

Information from MPFA



Common misconceptions among new employers

More and more young entrepreneurs are choosing to start their own businesses to pursue their aspirations in recent years. However, some of the new employers might not be familiar with the MPF System or their own MPF rights. This article summarizes some common misconceptions about MPF to help new employers better understand the MPF System.



Employers are legally obligated to enroll their employees in an MPF scheme, but some new employers have the misconception that enrolment is not necessary in the following situations:

- The employees are part-time workers
- The employers sign multiple short-term employment contracts of less than 60 days each with their employees
- The employers change employees to self-employed persons by signing a written contract of service with them
- The employees do not want to join MPF

In fact, the MPF System covers both full-time and part-time employees. No matter how many hours of work they perform in a week, as long as they have been employed for 60 days or more, their employers are required to enrol them in an MPF scheme and make the required contributions.

Even if the period of each employment contract is less than 60 days, if there is evidence that an employment relationship exists for 60 days or more, employers are still required to enrol their employees in an MPF scheme. Moreover, even if there is a mutual agreement between an employer and employee, or even if an employee requests not to join an MPF scheme, this does not exempt the employer from its legal obligations.

Information from MPFA



Regarding changing the classification of employees to self-employed persons, in practice, self-employment is not based simply on an agreement or the signing of a "self-employed" contract between employer and employee. It depends on whether an actual employment relationship exists between two parties. There are different factors to consider when determining this relationship, such as whether the company has considerable control over the employee's work, whether the company provides work facilities for the employee, and whether the employee bears capital expenditure, financial risk, and so forth.

It is also important to note that sole proprietors and partners in a partnership are regarded as self-employed persons (SEPs), who must enroll themselves in an MPF scheme and open an SEP account within the first 60 days of becoming self-employed, and make contributions at regular intervals. As you pursue your business plans, be sure to familiarize yourself and fully comply with your MPF obligations to avoid contravening the law.