

Smart Tax Deductions for a Comfortable Retirement Life

Want to start your retirement plan and enjoy potential tax deduction?

Let's take a look at these illustrative examples and see how they have chosen the available tax deductible options to suit their individual retirement needs:



Young and ambitious future

Jacob
Interior designer



Enjoying a stable career

Margaret
Partner of an accounting firm



Living a comfortable life

Mr. Cheung
Owner of a jewelry trading company



Age 33



Age 41



Age 51

Liquid Asset

Less than **HKD180,000**

Approximately **HKD2,000,000**

More than **HKD10,000,000**

Risk Preference



Younger and more keen to bear **risk**; seeking **higher return**



Not keen on products or solutions having a higher risk exposure; better suited to a **steady return** with **lower risk**



Keen to invest part of his assets for **retirement purpose** while keeping the balance as **long-term cash flow**

Whilst a range of retirement solutions are available to these individuals, they have chosen the following option(s) to cater for their retirement needs as well as to take advantage of the potential tax deduction:

Option(s)



MPF Tax Deductible Voluntary Contributions ("TVC")

Age and liquid assets both failing QDAP entry requirements



Qualifying Deferred Annuity Policy ("QDAP")

Eligible for both QDAP and TVC, but risk preference leans towards QDAP which provides guaranteed part of annuity income whereas TVC may be complete volatile



TVC



QDAP

and/or

Eligible for both QDAP and TVC



QDAP and TVC will play different roles in setting retirement planning objectives, and they could complement each other when being used together. Please choose an investment portfolio that is best suited to your needs and remember to review it regularly.

Important information:

The above examples are for illustration purpose only. Different people may have different needs depending on their financial circumstances and risk appetite. We strongly recommend that you undertake a Risk Profiling Questionnaire and a Financial Needs Analysis with our specialists before you consider any HSBC financial products.

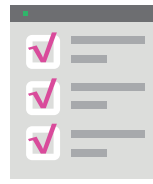
The amount of premiums paid under QDAP being certified by the Insurance Authority and the contributions made to an MPF Tax Deductible Voluntary Contribution Account do not represent the actual tax deductions you can get. Whether tax deduction is allowable for all or any part of qualifying annuity premiums paid and MPF Tax Deductible Voluntary Contributions shall be subject to your individual circumstances (as taxpayer), the provisions of the Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong SAR) and the Inland Revenue Department's discretion. You are reminded to refer to the website of the Inland Revenue Department for details or to contact them directly for any tax related enquiries.

Eligibility for Tax Deduction under Certified QDAP

Find out whether a particular annuity policy meets the tax deduction criteria.



Qualifying Deferred Annuity Policy ("QDAP") certified by the Insurance Authority*



The below product features of QDAP must meet the requirements set out by the Insurance Authority:

- Minimum premium payment period
- Minimum total premium
- Minimum length of annuity
- Minimum age of the annuitant when the annuity period starts, etc.



QDAP must meet the below disclosure requirements:

- Internal Rate of Return (IRR) for guaranteed and total projected benefit

*Please refer to the Insurance Authority's website www.ia.org.hk for more information

What is the maximum tax deductible limit of a taxpayer?

Maximum tax deductible limit per tax year is **HKD60,000** per taxpayer. It is an aggregate limit for qualifying deferred annuity premiums and MPF TVC#.

Annual summary of QDAP to facilitate your completion of tax return

Please note that you are responsible for filing your own tax return. HSBC does not provide any tax advice nor assume any responsibility for advising or providing assistance on any tax deduction claim.



To assist your completion and tax deduction claim in your tax return, we will provide you with an annual statement of the Qualifying Deferred Annuity Policy(ies).



Apply for tax deduction under salaries tax and personal assessment with Inland Revenue Department from your premiums paid of your Qualifying Deferred Annuity Policy(ies).



Submit the completed Tax Return – Individuals to Inland Revenue Department (IRD) as usual, and you can keep the annual statement of the Qualifying Deferred Annuity Policy(ies) for your records.



Not all private deferred annuity policies are qualified for tax deductions. If you would like to purchase an annuity policy which could enjoy tax deduction, you should first note the details of the policy and assess if it satisfies the criteria for the tax benefit.

Important information:

Please note that MPF TVC takes priority over Qualifying Deferred Annuity Policies in terms of tax deduction. The qualified annuity premium should not include the premiums of any riders. If the qualified annuity premium has been refunded and the policyholder has claimed a tax deduction for the QDAP, the policyholder must notify the Inland Revenue Department (IRD) of the premium refund within three months from the date of the next day of the refund. Please refer to IRD's website for details.

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Public / Private Annuities for Different Needs

Creating an income stream can help enhance your retirement life.

Selection

You can refer to the general comparison below between public and private annuities to help you choose the most suitable form of annuity policy for you.

Public Annuity¹

Private Annuity²

Only those **aged 65 or above** are eligible to apply. The policy provides guaranteed annuity payments.



Entry Age

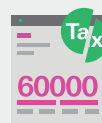


In general, the issue age is at **age 40 or above** depending on the individual's circumstances.

Tax deduction **does not apply** to public annuity policy.



Tax Benefit



A taxpayer can claim deduction of qualifying annuity premiums paid under a QDAP during a year of assessment up to the **maximum limit of HKD60,000** per year.

You can pay a lump sum premium of up to a maximum³ of HKD2million to create a fixed annuity that will **start paying out immediately**.



Annuity Payout



The maximum premium varies depend on the policy. **You can receive regular annuity payments when you reach the age of 50**. In addition to the guaranteed monthly annuity, the policy may also provide discretionary bonuses/dividends and/or interest. The policyholder may be allowed to keep the annuity in the policy to earn interest.

The public annuity policy **does not offer additional protection** other than the death benefit and special withdrawal arrangements.



Additional Benefits



Private annuity policies **may provide additional benefits at no extra charge**, such as terminal illness benefits and unemployment benefits⁴. Special withdrawal arrangement is usually allowed.

Within the guaranteed period, the designated beneficiary may choose to receive the **death benefit as monthly annuity payments or in a lump sum**. There is no death benefit after the guaranteed period⁵.



Death Benefit



The beneficiary can usually receive the **full amount of the total premium paid** as the death benefit within the premium payment period. The settlement options of death benefit will vary depending on the policy.

The breakeven period of the public annuity policy is **relatively longer** as it includes only guaranteed return. The breakeven period is **at least 10 years**.



Breakeven Period



Private annuity includes both guaranteed and non-guaranteed returns. The breakeven period of a private annuity policy can be **as short as 6 years** depending on its features.



Target groups between public and the private annuity policies are quite distinct. You can choose a suitable form of annuity based on your financial needs and individual circumstances.

Important information:

- Refers to HKMC Annuity Plan underwritten by HKMC Annuity Limited. HKMC Annuity Limited is a wholly-owned subsidiary of The Hong Kong Mortgage Corporation Limited.
- Refers to Qualifying Deferred Annuity Policies certified by the Insurance Authority.
- The maximum premium is subject to the maximum premium amount as set by HKMC Annuity Limited from time to time.
- Only the qualified annuity premiums paid in relation to the annuity payments of Qualifying Deferred Annuity Policies can be tax deductible. Premiums paid for all riders are not tax deductible.
- In the unfortunate event that the insured passes away within the Guaranteed Period, designated beneficiary(ies) may choose to receive the death benefit in either one of the following ways : (1) Monthly Death Benefit Payment - continue to receive the remaining unpaid guaranteed monthly annuity payments until the end of the Guaranteed Period; or (2) Lump Sum Death Benefit Payment - receive a Lump sum death benefit equivalent to the higher of: the guaranteed cash value of your policy as at the date on which the death claim application is received by HKMC Annuity Limited; and 100% of the premium paid less the cumulative guaranteed monthly annuity payments paid as at the date on which the death claim application is received by HKMC Annuity Limited. There is no death benefit after the Guaranteed Period.

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Deduction Claim Scenarios for QDAP and MPF TVC

In terms of deduction, how much can you claim?

Scenarios

Eligible taxpayers¹ can receive annual tax deductions through the purchase of **Qualifying Deferred Annuity Policies ("QDAP")** or make **MPF Tax Deductible Voluntary Contributions ("TVC")**. You can refer to the following sample scenarios to learn more about claim deductions and potential savings.

Please note the figures are for illustration only and are not a guarantee on how much tax you will save.

	Case 1	Case 2	Case 3
	<p>Single; monthly income of HKD30,000</p> 	<p>Single; monthly income of HKD60,000</p> 	<p>Married with a son; monthly income of HKD60,000, wife's monthly income is HKD40,000</p> 
Annual Contribution	<ul style="list-style-type: none"> ✓ MPF Mandatory Contributions (MPF MC) of HKD18,000 ✓ Additional TVC / qualified deferred annuity premium paid of HKD18,000 	<ul style="list-style-type: none"> ✓ MPF MC of HKD18,000 ✓ Additional TVC / qualified deferred annuity premium paid of HKD60,000 	<ul style="list-style-type: none"> ✓ MPF MC of HKD18,000 ✓ Additional qualified deferred annuity premium paid of HKD120,000 from the husband 
Tax Deduction²	<p>Deduction of basic allowance + MPF MC + additional tax deduction: HKD18,000 per year</p>	<p>Deduction of basic allowance + MPF MC + additional tax deduction: HKD60,000 per year</p>	<p>Deduction of basic allowance and child allowance + MPF MC + additional tax deduction: HKD120,000 per year</p>
Save³	 <p>Estimated savings up to HKD2,820 per tax year Projected total saving up to HKD14,100 for 5 years</p>	 <p>Estimated savings up to HKD10,200 per tax year Projected total saving up to HKD51,000 for 5 years</p>	 <p>Estimated savings up to HKD20,400 per tax year Projected total saving up to HKD102,000 for 5 years</p>



Tax benefits allow tax paying couples to share their tax allowances. The earlier that taxpayers and their spouses plan their retirement together, the more tax benefits they can enjoy.

Important information:

1. Eligible taxpayer must hold a Hong Kong permanent identity card.
2. Tax deductions shown therein are for illustrative purpose only. The actual tax deduction depends on your own circumstances. Case 1 and 2 are calculated on the assumption that only the basic allowance and tax deduction from MPF mandatory contributions apply, while in Case 3, the calculation is based on the assumption that only basic allowance, child allowance and tax deduction from MPF mandatory contributions apply. Assume additional tax deduction equals to additional TVC or additional premium paid for QDAP. The levels of allowances used are applicable to the year of assessment up to 2019/2020. Please refer to the Tax Saving Calculator on www.hsbc.com.hk/SmartTax for tax saving calculation details.
3. Calculations are subject to any change in the tax rate of the prevailing tax year. The above examples are for illustration purpose only. Different people may have different needs depending on their financial circumstances and risk appetite. We strongly recommend that you undertake a Risk Profiling Questionnaire and a Financial Needs Analysis with our specialists before you considering any HSBC financial products.

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