

# Commencement notice for Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 gazetted

The Government published in the Gazette today (November 29) the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (Commencement) Notice (the Commencement Notice) to appoint May 1, 2025, as the day on which the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the Amendment Ordinance) comes into operation.

Enacted by the Legislative Council in June 2022, the Amendment Ordinance seeks to abolish the use of the accrued benefits derived from employers' mandatory contributions under the Mandatory Provident Fund (MPF) System to offset severance payment (SP) and long service payment (LSP) (the offsetting arrangement). Employers may continue to use the accrued benefits of their voluntary contributions and gratuities based on employees' length of service to offset SP/LSP.

The abolition of the offsetting arrangement has no retrospective effect. If an employee's employment commenced before the effective date of the Amendment Ordinance (the transition date), the employer can continue to use the accrued benefits of the MPF contributions (irrespective of whether the contributions are mandatory or voluntary; and irrespective of whether the contributions are made before, on or after the transition date) to offset the employee's SP/LSP for the employment period before the transition date.

The abolition of the offsetting arrangement will also be applicable to occupational retirement schemes under the Occupational Retirement Schemes Ordinance (Cap. 426), the two school provident funds under the Grant Schools Provident Fund Rules (Cap. 279C) and Subsidized Schools Provident Fund Rules (Cap. 279D) and overseas occupational retirement schemes joined by employees from outside Hong Kong which are exempted from the MPF System.

To tie in with the abolition of the offsetting arrangement, the Government will launch the 25-year Subsidy Scheme for Abolition of MPF Offsetting Arrangement on May 1, 2025, to share out the SP/LSP expenses of employers after the abolition of the offsetting arrangement.

"The Government is implementing the preparatory work, and will continue to conduct extensive publicity to help employers and employees understand the abolition of the offsetting arrangement," the Government spokesman said.

The Commencement Notice will be tabled at the Legislative Council on December 4 for negative vetting.