatory contributions. This also applies to contributions that are above the maximum tax deductible amount.

Investment instruction

12. What is the default investment arrangement for my TVC account?

Based on your individual risk appetite, TVC Account Holders can make their own investment choice or choose to invest in the Default Investment Strategy ('DIS'). If TVC Account Holders fail to submit to the Trustee a Specific Investment Instruction or do not make an investment choice at the time of application, then their TVC will be invested in the DIS.

Please consider your own risk tolerance level and financial circumstances before making any investment choice or investing in the DIS. You should seek financial and/or professional advice if you are in doubt as to whether a certain fund or DIS is suitable for you, and make the investment decision most suitable for you taking into account your circumstances.

13. What is the DIS? And will DIS de-risking apply to TVC Benefits?

As explained in Question 12, if TVC Account Holders fail to submit to the Trustee a Specific Investment Instruction or do not make an investment choice at the time of application, then their TVC will be invested in the DIS.

The DIS comprises of two constituent funds, namely the Age 65 Plus Fund ('A65F') and the Core Accumulation Fund ('CAF'). DIS is a ready-made investment arrangement mainly designed for those Members who are not interested or do not wish to make an investment choice, and is also available as an investment choice itself, for members who find it suitable for their own circumstances.

The DIS aims to balance the long term effects of risk and return through investing in the two constituent funds, namely the A65F and the CAF, according to the pre-set allocation percentages at different ages and will automatically apply to TVC Benefits. The DIS will manage investment risk exposure by automatically reducing the exposure to Higher Risk Assets and correspondingly increasing the exposure to Lower Risk Assets as the Member gets older. Such de-risking is to be achieved by way of reducing the holdings in the CAF and increasing the holdings in the A65F over time. The asset allocation stays the same up until 50 years of age, then reduces steadily until age 64, after which it stays steady again. For further details of the DIS, please refer to the relevant 'Principal Brochure'.

14. Can I change the investment allocation of my TVC account? What methods do I have?

Yes. There are four methods to change the investment allocation in your TVC account:

Portfolio rebalance

To change the investment allocation of your existing investments and new contributions (including but not limited to future transferred amounts). Necessary units will be redeemed to rebalance the portfolio of your existing investments.

Asset switch

To switch all or some of the units from one constituent fund or funds and then re-allocate the redeemed amounts to another constituent fund or across any of the constituent funds. The investment allocation of your new contributions (including but not limited to future transferred amounts) will remain unchanged.

Contribution redirection

To change the investment allocation of your new contributions (including but not limited to future transferred amounts). The investment allocation of your existing investments will remain unchanged.

Exit the DIS

Once you exit the DIS, there will be no more automatic de-risking (i.e. reducing your holdings in the CAF and increasing your holdings in the A65F from age 50 to age 64 automatically) in your account. Therefore, all of your existing investments, future contributions and accrued benefits subsequently transferred from another Registered Scheme will be invested as per the investment allocation immediately before you exit the DIS, and until you make further changes to your investment allocation.

15. Will I lose the guarantee if I transfer my TVC Benefits, all or part of which are investing into the Guaranteed Fund, to another Registered Scheme?

The guarantee in the Guaranteed Fund only applies under certain Guarantee Conditions. Please refer to the 'Guarantee features' section under 'Guaranteed Fund' in Part II – Fund Structure of the 'Principal Brochure' of HSBC Mandatory Provident Fund – SuperTrust Plus for full details.

It is important to note that you would lose your guarantee if you do not meet the Guarantee Conditions when transferring your TVC Benefits to another Registered Scheme.

Withdrawal of TVC Benefits

16. When can I withdraw my TVC Benefits?

As with accrued benefits derived from mandatory contributions, TVC Benefits can only be paid if one of the following withdrawal conditions is met:

- on a Member's 65th birthday;
- on a Member's death (in which case the benefits are paid to the Member's legal personal representatives);
- on the total incapacity of a Member;
- on the terminal illness of a Member;
- on the early retirement of a Member on or after his/her reaching age 60;
- upon a Member's permanent departure from the Hong Kong SAR; or
- upon a Member's claim on small balance under section 162 (1)(c) of the General Regulation.

Requests for payment of TVC Benefits by a TVC Account Holder should be made to the Administrator and accompanied by a completed request of the relevant payment forms. For a copy of the payment forms, please visit our designated TVC webpage at www.hsbc.com.hk/mpf/tvc, contact our HSBC MPF Member Hotline on (852) 3128 0128, or alternatively visit any of our designated HSBC branches.

In addition, TVC Benefits payable on a TVC member's 65th birthday or early retirement on or after reaching age 60 can also claim their TVC Benefits in one lump sum or in instalments. To claim TVC Benefits, please complete and submit the 'Claim Form for Payment of Accrued Benefits on Ground of Attaining the Retirement Age of 65 or Early Retirement' together with the necessary supporting documents.

Further Questions

17. What should I do if I have further questions about my TVC account?

supplements to each of the 'Principal Brochures' of the HSBC Master Trusts have been issued to reflect the introduction of TVC and the consequential changes associated with the changes. For further information about the changes, please refer to the relevant supplements which are available on the HSBC MPF website at www.hsbc.com.hk/mpf or contact our HSBC MPF Member Hotline on (852) 3128 0128, or alternatively visit any of our designated HSBC branches.

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Note: Investment involves risks. Past performance is not indicative of future performance. The value of financial instruments, in particular stocks and shares, and any income from such financial instruments, may go down as well as up. For further details including the product features and risks involved, please refer to the relevant 'Principal Brochure'.