

Subsidy Scheme for Abolition of MPF Offsetting Arrangement

In tandem with the abolition of the offsetting arrangement under the Mandatory Provident Fund (MPF) System on 1 May 2025, the Labour Department launches the Subsidy Scheme for Abolition of MPF Offsetting Arrangement (SSA).

SSA shares out employers' expenses on severance payment (SP)/long service payment (LSP) in respect of their employees' employment period on or after 1 May 2025 onwards (i.e. the post-transition portion of SP/LSP) by providing employers with subsidies for 25 years. The subsidy ratio will be progressively reduced on a year-on-year basis over the subsidy period with a view to helping employers gradually adapt to the policy change.

This guide sets out the salient points of SSA and the application procedures.

Salient Points of SSA

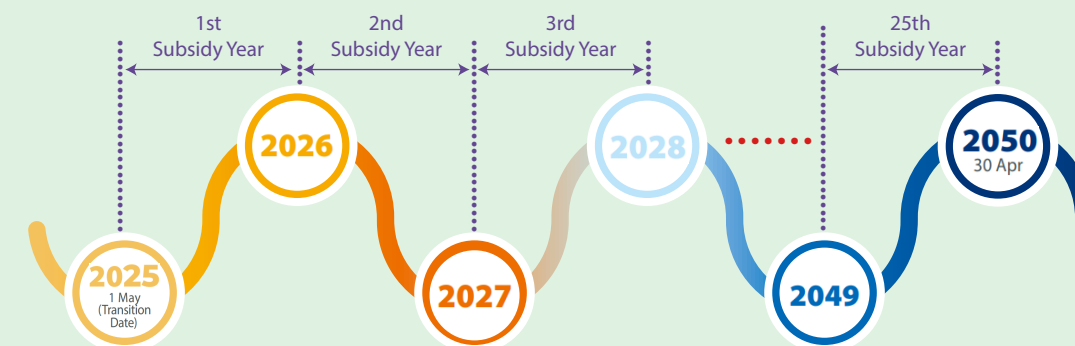
- Only covers the **post-transition portion** of SP/LSP paid to an employee. 
- The subsidy amount will be calculated based on the net amount of post-transition portion of SP/LSP actually paid to an employee by the employer or the net amount of post-transition portion of SP/LSP payable as calculated in accordance with the Employment Ordinance (EO), whichever is less. 
- There will be a specified subsidy ratio in respect of the net amount of post-transition portion of SP/LSP payable to an employee by an employer in each subsidy year. 
- Different subsidy ratios/"capped amounts" are set for cases falling within and beyond the first \$500,000 of accumulated net amount of post-transition portion of SP/LSP payable by an employer in a subsidy year respectively (i.e. the "\$500,000 threshold") as shown in the tables below. 

Subsidy year	Subsidy ratio in respect of post-transition portion of SP/LSP per employee paid by employers
1-3	50% or the amount in excess of the cap of \$3,000, whichever is more
4	45% or the amount in excess of the cap of \$25,000, whichever is more
5	40% or the amount in excess of the cap of \$25,000, whichever is more
6	35% or the amount in excess of the cap of \$25,000, whichever is more
7	30% or the amount in excess of the cap of \$50,000, whichever is more
8	25% or the amount in excess of the cap of \$50,000, whichever is more
9	20% or the amount in excess of the cap of \$50,000, whichever is more
10-11	20%
12-13	15%
14-19	10%
20-25	5%

Subsidy year	Subsidy ratio in respect of post-transition portion of SP/LSP per employee paid by employers
1-3	50%
4	45%
5	40%
6	35%
7	30%
8	25%
9	20%
10	15%
11	10%
12	5%
13-25	0%

Subsidy Year

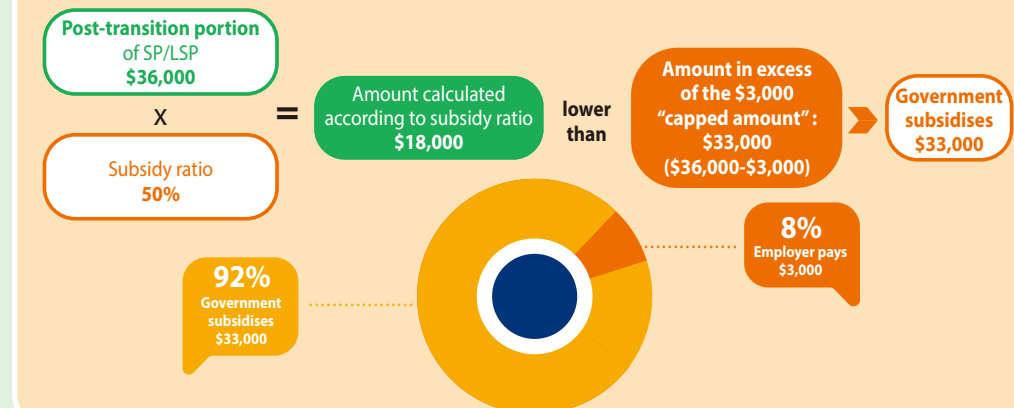
The first subsidy year of SSA is from 1 May 2025 to 30 April 2026, and the second subsidy year from 1 May 2026 to 30 April 2027, and so on and so forth. The subsidy ratio will be determined based on the subsidy year in which the **relevant date of termination of the employment** falls.



Example on Calculation of Subsidy

How to calculate the subsidy amount for applications in the first nine subsidy years?

Take Subsidy Year 3 as an example, assuming an employer submits an application involving \$36,000 post-transition portion of SP/LSP paid to an employee and the application falls within the \$500,000 threshold. If applying the subsidy ratio in Table 1 (i.e. 50%), the subsidy amount will be \$18,000. However, if applying the "capped amount" of post-transition portion of SP/LSP of each employee in that subsidy year (i.e. \$3,000), the subsidy amount will be \$33,000. The greater of the two calculation results (\$18,000 and \$33,000) will be the actual subsidy amount payable to the employer, i.e. \$33,000.



How to determine whether an application falls within or beyond the \$500,000 threshold?

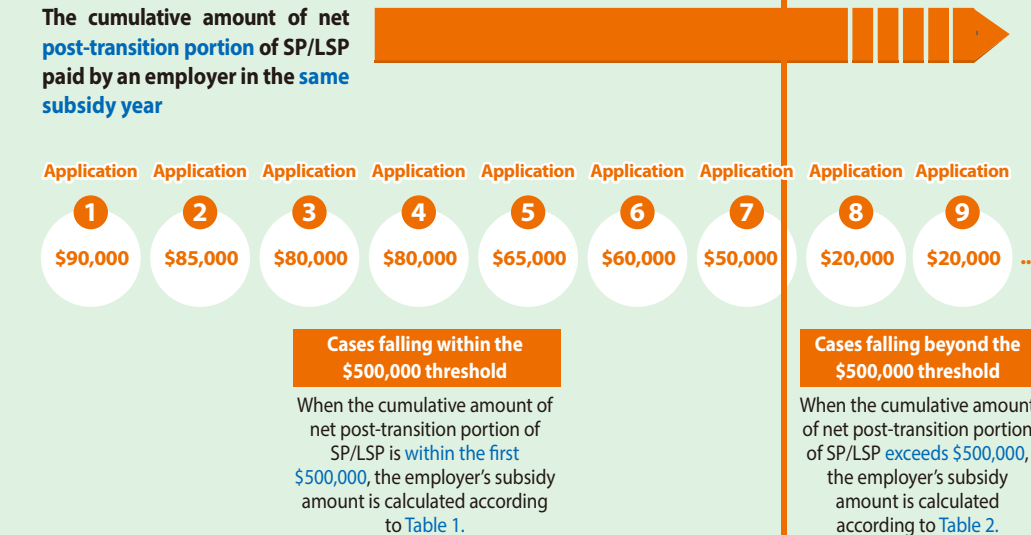
Whether an application falls within the \$500,000 threshold will depend on an employer's number of applications approved in the same subsidy year and the accumulated amount of SP/LSP eligible for subsidy^{Note} involved.

When an application is approved, all approved application(s) (including the previously approved and the newly approved ones) of the employer in the same subsidy year will be sorted in descending order according to the respective amount of SP/LSP eligible for subsidy in order to determine whether the subsidy ratio for applications falling within or beyond the \$500,000 threshold should be adopted for calculating the amount of subsidy payable of the newly approved application.

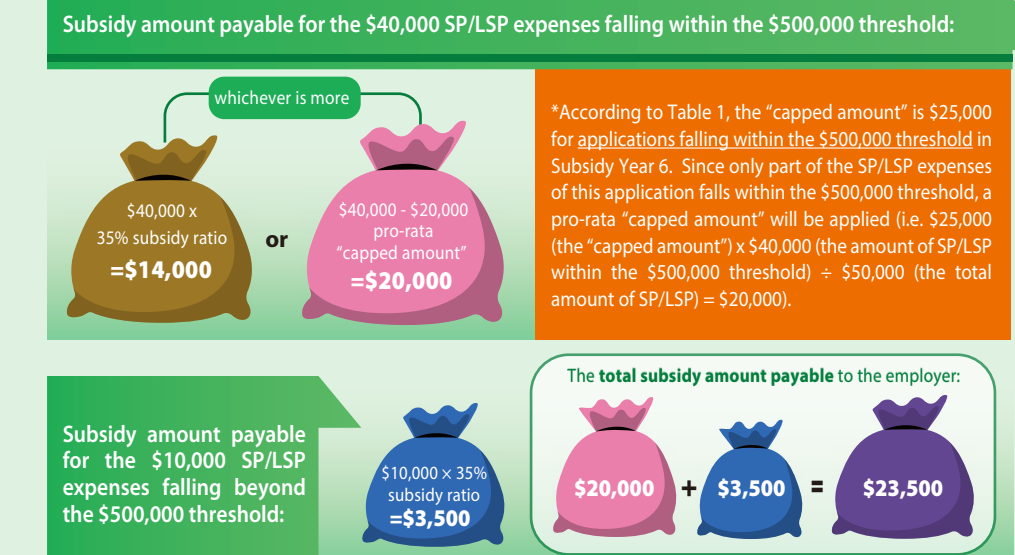
After re-ordering, previously approved application(s) which originally fell within the \$500,000 threshold might fall outside the \$500,000 threshold and thus the subsidy payable should be re-calculated based on the subsidy ratio applicable to applications falling beyond the threshold. Subsidy amount payable of all affected application(s) will be re-calculated. If the subsidy amount in respect of any previously approved application(s) decreases, the overpaid subsidy will be deducted from the subsidy payable to the newly approved application. The subsidy payable to the applicant employer in respect of the newly approved application will be the net subsidy amount after deducting the overpaid subsidy amount of affected application(s).

Note: It refers to the net amount of post-transition portion of SP/LSP eligible for subsidy after vetting.

How to calculate the subsidy amount if the amount of SP/LSP eligible for subsidy of an application straddles the \$500,000 threshold?



For Application 7 in the above diagram, of the \$50,000 SP/LSP eligible for subsidy, \$40,000 falls within the \$500,000 threshold and the remaining \$10,000 falls beyond the \$500,000 threshold. Assuming this application falls in Subsidy Year 6, the subsidy amount payable to the employer is calculated as follows:



Eligibility Criteria

An application must meet the following requirements:

- the employer has paid SP/LSP to the employee in full;
- the employee concerned is eligible for SP/LSP as stipulated in EO;
- the employer is obliged to enrol the employee under an MPF scheme in accordance with the Mandatory Provident Fund Schemes Ordinance (MPFSO), or an occupational retirement scheme exempted under MPFSO (MPF-exempted ORS) during the whole or part of the post-transition employment period, and make contributions;
- the relevant date of termination of employment of the employee falls between 1 May 2025 and 30 April 2050 (both dates inclusive); and
- the post-transition portion of SP/LSP paid to the employee has not been/will not be fully covered/subsidised by other government funding.

For details on SP/LSP entitlements, please refer to "A Concise Guide to the Employment Ordinance" at <https://www.labour.gov.hk/eng/public/ConciseGuide.htm>. EO remains the sole authority for the provisions of the law explained.



How to Apply

From 1 May 2025, applicant employers may apply for subsidy under SSA through the following channels -

- ✓ TransitionEase Portal (<https://www.offsettingssasc.gov.hk>);
- ✓ submit the completed application form to the Service Centre for Subsidy Scheme for Abolition of MPF Offsetting Arrangement (Abolition of Offsetting Subsidy Service Centre) via post, email, facsimile or in person; or drop the completed application form to the drop box.

Application form can be downloaded from the TransitionEase Portal or obtained from the Abolition of Offsetting Subsidy Service Centre.

Abolition of Offsetting Subsidy Service Centre

Address : 18/F, Tower A, Manulife Financial Centre, 223 Wai Yip Street, Kwun Tong, Kowloon
Office hours: Mondays to Fridays (excluding public holidays) from 10:00 am to 1:00 pm and 2:00 pm to 7:00 pm
Email : enquiry@ssasc.hk
Fax : 2989 1012

Drop box

Address : 22/F, Prince's Building, Central, Hong Kong
Opening hours: Mondays to Fridays (excluding public holidays) from 8:00 am to 7:00 pm

Applicant employers should submit their subsidy application together with -

- ✓ their registration/identity documents;
- ✓ proof of the specified bank account for receiving subsidy payment;
- ✓ company's authorisation letter appointing the primary authorised person for handling application-related matters (for applications submitted through the TransitionEase Portal only);
- ✓ employment and termination proof relating to the employee in respect of whom subsidy for SP/LSP expenses is applied;
- ✓ wage records in respect of the employee;
- ✓ proof of the employee's enrolment in MPF Scheme/MPF-exempted ORS; and
- ✓ proof of SP/LSP paid to the employee and documents showing the offsetting item(s) used to offset (if any) the post-transition portion of SP/LSP as well as the offset amount.

* Applicant employers should ensure that consent has been obtained from the employee for providing his/her personal data and necessary information and documents for subsidy application.

* Employers may be requested to provide further information during application processing where necessary.

For employers submitting application via the TransitionEase Portal, please note that subsidy applications in respect of up to 30 employees in a batch may be made at a time, and the maximum file size of each document to be uploaded is 5MB and acceptable file formats include JPEG, PNG, PDF.

Application Deadline

Applicant employers should submit applications **within three months after effecting payment of SP/LSP to the employees concerned. Late applications will not be entertained.**

Notification of Application Results

- Applicant employers will receive a "Notification of Application Results" via the TransitionEase Portal, or by post if the applicant employer adopts other means of application submission. The employee(s) concerned may also be notified if appropriate.
- Where an application is approved with subsidy payable, the subsidy will be paid into the applicant employer's specified bank account provided in the application.
- In general, applicant employers will be notified of the application results within 30 working days after we receive all necessary information and documents pertaining to the applications.

Audit/Review of Applications

We may select completed applications for audit/review. Employers of the selected applications may be required to provide further information (e.g. records of employer's contributions to MPF scheme or MPF-exempted ORS for the employee, etc.). If employers fail to provide the information required without reasonable excuse, they will be liable to repay in full any subsidy received to the Government of the Hong Kong Special Administrative Region.

Repayment of Overpaid Subsidy

Under any circumstances, if it is found that the applicant employer is not eligible for subsidy or the eligible amount of subsidy should be lesser than the amount previously approved, the applicant employer shall be required to repay in full the overpaid amount or we will offset the overpaid amount with the subsidy payable to any approved applications of the employer.

FAQ

Q What is the net amount of post-transition portion of SP/LSP of an employee?

The net amount of post-transition portion of SP/LSP refers to the amount of post-transition portion of SP/LSP paid to an employee. For example, an employee is entitled to \$50,000 post-transition portion of SP/LSP. His/Her employer may offset the post-transition portion of SP/LSP with allowable offsetting item(s) (e.g. employer-funded voluntary MPF Scheme accrued benefits (ERVC) or contractual gratuities based on employee's length of service). If the employer has offset the post-transition portion of SP/LSP with, say, (i) \$5,000 of ERVC and (ii) \$10,000 of contractual gratuities, and paid the employee \$35,000 (i.e. \$50,000 – \$5,000 – \$10,000), the net amount of post-transition portion of SP/LSP of the employee is \$35,000.

Q What is the net amount of post-transition portion of SP/LSP if the employer has not offset the employee's SP/LSP with any allowable offsetting item?

If the employer has not offset the employee's post-transition portion of SP/LSP with any allowable offsetting item and paid the employee in full, the full amount of post-transition portion of SP/LSP will be considered as the net amount of post-transition portion of SP/LSP for the purpose of calculation of subsidy payable to the employer.

Q Can an employer apply for subsidy on the post-transition portion of SP/LSP paid to an employee who reached the age of 65 years old at the time of termination of employment?

Under MPFSO, employers are not required to make mandatory MPF contributions for employees in respect of the employment period after the employees reach the age of 65. Hence for application in which the employee concerned has reached the age of 65 at the time of termination of employment, the employer can only apply for subsidy on the post-transition portion of SP/LSP in respect of the employment period before the employee has reached the age of 65. SP/LSP expenses in respect of the employment period after the employee has reached the age of 65 are not eligible for subsidy.

Q If the employer and employee dispute on the amount of SP/LSP payable, can the employer apply for subsidy in respect of the undisputed amount?

Employers must have settled with employees on the amount of SP/LSP payable and paid the SP/LSP to the employees before making an application for subsidy under SSA.

To Learn More



TransitionEase Portal

Visit the TransitionEase Portal
Call the hotline during the office hours of the Service Centre
2989 1001
Email
enquiry@ssasc.hk

Visit the Abolition of Offsetting Subsidy Service Centre
Address : 18/F, Tower A, Manulife Financial Centre, 223 Wai Yip Street, Kwun Tong, Kowloon
Office hours : Mondays to Fridays (excluding public holidays) from 10:00 am to 1:00 pm and 2:00 pm to 7:00 pm

To learn more about the calculation of SP/LSP and to preliminarily calculate the government subsidy payable, please use the online calculating tool "EasyCal"!

