BCT 銀聯集團

BCT Tax Deductible Voluntary Contributions ("TVC") Frequently Asked Questions

General

1. What are Tax Deductible Voluntary Contributions (TVC)? When does it take effect?

Ans. TVC is a new type of contributions and can only be made into a TVC account of an MPF scheme. TVC can 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
- TVC is subject to the same vesting, preservation and withdrawal restrictions applicable to mandatory contributions

The tax deduction is effective for the year of assessment 2019/20. The public can apply for relevant tax deduction when completing the tax return in 2020.

2. Who can apply for TVC? Any age limit?

Ans. 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 of the scheme 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 / tax reporting; and/or (iii) other circumstances which the trustee [and the sponsor] may consider appropriate.

The purpose of the government's tax deduction is to encourage the public to develop the habit of saving earlier in order to enhance the protection of retirement in the future. Therefore, the Government has not set a limit on the age of those who apply for tax deductions.

3. **Will the existing MPF accounts and the tax deduction arrangement for the original mandatory contributions be affected if I open a TVC account?**

Ans. No. Existing members can decide whether they want to open a TVC account.
In addition, the existing $18,000 tax concession limit on mandatory contributions will not be affected by the implementation of TVC.

4. **What is the difference between TVC and Special Voluntary Contributions (SVC)?**

Ans. There are commonalities and differences between two types of voluntary contributions:

	TVC	SVC
Contribution method	You can choose “Regular Contribution” and / or “Lump Sum Contribution”. If you choose to make “Regular Contribution”, monthly regular contribution must be made in the form of direct debit with a minimum amount of HK$300。If you choose to make “Lump Sum Contribution”, the minimum amount of each lump sum contribution is HK$500.	
Flexibility of making contributions	A one-time contribution may be made on a regular basis and/or from time to time. May increase, decrease, cease or restart contributions at any time in response to personal circumstances.	
Tax deductible	You can apply for tax concession according to the limit set for each year of assessment under the Inland Revenue Ordinance.	No
Withdrawal conditions	At age 65 or on other statutory grounds[1] under the MPF legislation	Can withdraw at any time according to personal needs

[1]The accrued benefits derived from TVC will be paid in the following withdrawal conditions only:

i. Retirement (member attaining the age of 65) / early retirement (member attaining the age of 60 and having certified to the trustee by statutory declaration that he has permanently ceased his employment or self-employment)
ii. Death
iii. Small balances
iv. Permanent departure from Hong Kong SAR
v. Total incapacity
vi. Terminal illness

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5. What is the difference between TVC and Qualifying Deferred Annuity?

	TVC	Qualifying Deferred Annuity
Admission requirements	♦ Self-determined contribution amount ♦ Self-determined contribution period	♦ Minimum total premium of $180,000 and minimum payment period of 5 years ♦ Minimum annuity period of 10 years
Withdrawal conditions	At age 65 or on other statutory grounds[1] under the MPF legislation	At the age of 50 or beyond

[1]The accrued benefits derived from TVC will be paid in the following withdrawal conditions only:

i. Retirement (member attaining the age of 65) / early retirement (member attaining the age of 60 and having certified to the trustee by statutory declaration that he has permanently ceased his employment or self-employment)
ii. Death
iii. Small balances
iv. Permanent departure from Hong Kong SAR
v. Total incapacity
vi. Terminal illness

6. How can I benefit from the tax concessions?

Ans. The maximum Government's tax deduction cap per year is $60,000, which is an aggregate limit for TVC and qualifying deferred annuity policies premiums.

The amount of tax deduction will depend on personal income, deductions and allowances, as well as eligible deferred annuity premiums or TVC amount. For the current maximum tax rate (i.e. 17%), a maximum of $10,200 can be saved in tax each year.

Open an Account & Make Contributions at BCT

7. How can an eligible member open a new account to make TVC which is tax deductible?

Ans. Eligible member can submit a duly completed Application Form - Tax Deductible Voluntary Contribution (TVC) [**Form: AP(TVC)**] attached with the copy of the HKID card / passport / other identification document bearing photograph, and the completed Direct Debit Authorisation (DDA) Form (if applicable) to BCT for TVC account setup; or through our e-Platform "BCT eChannel" to complete the TVC account registration directly.

8. **How to differentiate between transfer of TVC and normal TVC contribution?**

Ans. BCT will issue a record for the relevant transfers and contributions, and clearly distinguishing these transactions as different types of inflow into the TVC account.

Annual benefit statements setting out information with respect to (i) TVC paid by the TVC member into the TVC account, (ii) accrued benefits derived from those TVC account and (iii) accrued benefits transferred to the TVC account from a TVC account of another MPF scheme, will be provided to TVC members.

Transfer of accrued benefits derived from a TVC account to another TVC account of the member in another MPF scheme cannot be claimed as deductions for taxation purpose. The TVC contributions which is made by the member to the scheme during a year of assessment would be entitled to enjoy tax concession.

9. **What is the investment mandate of the TVC?**

Ans. 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 at the time of TVC account opening, TVC will be entirely invested in Default Investment Strategy (DIS). Nonetheless, TVC account holders can also change their investment options from time to time.

10. **Can I transfer the balance of my existing SVC account to the TVC account? How about Employee Voluntary Contributions (EEVC)?**

Ans. No, the balance of existing SVC account cannot be transferred to the TVC account.

The withdrawal of EEVC should be subject to the scheme rules and it cannot be transferred to the TVC account.

11. **Can I maintain EEVC, SVC & TVC at the same time? Can I transfer the balance from one account to other account? What is the impact for claiming tax deduction under this situation?**

Ans. Yes, members can maintain EEVC and /or SVC and a separate account for TVC at the same time. Members cannot transfer the balance of EEVC/SVC into the TVC account. Accrued benefits in a TVC account can only be transferred to a TVC account under another registered scheme.

If transfer of TVC includes current year contributions, it would be clearly shown on the TVC transfer-in and transfer-out statement and there is no impact for claiming tax deduction.

12. Any default contribution issue if scheme members failed to contribute TVC on time?

Ans. No, as scheme members pay TVC voluntarily.

13. I am now 65 year old and eligible to withdraw my MC accrued benefit. Can I open a TVC account in the same scheme and request to transfer my accrued benefit from my MC account to the newly set up TVC account to enjoy the tax deduction in the tax year 2019/2020?

Ans. You are allowed to withdraw your MC accrued benefits at the age of 65. You can also open a TVC account in the same scheme and make new contributions to enjoy the tax deduction in the year of assessment 2019/2020, but you cannot transfer accrued benefits from the MC account to a TVC account.

How to apply for tax deduction by making TVC at BCT?

14. How to ascertain the deductible amount of TVC for a tax assessment year?

Ans. Contributions made to TVC accounts during a year of assessment are tax deductible (e.g. for the year of assessment 2019/2020, the TVC contributions can be claimed for tax benefits if contributions made to TVC account fall into the period of 1 April 2019 to 31 March 2020), subject to the maximum tax deduction limit. For the transfer of TVC accrued benefits derived from a TVC account in one registered scheme to a TVC account of another registered scheme will not be treated as new TVC made to the transferee TVC account. Thus, accrued benefits derived from TVC transferred from one registered scheme to another registered scheme will not be tax deductible. Trustee will provide a TVC account contribution summary to each TVC account holder ("TVC Contribution"). Same as the tax deduction for mandatory contributions and other tax concessions, individual tax payer (not the trustee, sponsor and/or other operators of the scheme) is responsible for application of tax deduction and keeping track of how maximum tax deductible limit is fully utilized.

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

Ans. To facilitate the scheme members to complete the tax return for TVC, BCT will provide the account holder with a summary of the TVC account 40 days after the financial year (i.e. 10 May of each year).

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

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

17. Can I make contribution to my TVC account after age 65? If yes, what if I make TVC contribution at the beginning of a tax year and during the same tax year I withdraw the TVC benefit, will the tax deductible amount for the tax year be affected?

Ans. Yes, a TVC account holder more than 65 years old can make TVC contribution. The TVC Contribution Summary referred to the Answer of Q.15 above will cover the contribution made by such an account holder in the manner as described in this question to facilitate the filling in of tax concession information on the tax return. However, as to whether such making and withdrawing of TVC contributions / benefits would affect the tax deductible amount for the tax year, it would be a matter for the **Inland Revenue Department (IRD) to determine**.

Withdrawal or transfer out

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

Ans. Although it is voluntary in nature, TVC is subject to the same vesting and preservation rules and withdrawal restrictions applicable to mandatory contributions. Accordingly, any accrued benefits derived from TVC ("TVC balances") (including any TVC made in excess of the maximum tax deductible limit per year of assessment) will be preserved and can only be withdrawn on statutory grounds, as follows:

i. Retirement (member attaining the age of 65) / early retirement (member attaining the age of 60 and having certified to the trustee by statutory declaration that he has permanently ceased his employment or self-employment)
ii. Death
iii. Small balances
iv. Permanent departure from Hong Kong SAR
v. Total incapacity
vi. Terminal illness

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

Ans. TVC account is a separate account and TVC members may choose to transfer their entire TVC balances in the MPF plan to another registered scheme in which the TVC member holds a TVC account. Requests to transfer TVC balances in part will not be accepted.

20. Accrued benefits can be kept in TVC account after age 65?

Ans. TVC account holder can choose to retain accrued benefits in the TVC account after age 65.

Others

21. Is the investment gain of the TVC subject to tax?

Ans. No.

22. I am a self-employed person. Why can I deduct the mandatory contributions of MPF when calculating the profit tax, but I cannot enjoy the tax concession of TVC?

Ans. Under the Inland Revenue Ordinance, the voluntary contributions paid by self-employed persons to the MPF scheme are not tax deductible because the relevant expenses are personal in nature, and not incurred in the event of taxable profits. Basing on the same principle, tax deduction for this voluntary contribution does not apply to self-employed persons. If these self-employed persons wish to apply for tax deduction for TVC, they can submit a Personal Assessment to the Inland Revenue Department.

23. Can a bankrupt member open a TVC account and make contributions?

Ans. There is a declaration in TVC application form to the effect that the applicant has not filed for bankruptcy or been adjudicated bankrupt. Accordingly, a bankrupt member cannot open a TVC account.

24. Can a bankrupt member withdraw accrued benefits from TVC account?

Ans. If a scheme member is ordered to go bankrupt, the Official Receiver's Office or its trustee will take over the assets to pay off the debt. The MPF assets arising from mandatory contributions is exempted and will not be used to repay debts as required by the Bankruptcy Ordinance. The original intent of this policy is to retain the MPF assets arising from the contributions made by the scheme members in accordance with statutory requirements for the retirement of the scheme members. The considerations are not limited by the preservation regulations. However, contributions other than statutory requirements (such as voluntary contributions and TVC) are voluntary extra savings of the scheme members and therefore they are not exempted. Accordingly, when a bankrupt TVC member makes a request to withdraw accrued benefits from the TVC account, the trustee-in-bankruptcy will be involved in determining how to handle the request.

25. Can a taxpayer apply for tax deduction with a spouse's MPF deductible voluntary contribution?

Ans. MPF contributions, whether mandatory or voluntary in nature, are conceptually linked to the employment or self-employment of the MPF members. Under the Inland Revenue Ordinance, taxpayers can only deduct from their mandatory contributions, up to a maximum of $18,000. With reference to the above arrangement for mandatory contribution, taxpayers cannot make tax deductions for their spouse's TVC.

26. If a scheme member is 65 years old and has forgotten that he holds a TVC account and is eligible for withdrawal, will the trustee remind him proactively?

Ans. As with the mandatory contribution arrangement, the trustee is required to notify the scheme members, who have reached the retirement age, regarding their rights under section 172 of the Mandatory Provident Fund Schemes (General) Regulations. They have the rights to choose to withdraw the assets in lump-sum or in instalments, or retain the assets in the scheme. If the trustee does not receive a reply from the scheme member within 6 months after the notice is given, the trustee will submit the information to the MPFA, which will be regarded as unclaimed benefits in MPFA’s record and available for free access to the public.

27. What are the fees and charges for a TVC account?

Ans. The scheme members are required to pay management fees and other charges. Details are set out in the offering documents for each scheme. Scheme members should refer to the offering document for details.

28. How to withdraw TVC?

Ans. The procedure for the withdrawal of TVC is the same as those for MPF mandatory contributions. Scheme members should submit a claim form to each trustee of the relevant MPF scheme and provide the required documents.

29. Will BCT limit the number of times a scheme member making fund switching for a TVC account? Any charge for switching funds?

Ans. Scheme members can switch funds for TVC. BCT does not limit TVC members the times of fund switching, and also will not charge them for switching funds.