

# BEA (MPF) VALUE SCHEME

## FIRST ADDENDUM TO THE EXPLANATORY MEMORANDUM DATED APRIL, 2019

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This First Addendum should be read in conjunction with and forms part of the Explanatory Memorandum for the BEA (MPF) Value Scheme (the "**Master Trust**") dated April, 2019 (referred to as the "**Explanatory Memorandum**"). All capitalised terms herein contained shall have the same meaning in this First Addendum as in the Explanatory Memorandum, unless otherwise stated. The Sponsor and the Trustee accept responsibility for the information contained in this First Addendum as being accurate as at the date of publication.

With effect from 1<sup>st</sup> April, 2019, the Explanatory Memorandum shall be amended as follows:

1. **IMPORTANT INFORMATION** - the following new wording shall be inserted at the end of the second paragraph:

"SFC authorization is not a recommendation or endorsement of an MPF scheme or pooled investment fund nor does it guarantee the commercial merits of an MPF scheme or pooled investment fund or its performance. It does not mean the MPF scheme or pooled investment fund is suitable for all scheme participants or fund holders nor is it an endorsement of its suitability for any particular scheme participant or fund holder."

2. Page 2 - under the section "**DEFINITIONS**", the following definitions shall be added in the appropriate alphabetical order:

" **"TVC"** tax deductible voluntary contributions as defined in the MPF Ordinance"

" **"TVC account"** has the same meaning as in the MPF Ordinance"

" **"TVC Account Holder"** a Member who has executed a document (referred to as a "Participation Agreement" in relation to such a Member for convenience in this Explanatory Memorandum) to participate in the Master Trust as a TVC Account Holder"

3. Page 5 - under the sub-section headed "**How to Join**" under the section "**ABOUT BEA (MPF) VALUE SCHEME**", the first paragraph shall be replaced in its entirety with the following:

"The following persons are eligible to join the Master Trust by executing a Participation Agreement:

- any employer;
- any self-employed person;
- any employee who wishes to transfer to the Master Trust, his accrued benefits attributable to (i) the mandatory contributions made by him in respect of his current employment; or (ii) the mandatory contributions paid by or in respect of such employee that are attributable to his former employments or former self-employments; or (iii) all or any one or more of his personal accounts with another registered scheme;
- any eligible person, including any person who wishes to join the Master Trust as a personal account holder or one who wishes to make special voluntary contributions to the Master Trust, as a Special Voluntary Contribution Account Member; and
- any person who is eligible and wishes to make TVC in the Master Trust."

4. Page 5 - under the section "**ABOUT BEA (MPF) VALUE SCHEME**", the following sub-section headed "**Contributions and Benefits of TVC Account Holders**" shall be inserted immediately after the sub-section headed "**Contributions and Benefits of Special Voluntary Contribution Account Members**":

#### **"Contributions and Benefits of TVC Account Holders**

Any person who fulfils the eligibility requirements as mentioned in the paragraphs headed "Eligibility" under the sub-section headed "TVC" under the section "CONTRIBUTIONS" can set up a TVC account and pay TVC into such account. TVC paid into the account will be eligible for tax deduction in accordance with the Inland Revenue Ordinance. With effect from 1<sup>st</sup> April, 2019, the Master Trust offers TVC accounts to eligible persons.

The characteristics of TVC are as follows:

- TVC can only be made directly by eligible persons into TVC account of an MPF scheme in order to enjoy tax concession, subject to relevant conditions. Please refer to the paragraphs headed "Tax Concession Arrangement in TVC" and "Eligibility" respectively under the sub-section headed "TVC" under the section "CONTRIBUTIONS" for details;
  - Involvement of employers is not required;
  - Though 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 any TVC made in excess of the maximum tax deduction limit during a tax assessment year) will be preserved and can only be withdrawn upon retirement at age 65 or on other statutory grounds under the MPF legislation. Please refer to the paragraphs headed "Withdrawal and Termination" under the sub-section headed "TVC" under the section "CONTRIBUTIONS" for details."
5. Page 31 - under the section "**CONTRIBUTIONS**", the following sub-section headed "**TVC**" shall be inserted immediately after the sub-section headed "**Contractual Voluntary Contributions**":

#### **"TVC**

##### Tax Concession Arrangement in TVC

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, is HK\$60,000. It should be noted that such tax concession amount is an aggregate limit for both TVC and other qualifying annuity premiums rather than TVC only; and any claim for tax deductions will be applied to TVC before qualifying annuity premiums.

To facilitate the tax return filing by TVC Account Holders, the Trustee will provide a TVC summary to each TVC Account Holder if TVC is made by him/her to the Master Trust during a year of assessment. Such summary will be made available around 10<sup>th</sup> May after the end of the relevant year of assessment (i.e. before the end of a period of 40 days (unless the 40<sup>th</sup> day is not a Business Day, then the next Business Day) from the beginning of the next tax assessment year commencing on 1<sup>st</sup> April).

##### Eligibility

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

- an employee member of an MPF scheme;

- a self-employed person member of an MPF scheme;
- a personal account holder of an MPF scheme;
- a member of an occupational retirement scheme in respect of which an exemption has been granted under section 5 of the MPF Ordinance.

Each eligible person can only have one TVC account under an MPF scheme.

The Trustee may reject any application to open a TVC account in the Master Trust 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 or tax reporting; and/or (iii) other circumstances which the Trustee and the Sponsor may consider appropriate.

For risk management and compliance purposes, there could be circumstances (such as (i) to (iii) in the preceding paragraph) that TVC may be rejected. Any rejected TVC (with no interest) will be refunded within 45 days of receipt of any such TVC unless for some exceptional regulatory reasons the Trustee is unable to effect a refund within such timeframe.

### Contributions

TVC can only be made into a TVC account, which is separate from a contribution account or a personal account. Any other forms of voluntary contributions that are not made into the TVC account are not TVC (for example, voluntary contributions that are made by employee members through their employers will not be eligible for claiming TVC tax deduction).

TVC is subject to the same vesting, preservation and withdrawal requirements applicable to mandatory contributions. This also applies to contributions that exceed the maximum tax deductible amount per assessment year.

The relevant participation agreement sets out the minimum limit imposed on the amount and/or frequency of contribution made to the TVC account. TVC will be fully vested in the TVC Account Holder once it is paid into the Master Trust.

For the avoidance of doubt, the protection of accrued benefits under the MPF Ordinance is not applicable to the TVC account, meaning that accrued benefits derived from TVC will generally be vested in the trustee-in-bankruptcy or official receiver as part of the property of a bankrupt TVC Account Holder.

TVC Account Holders can make their own fund selection or choose to invest in DIS (as defined under the section headed "CONTRIBUTIONS") under the Master Trust according to their circumstance and risk appetite. If a TVC Account Holder fails to submit to the Trustee a valid Specific Investment Instruction or does not make any investment choice at the time of TVC account opening, his/her TVC will be invested in DIS. Please refer to the section headed "CONTRIBUTIONS" in this Explanatory Memorandum for details of the DIS arrangement.

### Portability

TVC is portable and TVC Account Holders should note that:

- A TVC Account Holder may at any time choose to transfer the accrued benefits derived from TVC to another MPF scheme that offers TVC;

- The transfer must be in a lump sum (full account balance);
- The TVC account in the original MPF scheme from which the accrued benefits are transferred (resulting in zero balance) may be terminated upon such transfer;
- For the avoidance of doubt, 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; and
- Transfer of TVC accrued benefits to another TVC account of the Member in another MPF scheme will also be subject to the same preservation and withdrawal restrictions applicable to mandatory contributions in the MPF regulations.

#### Withdrawal and Termination

As with accrued benefits derived from mandatory contributions, the accrued benefits derived from TVC will be paid in the following withdrawal conditions only:

- Retirement (attaining the age of 65) / early retirement (attaining the age of 60 and ceased all employment/self-employment with no intention of becoming employed or self-employed again)
- Death
- Small balances
- Permanent departure from Hong Kong
- Total incapacity
- Terminal illness.

In addition, the Trustee must provide phased withdrawal options to the following withdrawal conditions:

- Retirement (attaining the age of 65)
- Early retirement (attaining the age of 60 and ceased all employment/self-employment with no intention of becoming employed or self-employed again).

Apart from the withdrawal of accrued benefits, the Trustee may terminate the Member's TVC account if:

1. the balance of the TVC account is zero; and
2. there is no transaction activity in respect of the TVC account for 365 days."

6. Page 38 - under the sub-section headed "**Circumstances for Accrued Benefits to be Invested in the DIS**" under the section "**CONTRIBUTIONS**", the first sentence of sub-paragraph (a) of paragraph (i) shall be replaced in its entirety with the following:

"When a Member (including a Member who is a Special Voluntary Contribution Account Member or a TVC Account Holder) joins the Master Trust or sets up a new account in the Master Trust, they have the opportunity to give a Specific Investment Instruction for their future contributions and accrued benefits transferred from another scheme."

7. Page 42 - under the sub-section headed "**Entitlement to Benefits**" under the section "**BENEFITS**", the first paragraph shall be replaced in its entirety with the following:

"A Member (including a TVC Account Holder) will become entitled to benefits in respect of mandatory contributions and/or TVC (as applicable) to the Master Trust in the circumstances set out in the MPF Ordinance. Currently, these circumstances include where the Member (i) reaches the age of 65, (ii) permanently ceases employment or self-employment after reaching the age of 60 or ceases employment or self-employment as a result of total incapacity, (iii) has a terminal illness, (iv) permanently departs from Hong Kong, (v) dies or (vi) has the right to claim a small balance pursuant to the MPF Ordinance."

8. Page 43 - under the sub-section headed "**Payment of Benefits**" under the section "**BENEFITS**", the first paragraph in the paragraphs headed "*Withdrawal by instalments*" shall be replaced in its entirety with the following:

"A Member ("**Eligible Member**") who becomes entitled to benefits in respect of mandatory contributions, contractual voluntary contributions and/or TVC, as applicable, upon reaching the age of 65 or permanently ceasing employment or self-employment after reaching the age of 60, may elect to have his benefits derived from mandatory contributions, contractual voluntary contributions and/or TVC, as applicable (together "**Eligible Benefits**"), paid in a lump sum or by instalments (i.e. partial withdrawal). Such election is not available in other circumstances when a Member becomes entitled to benefits in respect of mandatory contributions, contractual voluntary contributions and/or TVC, as applicable, and the benefits will be paid in a lump sum only."

9. Page 43 - under the sub-section headed "**Payment of Benefits**" under the section "**BENEFITS**", the following new wording shall be inserted at the end of the fifth paragraph in the paragraphs headed "*Withdrawal by instalments*":

"For further details, please refer to the fee table "(E) OTHER FEES AND CHARGES FOR PROVIDING ADDITIONAL SERVICES" under the section "Fee Table" of this Explanatory Memorandum."

10. Page 45 - under the sub-section headed "**Transfers to Other Schemes or other account(s) within the Master Trust**" under the section "**TRANSFERS TO AND FROM OTHER SCHEMES**", the following paragraph shall be inserted immediately before the third last paragraph in that sub-section:

"For details with regard to transfer of the accrued benefits in a TVC account from the Master Trust to another scheme, please refer to the paragraph headed "Portability" under the sub-section headed "TVC" under the section "CONTRIBUTIONS"."

11. Page 46 - under the sub-section headed "**Transfers from Other Schemes**" under the section "**TRANSFERS TO AND FROM OTHER SCHEMES**", the following paragraph shall be inserted immediately after the last paragraph in that sub-section:

"For details with regard to transfer of accrued benefits from a TVC account in another scheme to the Master Trust, please refer to the paragraph headed "Portability" under the sub-section headed "TVC" under the section "CONTRIBUTIONS"."

12. Page 57 - under the sub-section headed "**Fee Table**" under the section "**CHARGES AND EXPENSES**", the part headed "**Payment of benefits from mandatory or contractual voluntary contributions (as the case may be) by withdrawal by instalments, if applicable**" in the first column of the table headed "**(E) OTHER FEES AND CHARGES FOR PROVIDING ADDITIONAL SERVICES**" shall be replaced in its entirety with the following:

<b>Payment of benefits from mandatory or contractual voluntary contributions (as the case may be) by withdrawal by instalments, if applicable</b>	<b>Charges (HKD)</b>	<b>Payable By</b>	<b>Receivable By</b>
First 12 instalments (or such further number of instalments as determined by the Trustee) in any calendar year (the period from 1 <sup>st</sup> January to 31 <sup>st</sup> December in a year)	Free of charge (other than any necessary transaction costs payable to a party other than the Trustee as permitted under the General Regulation)	Member	Trustee
Each additional instalment after the first 12 instalments (or such further number of free instalments as determined by the Trustee) in the same calendar year (the period from 1 <sup>st</sup> January to 31 <sup>st</sup> December in a year)	\$100 per instalment (in addition to any necessary transaction costs payable to a party other than the Trustee as permitted under the General Regulation)  <i>Note: Such charge is not applicable to:</i> <ul style="list-style-type: none"> <li>• a Member who has all or part of the accrued benefits invested in the BEA Core Accumulation Fund and/or BEA Age 65 Plus Fund as at the time when the Trustee receives the valid withdrawal request from the Member;</li> <li>• any withdrawal of benefits from a TVC account.</li> </ul>	Member	Trustee

13. Page 61 - under the section "**TAXATION**", the following sub-section headed "**For TVC Account Holders**" shall be inserted immediately after the sub-section headed "**For Self-Employed Persons**":

**"For TVC Account Holders**

TVC Account Holders will be able to deduct the TVC paid into their TVC account, subject to a maximum deduction per year as specified in the Inland Revenue Ordinance. More information can be found in the paragraphs headed "Tax Concession Arrangement in TVC" under the sub-section headed "TVC" under the section "CONTRIBUTIONS". "