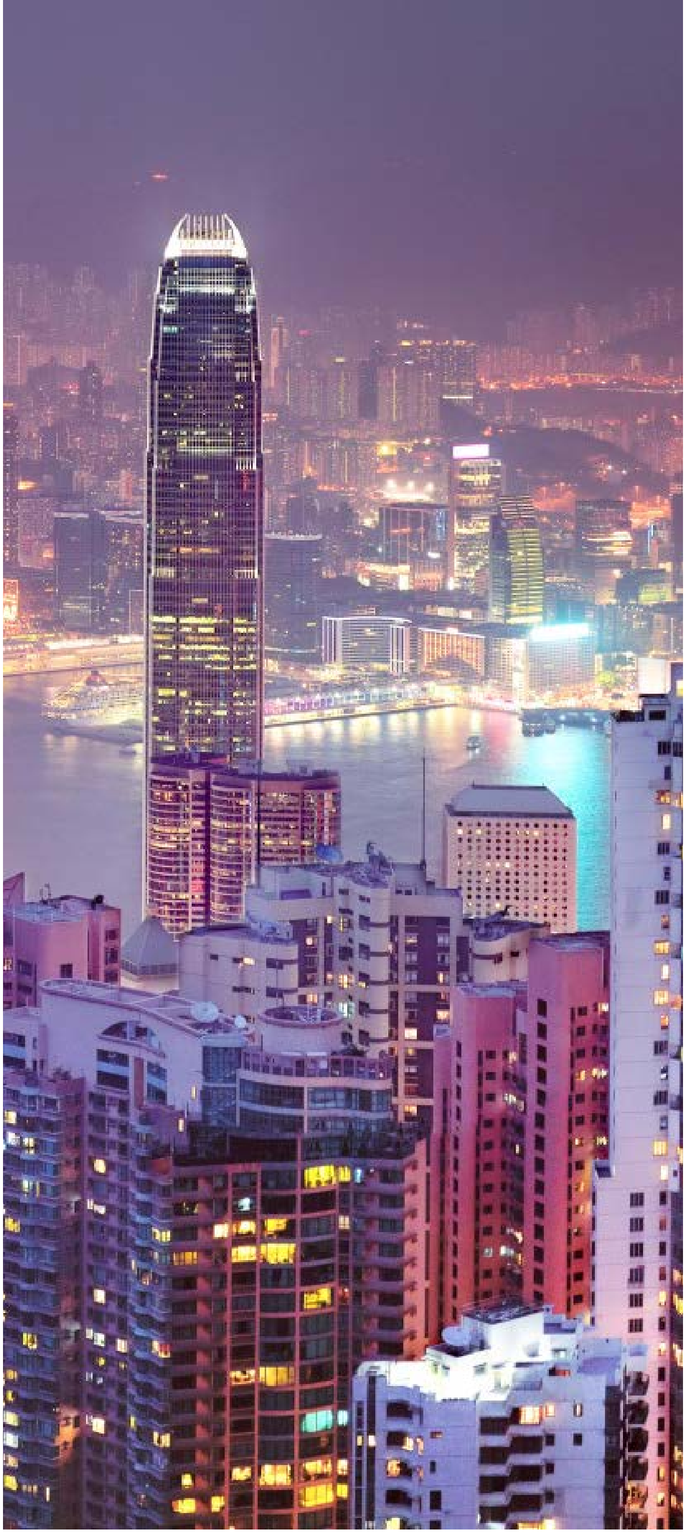
TENZING PACIFIC
INVESTMENT MANAGEMENT

Tenzing Pacific in Partnership with Sovereign

SOVEREIGN

CONNECT WITH US



Hong Kong - The right platform for regional retirement benefit schemes

Decades of dramatic economic growth propelled the People's Republic of China into the world's largest economy. The rate of growth in China may have slowed in recent years but more foreign direct investment is being directed to emerging economies like South Korea, Vietnam, Indonesia and Malaysia, such that the migration of businesses and talent towards Asia and its developing markets remains on the rise.

Hong Kong is one of the world's leading business and financial centres and has long served as a major commercial hub in the Asian region. As of 2016, the Census and Statistics Department recorded 1,379 multinationals that have established regional headquarters in the special administrative region (SAR). There are many good reasons for doing so.

The World Bank ranks Hong Kong as the fourth easiest country in the world (out of 190 countries) in which to do business as of 2017. In particular, HK rates highly for "Starting a Business", "Protecting Minority Investors" and "Paying Taxes". Also noted are the comparative speed and cost of legal proceedings in the territory versus the average for the region. Similarly the World Justice Project ranks Hong Kong as the 16th highest jurisdiction for rule of law out of 113 countries worldwide, rating especially well in the "Absence of Corruption, "Order & Security" and "Regulatory Enforcement" categories.

These strengths, when combined with HK's territorial source of taxation (income earned from outside of Hong Kong is not subject to local tax) and its growing network of tax treaties, make it a highly advantageous base for companies with operations in the Asia region. However, one of HK's greatest assets as a regional headquarters' platform is often overlooked – its corporate pensions' infrastructure.

Employee benefit packages are a vital consideration for any employer who wishes to attract and retain the best talent, as well as maintain a loyal and committed workforce. One of the main components of any employee benefit package is corporate pensions or savings provision. Employees from most backgrounds now consider retirement provision a key part of their remuneration package.

Companies undertaking specialist activities or operating from certain regions such as Asia invariably recruit a high proportion of their workforce from overseas. The relocation, orientation and training of expatriate employees require considerable investment from the employer, making staff retention all the more important.

Hong Kong's Occupation Retirement Scheme Ordinance (ORSO) applies to all corporate schemes established in Hong Kong – irrespective of where the company is established, trades or its employees are based. Companies that operate retirement schemes that fall under the ambit of ORSO can apply to Mandatory Provident Fund Schemes Authority (MPFA) for exemption if the scheme if not more than either 10% or 50 of that scheme's members, whichever is less, are Hong Kong permanent identity card holders.

ORSO Exempted schemes offer certain advantages over MPF schemes, including no legal requirement of contribution (ORSO schemes can either be defined benefit or defined contribution schemes) flexible employee's benefit withdrawal; and increased diversification of investment portfolios.

Unlike other pensions jurisdictions, there is no minimum retirement age in Hong Kong. The ORSO legislation permits employers to nominate one of their choosing and it is also permissible to vary the "vesting scale". This specifies the minimum period employees must work to be entitled to the employer's contributions. For example, if the minimum period of service stated in the vesting scale is three years and the employee has served less than three years, he or she will not be entitled to any part of the employer's contributions upon termination of employment.

Benefits in Hong Kong are paid out as lump sum; members are not required to annuitise their capital. Contributions are tax-deductible up to a maximum of HKD 18,000 a year for employees and up to 15% of salary for employers. Investment income and benefits are tax-exempt in Hong Kong, which can offer significant tax advantages to expatriate staff who intend to return to certain countries with which Hong Kong has a tax treaty.

ORSO Exempted schemes can therefore be highly beneficial for non-resident companies. They can also be beneficial for employers using Hong Kong as a platform for regional retirement schemes because companies that are part of the same group may apply to become "Participating Employers". This extends the potential membership to all the eligible employees and directors of these group companies, which can be particularly important for employees based in less politically stable countries.

Hong Kong pension market has grown from USD46 billion in total pension assets in 2004 to USD 120 billion in 2014, putting it in the top 16 of global pension markets by value, with a larger market per capita than countries like Brazil, Spain, France and Germany. Hong Kong provides an established, straightforward, low-tax system that attracts legitimate and transparent pension planning for both international and local clients.

Contact

Feel free to get in touch for
a consultation or any queries:

Mail: clientservices@tpim.co
Main telephone: +84 8 3825 6369
Web: www.tpim.co

Vietnam
2nd Floor, 19 Hoang Sa,
Da Kao Ward, District 1,
Ho Chi Minh City

Hong Kong
Suites 1104, Crawford House,
70 Queens Road, Central