Inland Revenue and MPF Schemes Legislation (Tax Deductions for Annuity Premiums and MPF Voluntary Contributions) (Amendment) Bill 2018 gazetted

The Government published the Inland Revenue and MPF Schemes Legislation (Tax Deductions for Annuity Premiums and MPF Voluntary Contributions) (Amendment) Bill 2018 in the Gazette today (December 7). The Bill seeks to implement the 2018-19 Budget initiative of introducing tax deductions for deferred annuity premiums and Mandatory Provident Fund Tax Deductible Voluntary Contributions (MPF TVCs) to encourage voluntary savings for retirement.

The maximum tax deductible limit for a taxpayer will be $60,000 per year. It will be an aggregate limit for MPF TVCs and deferred annuity premiums for greater flexibility. In other words, whether a taxpayer makes MPF TVCs of $60,000 or pays $60,000 of deferred annuity premiums, or makes MPF TVCs and purchases a qualifying deferred annuity as well, the taxpayer can still claim deductions under salaries tax and personal assessment up to the cap of $60,000.

Allowing joint annuitants, an annuity is a convenient financial tool for a married couple to plan for their retirement. Based on this consideration, the Government proposes that a taxpayer can claim tax deductions for deferred annuity premiums covering his or her spouse as joint annuitant, or either the taxpayer or the taxpayer's spouse as a sole annuitant. A taxpaying couple can also allocate tax deductions for deferred annuity premiums amongst themselves in order to claim the total deductions of $120,000, provided that the deductions claimed by each taxpayer do not exceed the individual limit.

"The proposed tax deductions aim to encourage the working population to save more for retirement as early as possible to manage longevity risks," a spokesman for the Financial Services and the Treasury Bureau said.

In the 2018-19 Budget Speech, the Financial Secretary suggested introducing tax concessions to encourage the development of the deferred annuity market so as to offer more options to people in making financial arrangements for retirement, and the same tax concessions would also be applicable to MPF voluntary contributions. The Insurance Authority and the Mandatory Provident Fund Schemes Authority will collaborate with the Investor Education Centre and the industry as appropriate to enhance public understanding of annuity products and MPF TVCs, and how to evaluate different retirement planning tools to suit one's needs.

The bill will be introduced into the Legislative Council for first reading on December 12.