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Newsletter Hong Kong

Tax deductions for qualifying annuity premiums and tax deductible MPF voluntary contributions (TVC)

The Inland Revenue and MPF Schemes Legislation (Tax Deductions for Annuity Premiums and MPF Voluntary Contributions) (Amendment) Ordinance 2019, enacted on 29 March 2019, provides tax deductions for qualifying annuity premiums and tax deductible MPF voluntary contributions. The deductions are applicable to taxpayers chargeable to salaries tax or tax under personal assessment commencing on or after 1 April 2019, that is, year of assessment 2019/20 onwards.

Qualifying deferred annuity policy ("QDAP")

QDAP is an insurance policy that is certified by the Insurance Authority to be in compliance with the specified criteria published by the Insurance Authority under which a regular payment is receivable by an annuitant during an annuity period.

To qualify for tax deduction in respect of QDAP, all of the following conditions have be fulfilled:-

a) The policy holder must be the taxpayer as the sole policy holder, the taxpayer's spouse as the sole policy holder or the taxpayer and spouse as the joint policy holders.
b) The annuitant must be the taxpayer and/or the taxpayer's spouse.
c) The annuitant must be an HKID card holder.
d) The qualifying annuity premiums must be paid by the taxpayer and/or the taxpayer's spouse.

Married taxpayer (not living apart) may claim deduction for qualifying annuity premiums paid by him/her or spouse, but premiums already claimed by spouse should be excluded. An agreement on how to divide the amount of deduction must be reached before claiming for the deduction; otherwise, the claim would not be entertained.

Tax deductible voluntary contributions ("TVC")

TVC means "tax deductible voluntary contributions" as defined under the Mandatory Provident Fund Schemes Ordinance (MPFSO) that are paid into a TVC account. Taxpayer can set up a TVC account of his/her own choice directly with a TVC provider without going through his/her employer, and make contribution at any time at any amount. Taxpayer needs not be n employee or a self-employed person when the contribution are made to a TVC account. TVC is subject to same preservation requirements as mandatory MPF contributions, that is, withdrawal is allowed only upon retirement or specified grounds.

To qualify for tax deduction in respect of TVC, all of the following conditions have be fulfilled:-

a) The MPF voluntary contributions must be paid into a TVC account defined under the Mandatory Provident Fund Schemes Ordinance
b) Taxpayer must be the TVC account holder.

Unlike QDAP, TVC deduction claim cannot be transferred to the taxpayer's spouse. Taxpayer can only claim deduction for his/her own contributions (up to a cap) made into a TVC account of which his/her are the account holder.

Maximum allowable deduction

The maximum total deduction for the year of assessment 2019/20 onwards is HK$60,000 per year of assessment. It is an aggregate limit for QDAP and TVC, and there is no limit to the number of QDAP and/or TVC accounts a taxpayer may be allowed. Where the taxpayer owns both a QDAP and TVC, tax deductions for TVC shall first be allowed.

Lodging a claim

Taxpayer may claim the deduction for qualifying annuity premiums and TVC paid during the individual tax return filing from the year of assessment 2019/20 onwards. Taxpayer is not required to attach documents to support the deduction claim during the tax return filing; however, supporting documentation should be retained for 6 years after the expiration of the relevant year of assessment for submission to the IRD when requested.

For more information, please contact:

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