

Client Alert

October 2018

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Government Announces Revised Proposal regarding the Abolition of the MPF Offsetting Arrangement

On 10 October 2018, Hong Kong Chief Executive Carrie Lam Cheng Yuet-ngor announced during her annual policy address that the Government will put forward a final proposal to abolish the MPF offsetting arrangement (the “**Revised Proposal**”). This has been an ongoing topic within the Hong Kong community and Baker McKenzie has also previously issued the following client alerts on this subject: [Government has Announced Preliminary Proposal on the Abolition of MPF Offsetting Arrangement](#), [Executive Council Endorses the Abolishment of MPF 'Offsetting' Mechanism](#).

Summary changes - what has changed since the Government's previous announcements?

- The Government now aims to implement the Revised Proposal by the latest, in 2024, provided that approval can be secured from the Legislative Council by 2022, which is two years later than originally intended under the earlier draft proposal (as described in our April 2018 client alert).
- Under the Revised Proposal, the total subsidized amount provided by the Government will be increased to HKD 29.3 billion, up from HKD 17.2 billion as announced under the earlier draft proposal (as described in our April 2018 client alert).
- The two-tiered progressive sharing mechanism detailed in the earlier draft proposal (as described in our April 2018 client alert) (the “**Sharing Mechanism**”), which set out a framework for how the Government subsidies will be paid out to assist employers in paying severance payments and/or long service payments, will largely remain the same. However, under the Revised Proposal, the applicable period of the second tier of the Sharing Mechanism will be extended from 12 years to 25 years.

If you have any questions on the matter covered or need further clarification on any particular issue, please do not hesitate to get in touch with your usual contact at Baker McKenzie, or the lawyers listed above.

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