

LEGISLATIVE COUNCIL BRIEF

Mandatory Provident Fund Schemes Ordinance

(Chapter 485)

MANDATORY PROVIDENT FUND SCHEMES (CONTRIBUTIONS FOR CASUAL EMPLOYEES) (AMENDMENT) ORDER 2013

AND

MANDATORY PROVIDENT FUND SCHEMES (CONTRIBUTIONS FOR CASUAL EMPLOYEES) (AMENDMENT) (NO.2) ORDER 2013

INTRODUCTION

The Mandatory Provident Fund Schemes Authority (“MPFA”) made the Mandatory Provident Fund Schemes (Contributions for Casual Employees) (Amendment) Order 2013 (“Amendment Order”), at **Annex A**, and the Mandatory Provident Fund Schemes (Contributions for Casual Employees) (Amendment) (No.2) Order 2013 (“Amendment No.2 Order”), at **Annex B**, on 21 June 2013 in accordance with section 7A(6) of the Mandatory Provident Fund Schemes Ordinance (Cap. 485) (“MPFSO”).

2. The purpose of the Amendment Order, at **Annex A**, is to amend the Mandatory Provident Fund Schemes (Contributions for Casual Employees) Order (Cap. 485 sub. leg. E) (“Order”) so as to –

- (a) simplify the methods for calculating the amount of mandatory contributions payable for the purposes of the MPFSO in respect of casual employees who are members of an industry scheme registered under the MPFSO by introducing a new method;
- (b) replace all the existing contribution scales with a unified

contribution scale by reference to which the amount of mandatory contributions payable for different bands of relevant income of casual employees can be easily determined; and

- (c) reflect the proposed adjustment of the minimum level of relevant income (“Min RI Level”) in Schedule 2 to the MPFSO covered in the Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 2) Notice 2013 (“Amendment of Schedule 2 Notice”) for mandatory contribution purposes with effective date of 1 November 2013¹.

3. The purpose of the Amendment No.2 Order, at **Annex B**, is to reflect the proposed adjustment of the maximum level of relevant income (“Max RI Level”) in Schedule 3 to the MPFSO covered in the Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 3) Notice 2013 (“Amendment of Schedule 3 Notice”) for mandatory contribution purposes with effective date of 1 June 2014².

JUSTIFICATIONS

Simplification of Contribution Calculation Methods for Casual Employees under Industry Schemes (paragraph 2(a) and (b))

Background for introducing a new contribution calculation method with a unified contribution scale

4. Sections 7A(3)(b) and 7A(4)(b) of the MPFSO require employers of casual employees who are members of industry schemes to contribute and

¹ Please refer to paragraphs 8 to 11 below for details.

² Ditto.

deduct from the employees' relevant income an amount as a mandatory contribution which is determined by reference to a scale specified in an order made in accordance with section 7A(6) of the MPFSO. Section 7A(6) provides that the MPFA must, as the occasion requires, prescribe by order published in the Gazette scales of amounts of contributions by reference to amounts of relevant income of casual employees who are members of industry schemes. The scales are prescribed in the Schedule to the Order.

5. Each of Part 1, Part 2 and Part 3 of the Schedule to the Order has a scale of amounts of contributions³. The contribution scales in Part 1 and Part 2 of the Schedule are essentially the same. Accordingly, the Order can be broadly described as prescribing two contribution calculation methods, each of which comes with a scale applicable to a different situation as follows –

- (a) one method applies to daily-paid casual employees who are paid wages once a day or more than once a day (Part 1 and Part 2 scales); and
- (b) the other method applies to non-daily-paid casual employees who are paid wages less frequently than once a day (Part 3 scale).

Both methods incorporate the application of the daily Min RI Level and Max RI Level of \$250 and \$830 respectively. An extract of the Schedule to the Order is at **Annex C**. Some employers expressed their concerns to the MPFA that having two contribution calculation methods was too complicated and had caused confusion among employers and employees. They thus suggested simplifying the methods for ease of application.

6. Having conducted a review of the Order and consulted relevant

³ Part 1 scale applies to casual employees who are paid income more than once a day while Part 2 scale to those who are paid income once a day. The scales under the two Parts are essentially the same. Part 3 scale applies to casual employees who are paid income less frequently than once a day.

stakeholders on possible simplification options, the MPFA proposed that amendments be made to the Order to introduce a new contribution calculation method which contains a unified contribution scale reflecting the daily Min and Max RI Levels to better cater for the needs of casual employees of the construction and catering industries who are members of industry schemes and their employers.

Guiding principles in the formulation of a new contribution calculation method

7. The MPFSO does not provide a mechanism for the determination of income bands and corresponding amounts of employer's and employee's mandatory contributions payable to be set out in the scale in the Schedule to the Order. In formulating a new method, the following guiding principles have been adopted –

(a) *New method should apply to all casual employees in industry schemes*

The new method using one contribution scale should be applicable to all casual employees, whether daily-paid or not, in the construction and catering industries who are members of industry schemes. As casual employees are usually daily-rated, the income amount and the contribution amount in the scale should all be expressed as daily values for simple application.

(b) *Easy-to-remember, pre-set fixed sum contributions approach*

The new contribution scale should contain ascending income bands at fixed interval as far as practicable with easy-to-remember, pre-set fixed sum contribution amounts for each band.

(c) *Minimal change in the amount of contributions payable*

To minimize financial impact on employers and employees due to the change in the contribution calculation method, the amounts of

mandatory contributions payable under the income bands in the new scale should be set as close as possible to those currently prescribed for daily-paid employees.

- (d) *Uphold fundamental principle of 5% mandatory contributions*
Generally, the MPFSO provides that an employee and his employer must each contribute 5% of the employee's relevant income as mandatory contributions. Such contribution principle is upheld in the Order which prescribes in the scales in Part 1 and Part 2 of the Schedule the amount of contributions payable roughly representing 5% of the average value of the relevant income in most income bands and in the scale in Part 3 calculated as 5% of the employee's relevant income. The proposed scale should continue to uphold that principle as far as practicable.

Amendments to the Order (paragraphs 2(c) and 3)

8. Under section 48 of the MPFSO, the Chief Executive in Council may, by notice published in the Gazette, amend the Schedules to the MPFSO and amendments made to Schedules 1 to 8 to the MPFSO shall be subject to the approval of the Legislative Council ("LegCo").

9. At the meeting of the Executive Council on 28 May 2013, the Council advised and the Chief Executive ordered that the Amendment of Schedule 2 Notice and the Amendment of Schedule 3 Notice should be made under section 48 of the MPFSO and introduced into the LegCo for approval.

10. The Secretary for Financial Services and the Treasury will move a motion to resolve that –

- (a) the Amendment of Schedule 2 Notice covering, among others, the

amendment of the daily Min RI Level from \$250 to \$280 with effective date of 1 November 2013; and

- (b) the Amendment of Schedule 3 Notice covering, among others, the amendment of the daily Max RI Level from \$830 to \$1,000 with effective date of 1 June 2014.

11. Having consulted relevant stakeholders, in order to reduce the costs and effort for implementing legislative changes by employers and the industry, the amendments required to reflect the new Min and Max RI Levels (in paragraphs 8 to 10 above) and the amendments relating to simplification of the contribution calculation methods (in paragraphs 4 to 7 above) should be simultaneously pursued. Accordingly, the following are prepared –

- (a) the Amendment Order, at **Annex A**, in which the contribution scale reflects the new daily Min RI Level of \$280 with effective date of 1 November 2013; and
- (b) the Amendment No.2 Order, at **Annex B**, in which the contribution scale reflects the new daily Max RI Level of \$1,000 with effective date of 1 June 2014.

Details of the New Contribution Calculation Method and Contribution Scale

12. The details of the new contribution calculation method and contribution scale are set out in the Amendment Order. The proposed contribution scale with the new daily Min RI Level of \$280 in section 6(3) of the Amendment Order is reproduced at **Annex D**. The scale will apply to all casual employees in both the construction and catering industries who are members of industry schemes. The determination of the amount of mandatory contributions payable is illustrated below –

(a) *Daily-rated casual employees (be they daily-paid or non-daily-paid)*

- For daily-rated, daily-paid employees, the employer simply ascertains the daily income of the employee and checks against the new contribution scale for the corresponding amount of contributions payable for the working day. For daily-rated, non-daily-paid employees, the employer should add up the amount of contributions payable for each working day in a contribution period to arrive at the total amount.

(b) *Non-daily-rated casual employees (e.g. weekly-rated)*

- The mandatory contributions payable for a non-daily-rated casual employee is determined as follows –
 - (i) Average daily income of the employee =
$$\frac{\text{Actual income earned in a contribution period}}{\text{No. of days worked in the contribution period}}$$
 - (ii) Contributions payable on the average daily income in (i) (per the new contribution scale)
 - (iii) Total contributions payable =
$$[\text{Contributions payable in (ii)}] \times [\text{No. of days worked in the contribution period}]$$

13. The proposed contribution scale also satisfies the other guiding principles in paragraph 7 above in the following manner –

- (a) Most of the income bands in the scale will contain ascending income bands at \$100 interval with easy-to-remember contribution amounts in multiples of \$5 for each band.
- (b) The notes at **Annex D** set out the changes in the amount of

mandatory contributions payable in respect of a daily-paid casual employee if the new contribution scale is adopted. The change in the amount of contributions payable due to the change of contribution calculation method will be at most \$5 more or less per day which is not very substantial.

- (c) The fundamental principle of making mandatory contributions at 5% of an employee's income is upheld in respect of most income bands in the scale.

14. The contribution scale in the Amendment No.2 Order which reflects the Max RI Level is reproduced at **Annex E** with notes explaining how the new income bands are formulated.

Implementation Schedule

15. The commencement of the Amendment Order and the Amendment No.2 Order will need to tie in with that of the Amendment of Schedule 2 Notice (i.e. 1 November 2013) and the Amendment of Schedule 3 Notice (i.e. 1 June 2014) respectively.

OTHER OPTIONS

16. The MPFSO requires employers to make mandatory contributions in respect of casual employees who are members of industry schemes by reference to a scale specified in an order made by the MPFA which prescribes the amounts of contributions payable in respect of casual employees participating in industry schemes under different income bands with reference to the daily Min RI Level in Schedule 2 and the daily Max RI Level in Schedule 3 to the MPFSO.

17. The proposal is to replace the contribution calculation methods and all the contribution scales under the Order with a new method using a unified contribution scale, and to reflect in the new scale the new daily Min and Max RI Levels based on the respective proposed amendments to Schedule 2 to the MPFSO covered in the Amendment of Schedule 2 Notice and Schedule 3 to the MPFSO covered in the Amendment of Schedule 3 Notice. There is no alternative option other than the legislative amendments as proposed.

THE AMENDMENT ORDER

18. The main provisions of the Amendment Order at **Annex A** are set out as follows –

- (a) Section 3 of the Amendment Order will –
 - (i) improve the readability of the definition of “casual employee” in section 1 of the Order but without changing its original meaning;
 - (ii) provide definitions of the new terms (i.e. “daily income”, “daily-rated casual employee”, “EEMC” and “ERMC”) in section 1 of the Order;

- (b) Sections 4 and 5 of the Amendment Order will respectively –
 - (i) amend section 2 of the Order to set out the new method on the determination of the amount of mandatory contributions to be made by employers in respect of their casual employees who are members of industry schemes;
 - (ii) amend section 3 of the Order to set out the new method on the determination of the amount of mandatory contributions to be deducted from the relevant income of casual employees

who are members of industry schemes; and

- (c) Section 6 of the Amendment Order will replace the existing scales of amounts of contributions in Parts 1, 2 and 3 of the Schedule to the Order with a new unified contribution scale, which reflects the proposed new daily Min RI Level of \$280 covered in the Amendment of Schedule 2 Notice while maintaining the current daily Max RI Level of \$830, which is implicitly reflected in the last income band of “\$750 or more”.

THE AMENDMENT NO.2 ORDER

19. The main provision of the Amendment No.2 Order which is section 3 at **Annex B** will replace the last income band in the scale in the Schedule to the Order as shown in (a) below with three income bands in (b) below to reflect the new daily Max RI Level of \$1,000 covered in the Amendment of Schedule 3 Notice –

(a)	\$750 or more	\$40	\$40
(b)	\$750 or more but less than \$850	\$40	\$40
	\$850 or more but less than \$950	\$45	\$45
	\$950 or more	\$50	\$50

The new daily Max RI Level of \$1,000 is implicitly reflected in the above last income band of “\$950 or more” in (b) above.

LEGISLATIVE TIMETABLE

20. The legislative timetable is as follows -
- | | |
|---|-----------------|
| Publication in the Gazette | 5 July 2013 |
| Tabling at the LegCo for negative vetting | 10 July 2013 |
| Commencement Date | |
| - The Amendment Order | 1 November 2013 |
| - The Amendment No.2 Order | 1 June 2014 |

IMPLICATIONS OF THE PROPOSALS

21. Changes in the amount of employer's and employee's mandatory contributions payable in respect of daily-paid casual employees, which will be at most \$5 more or less per day, varying among different income groups, are set out in **Annex D**.

22. The other amendments in the Amendment Order and the amendments in the Amendment No.2 Order are amendments required to reflect the new Min RI Level and the new Max RI Level in the Amendment of Schedule 2 Notice and the Amendment of Schedule 3 Notice respectively. Their implications have been covered in the implications of the proposals at paragraph 13 and Annex C of the LegCo Brief for the Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 2) Notice 2013 and Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 3) Notice 2013 at http://www.legco.gov.hk/yr12-13/english/subleg/brief/sc11_brf.pdf.

PUBLIC CONSULTATION

23. In May 2012, the MPFA consulted relevant stakeholders including mainly the employer groups and labour unions related to the construction and catering industries on the proposal of simplifying the contribution calculation methods for casual employees joining industry schemes which were prepared with reference made to the current daily Min and Max RI Levels of \$250 and \$830. They were generally supportive of the proposed amendments in principle. The MPFA also consulted the MPF Industry Schemes Committee in August 2012 and January and April 2013 on these proposed amendments and the amendments arising from the proposed adjustments of the daily Min RI Level to \$280 and the daily Max RI Level to \$1,000. These amendments were supported by the Committee, which comprises employers' and employees' representatives from the construction industry and the catering industry.

24. The Administration and the MPFA briefed the LegCo Panel on Financial Affairs on 4 March 2013 on the proposal of simplifying the contribution calculation methods for casual employees joining industry schemes. The proposed new contribution scale at that time reflected the new daily Min RI Level of \$280 and new daily Max RI Level of \$1,000 on the presumption that the two levels will be simultaneously implemented⁴. The Panel members did not raise any issues on the proposal.

⁴ For details, please refer to the LegCo Panel on Financial Affairs paper entitled "Relevant Income Levels for the Purpose of Mandatory Contributions under the Mandatory Provident Fund Schemes Ordinance" issued for discussion on 4 March 2013.

PUBLICITY

25. An MPFA spokesman will be available for answering media and public enquiries.

BACKGROUND

26. The MPFSO provides that unless exempted, an employee and his employer are each required to contribute 5% of the employee's relevant income, subject to the Min and Max RI Levels, as mandatory contributions for the employee. Casual employees in the construction industry and the catering industry are often paid more frequently than monthly and this may create an administrative burden on employers if they have to calculate the 5% mandatory contributions payable for each contribution period for each employee. In accordance with the MPFSO, the Order is made by the MPFA which is intended to provide simplified contribution calculation methods for employers and casual employees in the construction and catering industries participating in industry schemes. In the light of operational experience and the concerns of the construction industry on having two contribution calculation methods under the Order was too complicated, the MPFA proposed legislative amendments to simplify the Order.

27. Section 10A of the MPFSO provides that the MPFA must, not less than once in every four years, conduct a review of the Min and Max RI Levels to ascertain whether or not there are grounds to amend the levels. In accordance with section 10A, the MPFA completed the last review in July 2010 and the next one is due in July 2014. In the light of the announcement that the Chief Executive in Council had adopted the recommendation of the Minimum Wage Commission to adjust the Statutory Minimum Wage rate from its then

prevailing level of \$28 per hour to \$30 per hour and the Administration would submit the proposal to the LegCo for approval in December 2012, the MPFA conducted an interim review of the two levels ahead of the one due in July 2014 and submitted a review report to the Government for consideration in February 2013. The Government presented the Amendment of Schedule 2 Notice and the Amendment of Schedule 3 Notice prescribing the new Min and Max RI Levels to the LegCo on 29 May 2013 and will move a resolution on the amendments on 17 July 2013. Subject to the approval of the LegCo on the Amendment of Schedule 2 Notice and the Amendment of Schedule 3 Notice, the MPFA, apart from amending the Order to effect the simplification proposal as mentioned in paragraph 26 above, needs to make corresponding amendments to reflect the new daily Min and Max RI Levels in the Order.

ENQUIRIES

28. Enquiries in relation to the LegCo Brief should be directed to Ms Gabriella Yee, Head (Policy Development & Research) at 2292-1335.

Mandatory Provident Fund Schemes Authority

28 June 2013

Mandatory Provident Fund Schemes (Contributions for Casual Employees)
(Amendment) Order 2013

Mandatory Provident Fund Schemes (Contributions for Casual Employees)
(Amendment) Order 2013

Section 1

1

**Mandatory Provident Fund Schemes (Contributions for
Casual Employees) (Amendment) Order 2013**

(Made by the Mandatory Provident Fund Schemes Authority under section
7A(6) of the Mandatory Provident Fund Schemes Ordinance (Cap. 485))

1. Commencement

This Order comes into operation on 1 November 2013.

**2. Mandatory Provident Fund Schemes (Contributions for Casual
Employees) Order amended**

The Mandatory Provident Fund Schemes (Contributions for Casual
Employees) Order (Cap. 485 sub. leg. E) is amended as set out in
sections 3 to 6.

3. Section 1 substituted

Section 1—

Repeal the section

Substitute

“1. Interpretation

In this Order—

casual employee (臨時僱員) means a relevant employee
who—

- (a) is declared by an order made under section 2(2) of
the Ordinance to be a casual employee for the
purposes of the Ordinance; and
- (b) is a member of an industry scheme;

daily income (每日入息)—

Section 4

2

- (a) in relation to a daily-rated casual employee, means
the relevant income earned by the employee for a
day during a contribution period on which the
employee works for the employer; and
- (b) in relation to any other casual employee, means the
amount arrived at by dividing the total amount of
relevant income earned by the employee during a
contribution period by the total number of days
during that period on which the employee has
worked for the employer;

daily-rated casual employee (日薪臨時僱員) means a casual
employee whose relevant income is calculated on a daily
basis (whether the income is paid daily or otherwise by
the employer);

EEMC (僱員強制性供款) means the amount of mandatory
contribution to be deducted from a casual employee's
daily income (being the amount determined by reference
to the scale specified in column 3 of the Schedule
corresponding to that daily income);

ERMC (僱主強制性供款) means the amount of mandatory
contribution to be contributed by an employer in respect
of a casual employee for a day during a contribution
period on which the employee works for the employer
(being the amount determined by reference to the scale
specified in column 2 of the Schedule corresponding to
the employee's daily income).”

**4. Section 2 amended (amounts of contributions to be made by
employers in respect of casual employees)**

Section 2—

Repeal

Mandatory Provident Fund Schemes (Contributions for Casual Employees)
(Amendment) Order 2013

Mandatory Provident Fund Schemes (Contributions for Casual Employees)
(Amendment) Order 2013

Section 5

3

everything after “by an employer”

Substitute

“in respect of a casual employee for a contribution period is—

- (a) in the case of a daily-rated casual employee, the amount equal to the aggregate of the ERMC payable for each day during the period on which the employee works for the employer; and
- (b) in the case of any other casual employee, the amount arrived at by multiplying the ERMC by the total number of days during the period on which the employee has worked for the employer.”.

5. **Section 3 amended (amounts of contributions to be deducted by employers from relevant income of casual employees)**

Section 3—

Repeal paragraphs (a), (b) and (c)

Substitute

- “(a) in the case of a daily-rated casual employee, the amount equal to the aggregate of the EEMC deductible for each day during the period on which the employee works for the employer; and
- (b) in the case of any other casual employee, the amount arrived at by multiplying the EEMC by the total number of days during the period on which the employee has worked for the employer.”.

6. **Schedule amended (scales of amounts of contributions to be made in respect of casual employees)**

- (1) The Schedule—

Repeal

Section 6

4

“[ss. 2 & 3]”

Substitute

“[s. 1]”.

- (2) The Schedule, English text, heading—

Repeal

“Scales”

Substitute

“Scale”.

- (3) The Schedule—

Repeal Parts 1, 2 and 3

Substitute

“Column 1	Column 2	Column 3
Daily income of casual employee less than \$280	ERMC \$10	EEMC Nil
\$280 or more but less than \$350	\$15	\$15
\$350 or more but less than \$450	\$20	\$20
\$450 or more but less than \$550	\$25	\$25
\$550 or more but less than \$650	\$30	\$30
\$650 or more but less than \$750	\$35	\$35
\$750 or more	\$40	\$40”.

Mandatory Provident Fund Schemes (Contributions for Casual Employees)
(Amendment) Order 2013

Section 7

5

7. **Application of Mandatory Provident Fund Schemes
(Contributions for Casual Employees) Order as amended**

The Mandatory Provident Fund Schemes (Contributions for Casual Employees) Order (Cap. 485 sub. leg. E) as amended by this Order applies in relation to a contribution period that begins on or after the commencement date of this Order.



Managing Director,
Mandatory Provident Fund Schemes
Authority

21 JUNE 2013

Mandatory Provident Fund Schemes (Contributions for Casual Employees)
(Amendment) Order 2013

Explanatory Note
Paragraph 1

6

Explanatory Note

The purpose of this Order is to amend the Mandatory Provident Fund Schemes (Contributions for Casual Employees) Order (Cap. 485 sub. leg. E) so as to—

- (a) simplify the calculation methods by which, and adopt a unified contribution scale by reference to which, the mandatory contributions payable for the purposes of the Mandatory Provident Fund Schemes Ordinance (Cap. 485) in respect of casual employees (whether daily-rated or otherwise) who are members of an industry scheme registered under that Ordinance are to be determined; and
- (b) reflect in the scale the revised minimum level of relevant income specified in Schedule 2 to that Ordinance as well as other revised income bands, and the corresponding amounts to be paid, for mandatory contribution purposes in respect of such casual employees.

Mandatory Provident Fund Schemes (Contributions for Casual Employees)
(Amendment) (No. 2) Order 2013

Mandatory Provident Fund Schemes (Contributions for Casual Employees)
(Amendment) (No. 2) Order 2013

Section 1

1

Section 4

2

Mandatory Provident Fund Schemes (Contributions for Casual Employees) (Amendment) (No. 2) Order 2013

4. Application of Mandatory Provident Fund Schemes (Contributions for Casual Employees) Order as amended

The Mandatory Provident Fund Schemes (Contributions for Casual Employees) Order (Cap. 485 sub. leg. E) as amended by this Order applies in relation to a contribution period that begins on or after the commencement date of this Order.

(Made by the Mandatory Provident Fund Schemes Authority under section 7A(6) of the Mandatory Provident Fund Schemes Ordinance (Cap. 485))

1. Commencement

This Order comes into operation on 1 June 2014.

2. Mandatory Provident Fund Schemes (Contributions for Casual Employees) Order amended

The Mandatory Provident Fund Schemes (Contributions for Casual Employees) Order (Cap. 485 sub. leg. E) is amended as set out in section 3.

3. Schedule amended (scale of amounts of contributions to be made in respect of casual employees)

The Schedule—

Repeal

“\$750 or more	\$40	\$40”
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Substitute

“\$750 or more but less than \$850	\$40	\$40
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\$850 or more but less than \$950	\$45	\$45
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\$950 or more	\$50	\$50”.
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Managing Director,
Mandatory Provident Fund Schemes
Authority

21 JUNE 2013

Mandatory Provident Fund Schemes (Contributions for Casual Employees)
(Amendment) (No. 2) Order 2013

Explanatory Note
Paragraph 1

3

Explanatory Note

The purpose of this Order is to amend the contribution scale in the Mandatory Provident Fund Schemes (Contributions for Casual Employees) Order (Cap. 485 sub. leg. E) by reference to which the mandatory contributions payable for the purposes of the Mandatory Provident Fund Schemes Ordinance (Cap. 485) in respect of casual employees (whether daily-rated or otherwise) who are members of an industry scheme registered under that Ordinance are to be determined.

2. The amended scale will reflect the revised maximum level of relevant income specified in Schedule 3 to that Ordinance as well as other revised income bands, and the corresponding amounts to be paid, for mandatory contribution purposes in respect of such casual employees.

**An Extract of
Mandatory Provident Fund Schemes
(Contributions for Casual Employees) Order (Cap. 485E)**

Schedule

Part 1

Scale of amounts of contributions to be made in the case of a casual employee to whom an employer pays the relevant income more than once a day

Total amount of relevant income paid by an employer to a casual employee in a day	Total amount to be contributed by the employer for that day	Total amount to be deducted by the employer from the employee's relevant income for that day
Less than \$250.00	\$7.50	Nil
\$250.00 or more but less than \$260.00	\$13.00	\$13.00
\$260.00 or more but less than \$390.00	\$15.00	\$15.00
\$390.00 or more but less than \$520.00	\$22.50	\$22.50
\$520.00 or more but not more than \$650.00	\$30.00	\$30.00
More than \$650.00 but not more than \$830.00	\$37.50	\$37.50
More than \$830.00	\$41.50	\$41.50

Part 2

Scale of amounts of contributions to be made in the case of a casual employee to whom an employer pays the relevant income at least, but not more than, once a day

Amount of relevant income paid by an employer to a casual employee in a day	Amount to be contributed by the employer for that day	Amount to be deducted by the employer from the employee's relevant income for that day
Less than \$250.00	\$7.50	Nil
\$250.00 or more but less than \$260.00	\$13.00	\$13.00
\$260.00 or more but less than \$390.00	\$15.00	\$15.00
\$390.00 or more but less than \$520.00	\$22.50	\$22.50
\$520.00 or more but not more than \$650.00	\$30.00	\$30.00
More than \$650.00 but not more than \$830.00	\$37.50	\$37.50
More than \$830.00	\$41.50	\$41.50

Part 3**Scale of amounts of contributions to be made in the case of a casual employee to whom an employer pays the relevant income less frequently than once a day**

Average amount of relevant income paid by an employer to a casual employee per day in a contribution period	Amount to be contributed by the employer for that contribution period	Amount to be deducted by the employer from the employee's relevant income for that contribution period
Less than \$250.00	5% of the relevant income paid by the employer to the employee for that contribution period	Nil
\$250.00 or more but not more than \$830.00	5% of the relevant income paid by the employer to the employee for that contribution period	5% of the relevant income paid by the employer to the employee for that contribution period
More than \$830.00	\$41.50 per day in that contribution period	\$41.50 per day in that contribution period

**Financial Impact of the Proposed Contribution Scale¹
(effective 1 November 2013) on Casual Employees Joining Industry
Schemes and their Employers**

Daily income of casual employee	ERMC*	EEMC**	Notes
Less than \$280	\$10	Nil	(1)
\$280 or more but less than \$350	\$15	\$15	(2)
\$350 or more but less than \$450	\$20	\$20	(3)
\$450 or more but less than \$550	\$25	\$25	(4)
\$550 or more but less than \$650	\$30	\$30	(5)
\$650 or more but less than \$750	\$35	\$35	(6)
\$750 or more	\$40	\$40	(7)

* ERMC means employer's mandatory contributions

** EEMC means employee's mandatory contributions

Explanatory Notes

Each of the Notes below will first explain how the income band and ERMC/EEMC in each row in the proposed scale above is derived before assessing the financial impact on casual employees and their employers.

The financial impact on casual employees and their employers is due to the proposed (a) upward adjustment of the daily Min RI Level from \$250 to \$280; and (b) adoption of the new contribution calculation method with a unified contribution scale. The financial impact is expressed as an increase or a decrease in ERMC and EEMC by comparing a daily-paid casual employee's ERMC/EEMC before and after the adoption of the new daily Min RI Level and the contribution scale. The comparison is made using the above proposed scale (new ERMC/EEMC) and the current scales in Part 1 and Part 2 of the Schedule to the Order (current ERMC/EEMC) at **Annex C**.

¹ This contribution scale reflects the new daily Min RI Level of \$280 and the current daily Max RI Level of \$830.

(1) Income band: Less than \$280**Methodology:**

The income band of “Less than \$280” reflects the proposal to amend the daily Min RI Level from \$250 to \$280. Thus, no EEMC is required. The proposed ERM C is calculated as follows:

Average value of income in this band = $(\$0 + \$280)/2 = \$140$

ERM C = $\$140 \times 5\% = \underline{\$7}$ (rounded up to \$10 as a multiple of \$5)

Financial impact:

- (a) Employees earning income less than \$250 will not be required to make EEMC as before whilst their employers will pay additional \$2.5 ERM C (i.e. from the current \$7.5 to the proposed \$10).
- (b) Employees earning income from \$250 to less than \$260 will become exempted from making EEMC (which amounts to \$13 before the adjustment of daily Min RI Level). Their employers will pay \$3 less ERM C (i.e. from the current \$13 to the proposed \$10).
- (c) Employees earning income from \$260 to less than \$280 will become exempted from making EEMC (which amounts to \$15 before the adjustment of daily Min RI Level). Their employers will pay \$5 less ERM C (i.e. from the current \$15 to the proposed \$10).

(2) Income band: \$280 or more but less than \$350**Methodology:**

Average value of income in this band = $(\$280 + \$350)/2 = \$315$

ERM C / EEMC = $\$315 \times 5\% = \underline{\$15.75}$ (rounded down to \$15 as a multiple of \$5)

Financial impact:

No impact on this group of employers and employees as ERM C and EEMC will remain the same as before.

(3) Income band: \$350 or more but less than \$450**Methodology:**

Average value of income in this band = $(\$350 + \$450)/2 = \$400$

ERM C / EEMC = $\$400 \times 5\% = \underline{\$20}$

Financial impact:

- (a) Employees earning income from \$350 to less than \$390 and their employers will each pay additional \$5 mandatory contributions (i.e. from the current \$15 to the proposed \$20).
- (b) Employees earning income from \$390 to less than \$450 and their employers will each pay \$2.5 less mandatory contributions (i.e. from the current \$22.5 to the proposed \$20).

(4) Income band: \$450 or more but less than \$550**Methodology:**

Average value of income in this band = $(\$450 + \$550)/2 = \$500$

ERMC / EEMC = $\$500 \times 5\% = \underline{\$25}$

Financial impact:

- (a) Employees with income from \$450 to less than \$520 and their employers will each pay additional \$2.5 mandatory contributions (i.e. from the current \$22.5 to the proposed \$25).
- (b) Employees earning income from \$520 to less than \$550 and their employers will each pay \$5 less mandatory contributions (i.e. from the current \$30 to the proposed \$25).

(5) Income band: \$550 or more but less than \$650**Methodology:**

Average value of income in this band = $(\$550 + \$650)/2 = \$600$

ERMC / EEMC = $\$600 \times 5\% = \underline{\$30}$

Financial impact:

No impact on this group of employers and employees as ERMC and EEMC will remain the same as before.

(6) Income band: \$650 or more but less than \$750**Methodology:**

Average value of income in this band = $(\$650 + \$750)/2 = \$700$

ERMC / EEMC = $\$700 \times 5\% = \underline{\$35}$

Financial impact:

- (a) Employees earning income at \$650 and their employers will each pay additional \$5 mandatory contributions (i.e. from the current \$30 to the

proposed \$35).

- (b) Employees earning income from more than \$650 to less than \$750 and their employers will each pay \$2.5 less mandatory contributions (i.e. from the current \$37.5 to the proposed \$35).

(7) Income band: \$750 or more

Methodology:

As \$830 is the Max RI Level, this income band can also be presented as comprising two sub-bands cut off at \$830 each of which has ERM C / EEM C derived as follows:

Sub-band 1: \$750 or more but less than \$830

Average value of income = $(\$750 + \$830)/2 = \$790$

ERM C / EEM C = $\$790 \times 5\% = \underline{\$39.5}$ (rounded up to \$40 as a multiple of \$5)

Sub-band 2: \$830 or more

As the Max RI Level is \$830, ERM C / EEM C should each be capped at \$41.5 (i.e. $\$830 \times 5\%$).

ERM C / EEM C = $\underline{\$41.5}$ (rounded down to \$40 as a multiple of \$5)

For simplicity reason put forward by the relevant stakeholders, the above two sub-bands with the same ERM C / EEM C are combined into one income band “\$750 or more” with ERM C / EEM C “\$40”.

Financial impact:

- (a) Employees earning income of \$750 to \$830 and their employers will each pay additional \$2.5 mandatory contributions (i.e. from the current \$37.5 to the proposed \$40).
- (b) Employees earning income more than \$830 and their employers will each pay \$1.5 less mandatory contributions (i.e. from the current \$41.5 to the proposed \$40).

**Proposed Amendments Reflecting the New Daily Max RI Level of \$1,000
(effective 1 June 2014)**

Daily income of casual employee	ERMC*	EEMC**	Notes
Less than \$280	\$10	Nil	
\$280 or more but less than \$350	\$15	\$15	
\$350 or more but less than \$450	\$20	\$20	
\$450 or more but less than \$550	\$25	\$25	
\$550 or more but less than \$650	\$30	\$30	
\$650 or more but less than \$750	\$35	\$35	
\$750 or more	\$40	\$40	
<u>\$750 or more but less than \$850</u>	<u>\$40</u>	<u>\$40</u>	(1)
<u>\$850 or more but less than \$950</u>	<u>\$45</u>	<u>\$45</u>	(2)
<u>\$950 or more</u>	<u>\$50</u>	<u>\$50</u>	(3)

* ERMC means employer's mandatory contributions

** EEMC means employee's mandatory contributions

Explanatory Notes

The proposed amendments, which are either underlined or struck through, are to reflect the proposed amendment covered in the Amendment of Schedule 3 Notice of increasing the daily Max RI Level from \$830 to \$1,000.

(1) The proposed amount of mandatory contributions payable of \$40 is calculated as follows:

$$\text{Average value of income in this band} = (\$750 + \$850)/2 = \$800$$

$$\text{ERMC / EEMC} = \$800 \times 5\% = \underline{\$40}$$

(2) The proposed amount of mandatory contributions payable of \$45 is calculated as follows:

Average value of income in this band = $(\$850 + \$950)/2 = \$900$

ERMC / EEMC = $\$900 \times 5\% = \underline{\$45}$

- (3) As \$1,000 is the daily Max RI Level, this income band can also be presented as comprising two sub-bands cut off at \$1,000 each of which has ERMC / EEMC derived as follows:

Sub-band 1: \$950 or more but less than \$1,000

Average value of income = $(\$950 + \$1,000)/2 = \$975$

ERMC / EEMC = $\$975 \times 5\% = \underline{\$48.75}$ (rounded up to \$50 as a multiple of \$5)

Sub-band 2: \$1,000 or more

As the daily Max RI Level is \$1,000, ERMC / EEMC should each be capped at \$50 (i.e. $\$1,000 \times 5\%$).

ERMC / EEMC = \$50

For simplicity reason put forward by the relevant stakeholders, the above two sub-bands with the same ERMC / EEMC are combined into one income band “\$950 or more” with ERMC / EEMC “\$50”.