

# Human resource & Tax alert



## China issues new Circular to allow Hong Kong, Macau and Taiwan residents to participate in housing provident fund

### Executive summary

On 28 November 2017, in accordance with the relevant requirements of the government and to provide equal treatment of Chinese housing provident fund to residents in Hong Kong, Macau and Taiwan who are working in mainland China, the Ministry of Housing and Urban-Rural Development, the Ministry of Finance and other departments jointly issued *Jianjin [2017] No. 237 - Opinions on issues related to the housing provident fund treatment for Hong Kong, Macau and Taiwan residents working in mainland China* (hereafter referred to as "Circular 237"). The provisions of Circular 237 allow Hong Kong, Macau and Taiwan residents who are working in mainland China to participate in housing provident fund and get the same treatment as Chinese residents – including the rights to withdraw housing provident fund, apply for personal housing fund mortgage, etc. Circular 237 took effect on 28 November 2017.

This alert provides a summary of the key points and discuss the impacts brought about by Circular 237.

### Key points

1. Allowing Hong Kong, Macau and Taiwan residents to make contributions

Hong Kong, Macau and Taiwan residents who are employed in mainland China can contribute to the housing provident fund in accordance with the "Provisions of the Housing Provident Fund Management Ordinance" and the relevant regulations of the housing provident fund. The contribution base, rate and application process are the same as those applied to mainland Chinese employees.

For mainland Chinese employees, the contribution base for the housing provident fund set for the current year is based on the individual's average monthly remuneration for the preceding year, with a ceiling of 300% and a floor of 60% of the city's average monthly remuneration, as determined by the local authority. The contribution base will be adjusted around July of each year. In practice, the contribution base and rate may vary from location to location. These contribution base and rate will also apply to Hong Kong, Macau and Taiwan residents working in mainland China. For example, in Shanghai, the contribution base is capped at RMB19,512 since July 2017 and the monthly contribution rate for both employer and employee is 7%. Therefore, the monthly contribution to housing provident fund is capped at RMB1,366 for both the employer and the employee. While in Beijing, the contribution base is capped at RMB23,118 since July 2017 and the monthly contribution rate for both employer and employee is 12%. As such, the monthly contribution to housing provident fund is capped at RMB2,774 for both the employer and the employee.

2. Equal entitlement

- ▶ If certain conditions are met, the Hong Kong, Macau and Taiwan residents who have participated in the housing provident fund can enjoy the same rights as that of mainland Chinese employees to withdraw the fund for rental, apply for individual housing mortgage and use the fund to offset the housing fund loan.
- ▶ If the Hong Kong, Macau and Taiwan residents work across different cities in mainland China, they may transfer the housing provident fund from one city to another.

- ▶ If the Hong Kong, Macau and Taiwan residents have terminated the employment relationship in mainland China and repatriated to their home locations, they can withdraw the balance on their individual housing provident fund accounts according to the relevant regulations.

### 3. Implementation and administration

The local housing provident fund management centers should, in accordance with Circular 237, issue implementation rules based on the local practice for Hong Kong, Macau and Taiwan residents' participation in the housing provident fund.

#### Our observation

Based on our understanding of Circular 237, it has brought the following new changes.

- ▶ According to Section One of Circular 237, Hong Kong, Macau and Taiwan residents who are employed in mainland China can contribute to the housing provident fund, which does not appear compulsory. Therefore, the employers and employees can discuss on such contributions. On one hand, it is beneficial and attractive to Hong Kong, Macau and Taiwan residents working in mainland China; on the other hand, it may push up the costs for employers.
- ▶ Unlike social security contributions such as pension, housing provident fund contributed by both employer and employee will be fully deposited and maintained in the employee's personal account. In addition, the contributions made by employer and employee are exempted from mainland China's Individual Income Tax.
- ▶ Some local housing provident fund management centers have already released detailed implementation guidelines with regard to Hong Kong, Macau and Taiwan residents' participation in the housing provident fund. Tianjin Housing Provident Fund Management Center has issued the *Notice for Hong Kong, Macau and Taiwan Residents' Participation of Housing Provident Fund in Tianjin* which provides detailed explanations on how Hong Kong, Macau and Taiwan residents can contribute to and make use of housing provident fund. In addition, on 21 December 2017, Shanghai Housing Provident Fund Management Center issued *Notice for Hong Kong, Macau and Taiwan Residents' Application of Housing Provident Loan in Shanghai* which provides further guidance to the application of housing provident mortgage for Hong Kong, Macau and Taiwan residents working in Shanghai.

#### Next Steps

It is suggested that relevant companies, foreign investment enterprises closely monitor the relevant implementation guidelines to be issued by the local authorities and the potential impacts on the business cost and employee benefits brought by the contribution of housing provident fund for Hong Kong, Macau and Taiwan residents. If in doubt, please consult the local housing provident fund management centers or seek advice from professionals.



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