



中國人壽信託有限公司
CHINA LIFE TRUSTEES LIMITED

China Life MPF
Your companion for retirement life

MPF Newsletter

2019 4th Issue



China Life (Overseas) Named “Good MPF Employer” for 4 Consecutive Years



The 2018-2019 Good MPF Employer Award presentation ceremony was held by the MPFA on 9 October 2019 at Hong Kong Convention and Exhibition Centre. China Life (Overseas) has been named “Good MPF Employer” for 4 consecutive years, and once again received “MPF Support Award” and “e-Contribution” awards. These awards recognized China Life’s dedication in performing employer’s duties, attend to retirement protection of employees, and proactively promote MPF e-services.



MPFA's Article

Tax Residence Information Required to Open MPF Accounts Starting Next Year



TAX

Have you ever been asked by a financial institution about your tax residency status when opening a bank account or buying insurance? This information will also be required from those who open new MPF and ORSO accounts starting next year.

Along with banks, insurance companies, securities firms and investment funds, MPF schemes and ORSO registered schemes will become reporting financial institutions (Reporting FIs), according to the Inland Revenue (Amendment) (No.2) Ordinance 2019 (Amendment Ordinance), under which the amendment of the taxation arrangement for the Automatic Exchange of Financial Account Information in Tax Matters (AEOI) relating to MPF schemes and ORSO registered schemes will take effect on 1 January 2020.

Under the new arrangement, MPF schemes and ORSO registered schemes will be required to collect the tax residence information of scheme members and report to the Inland Revenue Department (IRD) the account information of those members who are tax residents outside Hong Kong, so that the IRD can transmit the information to the relevant tax authorities in AEOI partner jurisdictions. The objective of implementing the AEOI is to comply with the Organisation for Economic Co-operation and Development (OECD)'s Common Reporting Standard (CRS) to fulfil Hong Kong's obligations and responsibilities as an international financial centre, including enhancing tax transparency and combating cross-border tax evasion.

All employees who enrol in an MPF or ORSO scheme will be required to complete the tax residence self-certification. Tax residency refers to a person's obligation as a taxpayer in a jurisdiction. The purpose of self-certification is to identify individuals who have tax responsibilities outside Hong Kong. The new arrangement will have a minimal effect on employees who are Hong Kong tax residents only. However, the MPFA advises new joiners to read the related instructions carefully and return the completed enrolment form with tax residence self-certification to their employers/MPF trustees/ORSO administrators as soon as possible to avoid a delay in contributions caused by a failure to open an account.

According to the Mandatory Provident Fund Schemes Ordinance, employers are required by law to enrol newly joined employees in an MPF scheme within the permitted period and make timely MPF contributions. The MPFA calls on MPF trustees and ORSO administrators to pay attention to the new arrangement and to provide employees with all possible assistance in account opening.

For details about AEOI, please visit the IRD website: www.ird.gov.hk/eng/tax/dta_aeoi.htm or contact the relevant MPF trustee or ORSO administrator for enquiries.



News Feed

Automatic Exchange of Financial Account Information in Tax Matters (“AEOI”) Related to MPF/ORSO Registered Schemes

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1. What is AEOI?

- AEOI involves the transmission of financial account information from Hong Kong to an overseas tax jurisdiction with which Hong Kong has an AEOI arrangement (or known as an “AEOI partner”).
- The information relates only to the tax residents of the jurisdiction of the AEOI partner (“reportable jurisdiction”).

2. When will be the effective date?

- MPF schemes and ORSO registered schemes will become reporting financial institutions (“Reporting FIs”) with effect from 1 January 2020.

3. Who will be the reportable persons for AEOI?

- A financial institution resident or with a branch located in Hong Kong is required to identify the financial accounts held by individuals or entities liable to tax by reason of residence in the reportable jurisdictions.
- Updated list of reportable jurisdictions could be found in the website of IRD: https://www.ird.gov.hk/eng/tax/aeoi/rpt_jur.htm

4. How will MPF/ORSO registered scheme account holders be affected by AEOI?

What are the implications to employers?

- Under the AEOI legislation, MPF schemes and ORSO registered schemes will be liable for reporting on account holders (members and employers inclusive) who are tax residents of any reportable jurisdiction outside Hong Kong.

Account Holders (Members and Employers)

- For identification of the tax residency status of each new account holder, Reporting FI is required to collect a self-certification of the account holder for verification of his/her tax residency status and to keep it for a period of six years (beginning on the date on which the return is furnished) in accordance with the requirement of the IRO.
- Starting from 1 January 2020, please use the new form provided by China Life Trustees Limited ("China Life Trustees") to apply for account.

Employers

- Employers should take all practical steps to request new employees to complete, sign and submit the self-certification forms properly and promptly when enrolling these new employees into MPF schemes and ORSO registered schemes.
- Otherwise, account opening process will be adversely affected and could not be completed. Before the employee has opened the account successfully, China Life Trustees will not accept contributions to the concerned employee. Surcharge may be incurred due to default contribution.
- Starting from 1 January 2020, please use the new form provided by China Life Trustees Limited ("China Life Trustees") to apply for Employer and Employee account.

5. What is a self-certification?

- This is a formal declaration that the account holder provides in connection with his/her tax residence under the AEOI regime.

For individual account

- If an MPF/ORSO account is held by an individual as a sole-proprietor of a business, the account is to be treated as an individual account.
- Information required to provide includes basic identification information (e.g. name, HKID or passport number, residence address, mailing address (if different from residence address), date of birth, jurisdiction of residence and taxpayer identification number ("TIN") with respect to each jurisdiction).
- If the account holder has doubt about his/her tax residence, he/she may consider seeking professional advice.

For entity account

- If an MPF/ORSO account is held by an individual as a partner in a partnership, the account is to be treated as an entity account, NOT as an individual account.
- Each controlling person of the entity is also required to provide self-certification if the entity account holder is a passive non-financial entity ("NFE").
- Information required to provide includes legal name, jurisdiction of incorporation or organization, Hong Kong business registration number, business address, mailing address (if different from business address), jurisdiction of residence and TIN.
- Required information from the controlling person includes name of the controlling person, HKID or passport number, residence address, mailing address (if different from residence address), date of birth, jurisdiction of residence and TIN, name of the entity account under the control of the controlling person, and type of controlling person.

6. I am a Hong Kong permanent resident and do not hold any foreign passports and only have tax liability in Hong Kong. Do I need to provide a self-certification to the Reporting FI when opening a new MPF/ORSO registered scheme account? Do I need to provide a self-certification to the Reporting FI for my pre-existing MPF/ORSO registered scheme accounts?

- According to the due diligence procedures set out in the AEOI legislation, which are based on the international standard:

All new MPF/ORSO registered scheme account holders with effect from 1 January 2020

- Account holders have to provide self-certifications to the Reporting FI (including China Life Trustees) in respect of their personal information, including tax residence.

Pre-existing MPF/ORSO registered scheme accounts

- the Reporting FI will be required to conduct due diligence procedures to determine if an account holder is a reportable person.
- In case of doubt, self-certification from the account holders will be obtained to establish their tax residences.
- Furthermore, Reporting FIs can opt to apply due diligence procedures of new MPF/ORSO registered scheme accounts to pre-existing MPF/ORSO registered scheme accounts. In other words, an account holder may have to provide a self-certification to the Reporting FI regarding a pre-existing MPF/ORSO registered scheme account.
- China Life Trustees will conduct due diligence procedure each year. If you receive request of providing self-certification from us, please fill in and return as soon as possible.
- If you do not provide self-certification and/or other supporting documents when being requested, as prescribed by the AEOI legislation, the Reporting FI will need to determine the member's tax residency based on the information currently on record, and if this is in a reportable jurisdiction, the Reporting FI will need to report the relevant account information to the IRD.
- The IRD will in due course, perform information exchange with such reportable jurisdiction that has activated AEOI exchange relationship with Hong Kong.

7. What if there are changes in circumstances that affect my tax residency?

- MPF/ORSO registered scheme account holders should inform the Reporting FI of any change in circumstances which affects their tax residency status or causes the information contained in a self-certification to become incorrect.
- Generally, account holders should provide the Reporting FI with a suitably updated self-certification form within 30 days of such change in circumstances.

8. I am a Hong Kong permanent resident and do not hold any foreign passports and only have tax liability in Hong Kong. Will my MPF/ORSO registered scheme account information be reported to other jurisdictions under the AEOI regime?

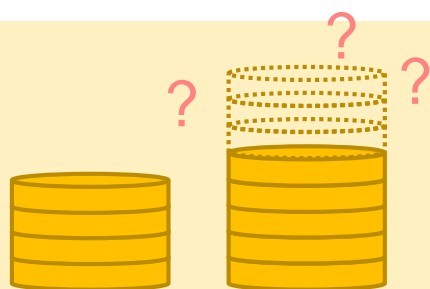
- If you are not a tax resident in any jurisdiction outside Hong Kong, the Reporting FI is not required to report your MPF/ORSO registered scheme account information to IRD for transmission to any tax administration outside Hong Kong.

9. If I am a tax resident of an reportable jurisdiction and hold an MPF/ORSO registered scheme account with a Reporting FI in Hong Kong, what information about me will be exchanged?

- Personal data: name, address, jurisdiction of residence, TIN, and date of birth
- MPF/ORSO registered scheme account: account number (or a unique identifying number), account balance or value (year-end) for the year concerned, and the gross amount paid or credited to the account holder in respect of the account during the relevant period, including the aggregate amount of any redemption payments made to the account holder during that period.

Source: Hong Kong Trustees' Association

MPF Knowledge Hub



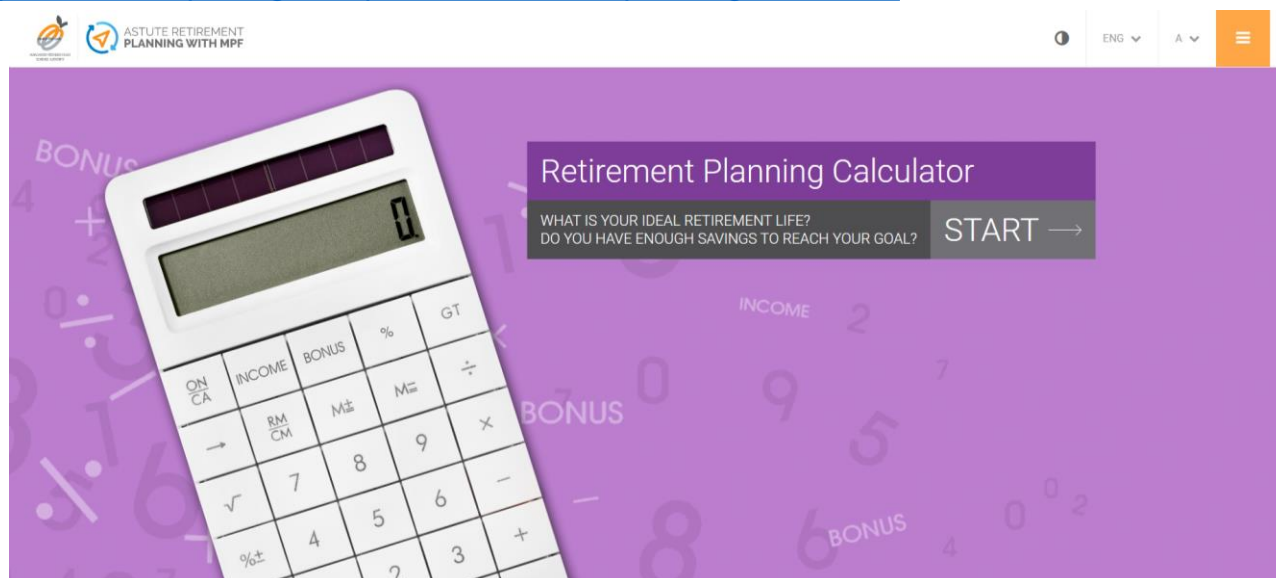
Is my MPF Enough for Retirement?

This is question of many employees. Want to know the discrepant figures of your expected retirement needs and the total saving with the sum of current monthly contributions and other savings? MPFA's "Retirement Planning Calculator" can help. By entering information e.g. your age, income, monthly MPF contributions, expected return rate, expected inflation rate, other savings, it will show you the evaluated result of accrued MPF amount and other savings when you retire, as well as the difference with your retirement needs after adding both amounts. You will then know how much monthly savings you need to increase.

You may consider to make extra fixed amount of voluntary contributions or tax deductible voluntary contributions in addition to mandatory contributions. Through the MPF platform, which is generally charged lower than retail funds, you can make use of "Dollar-cost Averaging" to "average" the cost of buying fund unit in long run, and smooth the impact of short-term market volatility onto investment. Moreover, the earlier you start investment, you can enjoy the advantages of "compounding" your investment return earlier, and get more prepared for retirement.

MPFA's "Retirement Planning Calculator" :

<http://minisite.mpfa.org.hk/mpfie/en/retirement-planning-calculator/>



Market Perspectives



Global Outlook (covering October 2019)

US

The US equity market ended the month in positive territory after the US Federal Reserve (Fed) cut interest rates as expected and signalled that it was unlikely to move in either direction any time soon. Health care and technology sector are the best performer. Record high levels with economic momentum remains solid. Wild card remains to be ongoing US-China trade tension with fluid situation dictated by day-to-day news headlines.

Europe (including UK)

European markets made modest gains in October. Markets are buoyed by easing US-China trade tensions and faltering chances of a no-deal Brexit. The UK equities fell in due to renewed concerns around economic growth, supported by the worse-than-expected Purchasing Manager's Index data for the UK's services sector. BREXIT resolution appears to progress but details remains to be finalized. Widening disparity of valuation within different sectors as investors rotate towards defensives despite premium valuation.

Asia Pacific (ex Hong Kong ex China ex Japan)

Asian equity markets rallied in October driven by a tentative truce in the US-China trade war. Taiwan outperformed as optimism on the technology outlook grew, while Indian equities were helped by a positive corporate earnings season and expectations for further tax reductions. Mixed outlook on Asia Pac markets – more positive towards India market outlook following decisive Modi win, and more cautious towards Korea due to deteriorating earnings outlook due to weaker semiconductor prices.

Hong Kong and Mainland China

Chinese and Hong Kong equities delivered positive returns in October. A slew of positive news including an easing in trade tension and political risks have driven a risk rally globally, benefitting both markets as well. Long-term valuation remains attractive, but capped by near-term concern over trade re-escalation and concern over domestic slowdown in 2H due to impact from local social movement.

Japan

Japanese equities ended the month higher as the partial trade agreement between the US and China eased concerns about a global economic slowdown. Japan is a key developed market with relatively stable macro condition. Monetary policy will likely remain loose, however, stronger yen from flight to safety is negatively impacting the market and economy.

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