

Employment Update Hong Kong: Mandatory Provident Fund



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Abolition of the Offsetting Mechanism

A significant change is coming to Hong Kong's employment landscape as the long-standing Mandatory Provident Fund (MPF) offsetting mechanism will be abolished on 1st May 2025. This landmark reform represents one of the most substantial improvements to employee protection in Hong Kong's labour market since the MPF system was established.

The Change

Currently, employers can offset severance payments (SP) and long service payments (LSP) against their mandatory MPF contributions made to an employee's account. After 1st May 2025, this practice will end, ensuring employees receive their full MPF benefits in addition to any SP or LSP entitlements.

Impact

For employees, this reform ensures better retirement protection as their MPF benefits will remain intact regardless of SP/LSP entitlements. Employers will need to adjust their financial planning and potentially set aside additional funds for employee compensation. The government estimates this change will benefit approximately 2.9 million employees in the private sector.

Employers should prepare for the transition by:

- Reviewing their financial provisions for employee compensation
- Understanding the new calculation methods for SP/LSP
- Familiarising themselves with the government subsidy application process
- Updating their HR policies and procedures

Hong Kong's New eMPF Platform

The MPF Authority (MPFA) of Hong Kong is implementing a major digital transformation of its pension system through the launch of the eMPF Platform. The centralised electronic platform, which began operation on 26th June 2024, represents the most significant overhaul of Hong Kong's mandatory pension program since its inception in 2000.



Key Features and Benefits

The eMPF Platform streamlines and automates MPF scheme administration through:

- A centralised digital system replacing individual trustee platforms
- Standardised processes for contributions and account management
- Real-time tracking of MPF balances and contributions
- Paperless transactions for fund switching and account transfers
- Automated calculation of MPF contributions
- Single platform access for employers and employees

Timeline

The platform's rollout follows a phased approach:

- Initial launch began in June 2024
- MPF trustees are onboarded gradually through 2025
- Full operation expected by end of 2025
- Currently covers 357,000 employers and 4.7 million members

Impact on Users

For employers, the platform offers improved efficiency through automated processes, online payment channels, and simplified administration. Employees benefit from consolidated account viewing, faster processing times for fund transfers, and easier account management through a single digital interface. The MPFA expects this digital transformation to reduce administration costs, enhance operational efficiency, and provide a more user-friendly experience.

Please [reach out to us](#) if you have any questions.