The Greater Bay Area

A destination for Hong Kong Retirees?

23 February 2023

HKRSA
香港退休計劃協會
The Hong Kong Retirement Schemes Association

Speakers:

Mr. Calvin Chiu

Chairman of Executive Committee, HKRSA

Ms. Janet Li

Vice Chairman of Executive Committee, HKRSA

Co-lead of HKRSA GBA Research Taskforce

Ms. Helen Li

Co-lead of HKRSA GBA Research Taskforce

HKRSA
香港退休計劃協會
The Hong Kong Retirement Schemes Association

香港退休計劃協會
The Hong Kong Retirement Schemes Association

About HKRSA

The Hong Kong Retirement Schemes Association (HKRSA) was established in 1996 to lead and promote sustainable and better retirement outcomes through the following via the HKRSA and RetireHK.com platforms:

Empower – We empower employers, individuals preparing to retire and retirees with retirement planning and tools.

Advocate – We advocate key retirement issues, retirement income and look for value creation.

Share - We share and facilitate retirement information and knowledge.

Acknowledgements

HKRSA GBA Research Taskforce	Mr Bob Lee, Ms Catherine Tsoi, Ms Helen Li, Ms Janet Li and Mr Raymond Sze
Supporting Organization	Financial Services Development Council, Mandatory Provident Fund Authority, Insurance Authority
Participated in the quotes and comments	Mr Calvin Chiu – Chairman of Executive Committee, HKRSA Dr King Au – Executive Director, Insurance Authority Ms Janet Li – Vice Chairman of Executive Committee, Co-lead of the HKRSA GBA Research Taskforce Mr Johnny Yip – Representative of Mr Bob Lee, Member of HKRSA GBA Research Taskforce Mr Cheng Yan Chee – Managing Director, MPFA Ms Catherine Tsoi - Member of HKRSA GBA Research Taskforce Mr Clement Cheung – Chief Executive Officer, Insurance Authority Mr Raymond Sze - Member of HKRSA GBA Research Taskforce Mr John Chan – Consultant of HKRSA GBA Research Taskforce Ms Helen Li - Co-lead of the HKRSA GBA Research Taskforce
Special Acknowledgement	PwC Hong Kong for report writing by Peter Craughwell and additional research by Chris Ip
Venue Sponsor	Mercer (Hong Kong) , PwC Hong Kong

Mercer pwc

HKRSA
香港退休計劃協會
The Hong Kong Retirement Schemes Association

Agenda

- ❖ Background and Objectives
- ❖ GBA at a Glance
- ❖ 5 Key Factors with Recommendations
- ❖ Conclusion

香港退休計劃協會
The Hong Kong Retirement Schemes Association

Background and Objectives

Background and Objectives

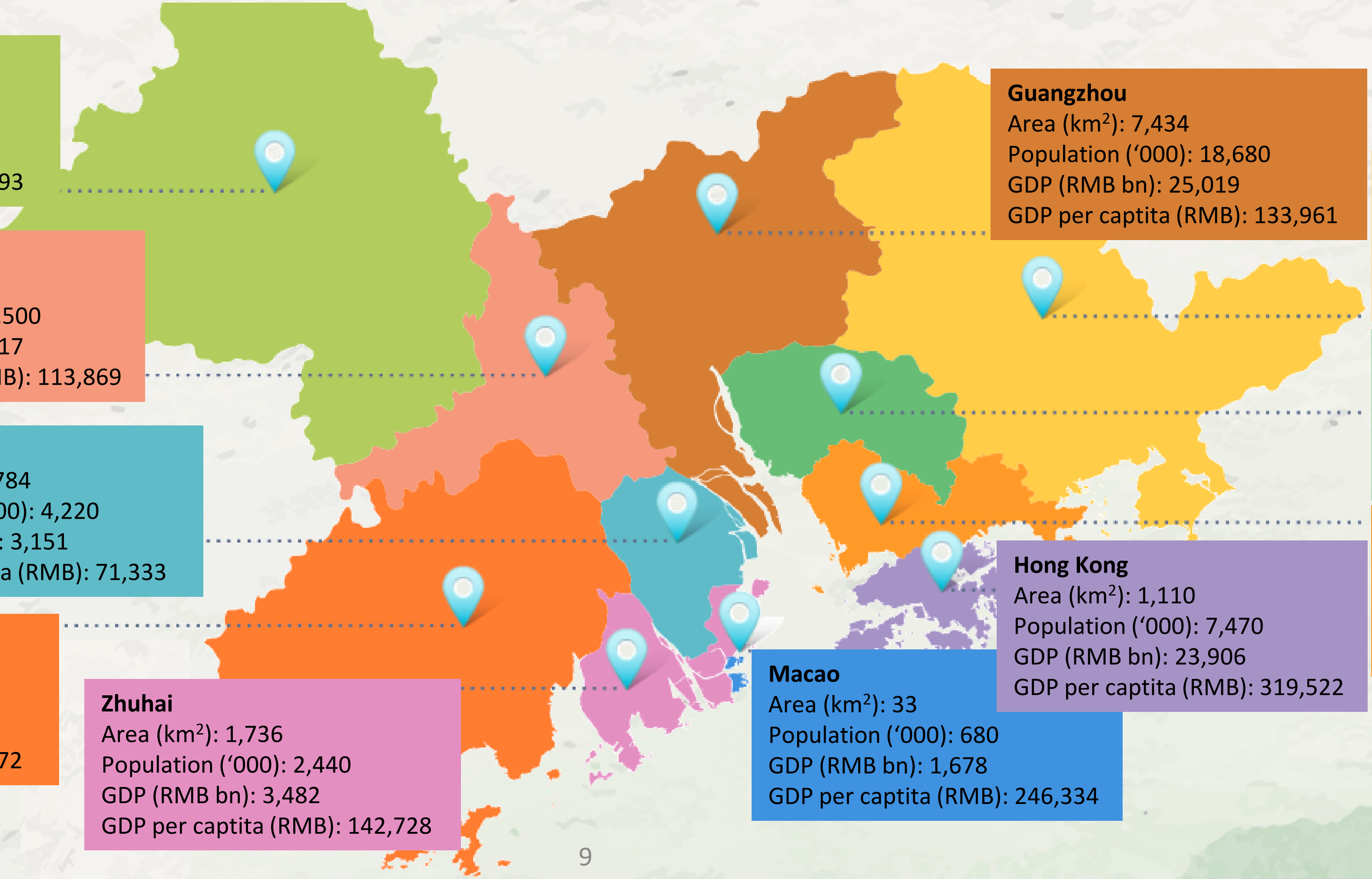
The Greater Bay Area ("GBA") Research Taskforce of the Hong Kong Retirement Schemes Association ("HKRSA") has prepared this research paper to:

- Outline the role that the Greater Bay Area can play in the retirement plans of Hong Kong citizens.
- Explore how the GBA can grow in importance as an ideal retirement destination.
- Identify the challenges that need to be addressed (e.g., greater regulatory equivalence, medical services, liberalization of capital flows for qualified residents in the GBA, etc.) to accelerate the transformation of GBA towards an increasingly attractive option for enormous Hong Kong retirees.

GBA at a Glance

GBA at a Glance

Key Economic and Demographic Data



Zhaoqing
Area (km^2): 14,891
Population ('000): 4,110
GDP (RMB bn): 2,311
GDP per captita (RMB): 56,193

Foshan
Area (km^2): 3,798
Population ('000): 9,500
GDP (RMB bn): 10,817
GDP per captita (RMB): 113,869

Zhongshan
Area (km^2): 1,784
Population ('000): 4,220
GDP (RMB bn): 3,151
GDP per captita (RMB): 71,333

Jiangmen
Area (km^2): 9,507
Population ('000): 4,800
GDP (RMB bn): 3,201
GDP per captita (RMB): 66,172

Zhuhai
Area (km^2): 1,736
Population ('000): 2,440
GDP (RMB bn): 3,482
GDP per captita (RMB): 142,728

Macao
Area (km^2): 33
Population ('000): 680
GDP (RMB bn): 1,678
GDP per captita (RMB): 246,334

Guangzhou
Area (km^2): 7,434
Population ('000): 18,680
GDP (RMB bn): 25,019
GDP per captita (RMB): 133,961

Huizhou
Area (km^2): 11,347
Population ('000): 6,040
GDP (RMB bn): 4,222
GDP per captita (RMB): 69,864

Dongguan
Area (km^2): 2,460
Population ('000): 10,470
GDP (RMB bn): 9,650
GDP per captita (RMB): 92,198

Shenzhen
Area (km^2): 1,997
Population ('000): 17,560
GDP (RMB bn): 27,670
GDP per captita (RMB): 158,578

Hong Kong
Area (km^2): 1,110
Population ('000): 7,470
GDP (RMB bn): 23,906
GDP per captita (RMB): 319,522

GBA at a Glance (cont.)

Persons aged 15+ who are very/quite interested in living, retiring, working, studying or operating a business in the GBA

Economic status	No. of persons ('000)	% of total	% interested
Economically active	180.1	67.7	36.9
Economically inactive	86.1	32.3	40.9
Students	14.2	5.3	21.2
Home-makers	34.3	12.9	44.0
Retired	35.4	13.3	57.9
Total	**266.2**	**100.0**	**38.1**

57.9% of retirees are interested in moving to the Mainland cities of the GBA

Source: Census and Statistics Department, HKSAR Government

香港退休計劃協會

The Hong Kong Retirement Schemes Association

GBA at a Glance (cont.)

Intended GBA city	No. of persons ('000)	%
Shenzhen	49.7	22.6
Guangzhou	40.2	18.2
Zhongshan	30.7	13.9
Zhuhai	28.2	12.8
Dongguan	20.0	9.1
Huizhou	14.6	6.6
Foshan	14.1	6.4
Jiangmen	12.0	5.5
Zhaoqing	2.8	1.3
Undecided / no answer	42.3	19.2
Total	**220.3**	

22.6% respondents intended to move to Shenzhen

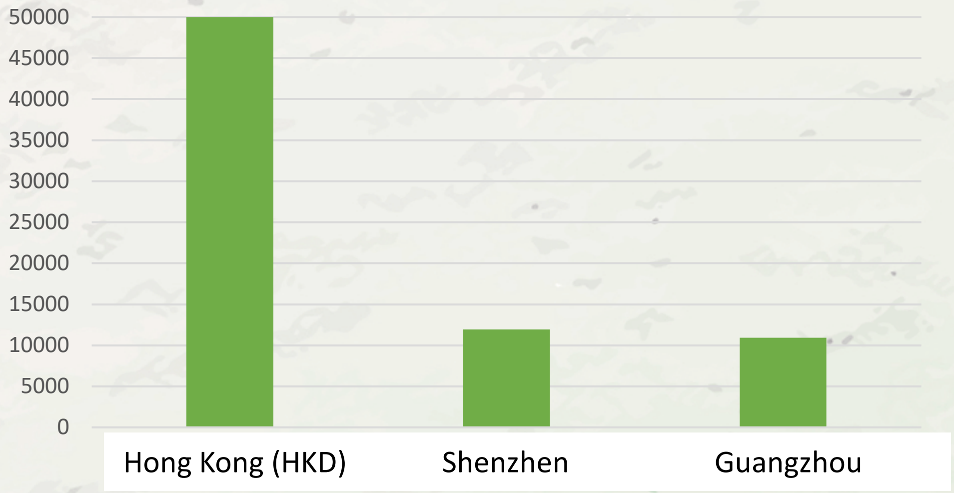
GBA at a Glance (cont.)

Inflation

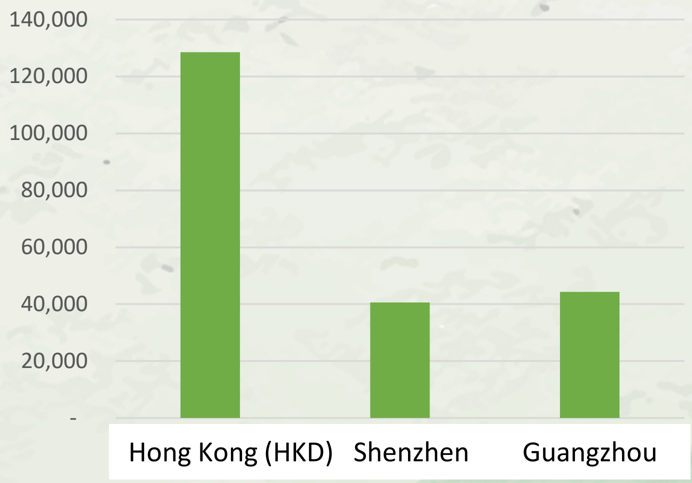
Take two obvious **Pull Factors** for retirees living in Guangdong as a reference to touch on the advantages of GBA

Lower cost of living

Average per capita housing expenditure (2020)



Average per capita expenditure (2020)



HKRSA
香港退休計劃協會
The Hong Kong Retirement Schemes Association

Key Factor I: Social Security

Social Security

The Hong Kong Comprehensive Social Security Assistance (CSSA) Scheme is designed for those who cannot support themselves financially to bring their income up to a prescribed level to meet basic needs. An eligible applicant must:

I. Have held Hong Kong resident status for not less than one year; and

II. Their one-year residence need not be continuous or immediately before the date of application. Absence(s) from Hong Kong up to a maximum of 56 days. (whether continuous or intermittent) before the date of application is/are treated as residence in Hong Kong.

Social Security

Elderly CSSA recipients who choose to retire permanently in the Guangdong or Fujian provinces can apply for the Portable CSSA (PCSSA) to continue to receive their monthly payment and annual long-term supplement. The eligibility for HK PCSSA includes the following:

I. be a Hong Kong permanent resident and have lived in Hong Kong for at least seven years;

II. be aged 65 or above; and

III. have received CSSA continuously for at least one year immediately before the date of application for PCSSA. Breaks in payment totaling not more than 10 days during the one-year period are allowed.

Social Security

Social Security Insurance (SSI) in Mainland China

I. SSI mainly consists of pension, medical, work-related injury, unemployment, and maternity insurances. Some supplemental medical insurance may be levied by some local governments. Local employers withhold the employees' SSI contributions and send them to the authorities on a monthly basis.

II. Residents from Hong Kong legally employed by Chinese entities should participate in the above schemes, with payments made by both employee and employer. Hong Kong residents who obtain Mainland China Residence Permits can participate in basic mandatory insurance and basic medical insurance schemes. Those who already participate in compulsory social insurance in their home cities can apply for exemption from the Chinese basic pension scheme and unemployment insurance in Mainland China.

III. If Hong Kong residents working in Mainland China would leave Mainland China before retirement, their individual social insurance accounts shall be retained and can be re-activated when they return. Alternatively, they can apply in writing to terminate the social insurance and receive the amount being kept in their account.

Social Security

The Macao Social Security System

I. Consists of mandatory and voluntary schemes

II. Local employees and employers are required to make mandatory contributions to the Social Security Fund, while Macao residents who meet legal requirements can also make voluntary contributions

III. Residents who fulfil their contribution obligations can enjoy old-age and disability pensions, and unemployment, sickness, birth, marriage and funeral allowances

Social Security

HKRSA suggests:

Greater portability of social security benefits (participation, contribution, and withdrawal) across the GBA will be needed as workers become more mobile across the region. This is expected as the GBA initiative grows in importance.

Key Factor II:
MPF and Pension Arrangements

MPF and Pension Arrangements

Upon reaching retirement age, employees can withdraw their MPF benefits in a lump sum or in instalments. They may also keep a sum in their account for ongoing investment.

	Hong Kong	Mainland China	Macao
The Second Pillar in Retirement Scheme	**Mandatory Provident Fund (MPF)**	Enterprise Annuity/ Occupational Annuity	Non-Mandatory Central Provident Fund (CPF)
Purpose	**Mandatory** retirement saving plan to ensure the welfare after retiring	Supplementary pension scheme	Strengthen social security for retirement

BCT Group conducted an informal survey of Hong Kong-based employers and employees in February 2022. Roughly half of the interviewees were open to the idea of retiring in the GBA. Medical support in the GBA is ranked as their number one concern. Other financial issues that were raised include: whether existing insurance coverage could be extended to the rest of the GBA; and flexibility of investment in terms of scope and vehicles.

MPF and Pension Arrangements

HKRSA suggests :

I. The network of MPF providers should be encouraged to provide comprehensive first-hand information on GBA retirement options for both employers and employees.

II. Government incentives to help MPF providers develop more seamless cross-border MPF contribution/withdrawal arrangements.

III. Innovative new MPF products should be developed to tackle GBA-specific concerns.

IV. Extend the MPF system to build better investment efficiency, such as enterprise annuity, occupational annuity and the third pillar voluntary contributions etc

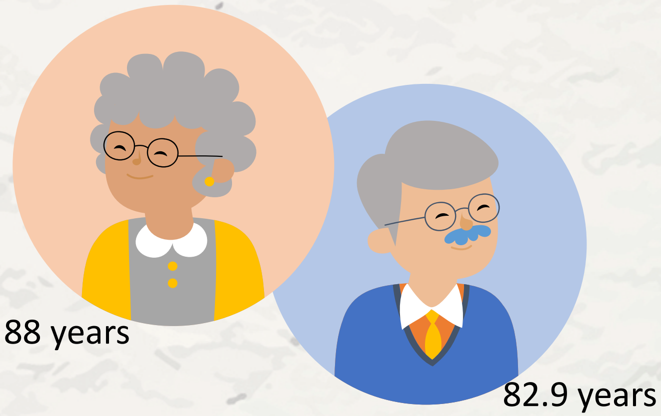
V. Special Voluntary Contributions (SVC) for all GBA residents should be allowed as an extra layer of retirement savings.

HKRSA
香港退休計劃協會
The Hong Kong Retirement Schemes Association

Key Factor III:
Medical and Health

Medical and Health

Life expectancy of HK people



Hong Kong provides a wide spectrum of long-term care services to the elderly, including **Community Care and Support Services**, and **Residential Care Homes**.

Homes for the Aged	Care and Attention Homes	Nursing Homes
For the elderly who live independently in the community, but not need personal or nursing care	For the elderly who suffer from poor health or physical/ mild mental disabilities	For the elderly who cannot be adequately taken care of at the Care and Attention Homes

Medical and Health

Challenges facing Hong Kong's healthcare system

I. In 2021, Hong Kong had more than 1.4 million people aged 65+, representing 20% of the total population. This figure is forecast to reach 2.5 million by 2039.

II. While Hong Kong's public hospital system is world-renowned for its high quality and efficiency, it is increasingly overburdened, resulting in long waiting times for the majority of medical treatments and services.

III. This situation is aggravated by a chronic shortage of the right healthcare facilities, doctors, and medical professionals, which was further laid bare by the Covid pandemic and demonstrates the need to strengthen and improve.

Medical and Health

Residential Care Services Scheme in Guangdong

Since 2014, the Residential Care Services Scheme in Guangdong has also provided an option for elderly people who are on the waiting list for subsidised care and attention places to consider moving to care homes across the border. They can choose residential care homes for the elderly operated by two Hong Kong non-governmental organisations: The Hong Kong Jockey Club Shenzhen Society for Rehabilitation Yee Hong Heights; and The Hong Kong Jockey Club Helping Hand Zhaoqing Home for the Elderly.

**Note: The take-up rate for the Guangdong scheme has not been great. So far, only 282 elderly people have opted for this scheme.*

Medical and Health

What Hong Kong people are looking for:

I. High-quality and safe medical treatment

II. Easy access to proper hospital and medical services

III. Affordability of medical services

IV. Availability of careers

香港退休計劃協會
The Hong Kong Retirement Schemes Association

Medical and Health

HKRSA suggests:

I. To incorporate improved safety and hygiene standards to help prevent the spread of infectious diseases and allow ease of mobility for the elderly.

II. To build an ecosystem to address retirement and elderly needs and provide sustainable solutions where social and healthcare/medical needs can be supported financially.

III. The Government should encourage more incentives to facilitate the development of elderly-friendly accommodation both in Hong Kong and the GBA.

IV. To allow designated Hong Kong-owned healthcare institutions in the GBA to use Hong Kong-registered drugs and medical devices.

V. Tech innovations for elderly care should be encouraged to enrich retirement living.

VI. With the patient's consent, providing access to Hong Kong medical records can ensure that Hong Kong people receive the most suitable treatment across the border.

香港退休計劃協會
The Hong Kong Retirement Schemes Association

Key Factor IV: Financial Planning

Financial Planning

Earlier financial planning is of the utmost importance to prepare for retirement. The government should implement more measures to encourage Hong Kong people to save earlier.

Monthly Expenses

≥HK$13,000

Major Sources of Income

- Personal Savings
- Financial Support from family members
- Passive income

**Source: The Institute of Financial Planners of Hong Kong (IFPHK)11*

HKRSA
香港退休計劃協會
The Hong Kong Retirement Schemes Association

Financial Planning

The social security system in Mainland China is more comprehensive than that of Hong Kong.

The Mainland China Banking and Insurance Regulatory Commission has approved the establishment of the new National Pension Insurance Company. This institution will participate in the development of the third-pillar private pension system. It will focus on innovative products, such as pension annuity insurance, exclusive commercial pension insurance, and commercial pension plans. In addition, the State Council introduced a new private pension scheme in April 2022, enabling pre-retirees to make voluntary deposits into a pension account and invest their pensions in stable investment vehicles. This aims to address shortcomings in the current pension system caused by the ageing population.

With the new private pension scheme, pre-retirees will have more options. This will create a lucrative new market for fund houses, banks, wealth management companies and insurers. It will create more connectivity should Hong Kong citizens living or working in the GBA choose to participate.

Financial Planning

HKRSA suggests:

I. Increasing the tax incentives for TVC to provide financial incentives to pre-retirees to make a voluntary contribution to their MPF schemes. Let TVC account holders enjoy tax deductions under salaries tax or tax under personal assessment.

II. The government could develop innovative pension products and services in the GBA and enhance the recently-launched Wealth Management Connect scheme.

III. Given the financial profile of GBA residents, wealthy pre- and post-retirees may demand more innovative and high-quality insurance products. In Mainland China, many local insurers provide retirement community insurance products. A wider range of high-quality insurance products will encourage pre-retirees in the GBA to prepare for retirement earlier.

Key Factor V: Tax Considerations

Tax Considerations

Hong Kong retirees' typical/main sources of funds will be MPF, investments (e.g., gain or dividend income from equities), property rental, and payments from insurance policies.

Most Hong Kong retirees don't have a domicile under PRC tax law when they first move to the GBA. Then they may be regarded as Chinese non-resident taxpayers (NRT) or resident taxpayers (RT) depending on the number of days they were physically present in Mainland China in a given tax year:

No PRC domicile and physically present in Mainland China for less than 183 days.

NRT

RT

Spending 183 days or more during a year.

HKRSA
香港退休計劃協會
The Hong Kong Retirement Schemes Association

Tax Considerations

Tax Consequences

MPF distributions for Hong Kong retirees while they reside in the GBA, whether they are NRT or RT, is not subject to Mainland China Individual Income Tax (IIT).

If Hong Kong retirees are NRT in a relevant tax year, they only need to pay IIT on investment income and property rental income sourced from Mainland China, excluded from Hong Kong.

But if Hong Kong retirees are RT in a relevant tax year, there are two potential outcomes:

I. If Hong Kong retirees reside in Mainland China for 183 days in a relevant tax year but not for six consecutive years (including the relevant tax year), they need to pay IIT on investment income/profit and property rental income sourced from Mainland China in that year. Investment income/profit and property rental income sourced from Hong Kong are generally not subject to IIT.

II. If Hong Kong retirees reside in Mainland China for 183 days in a relevant tax year, have been residing in Mainland China for six consecutive years (including that relevant tax year), and have spent 183 days or more in Mainland China each year, they are required to pay IIT regardless of whether the investment income/profit and property rental income is sourced from Mainland China or Hong Kong.

**Payment from insurance policies is generally tax-exempt. However, the IIT law is not clear as to whether insurance policies with investment elements should be taxable or tax-exempt. This is a grey area that Hong Kong retirees need to bear in mind.*

Tax Considerations

HKRSA suggests:

I. The tax authorities should consider providing targeted tax concessions. The priority entry point is to treat Hong Kong retirees as non-resident taxpayers regardless of the number of days they spend in Mainland China.

II. Otherwise, under the current arrangements, Hong Kong retirees may only consider staying in Mainland China for less than 183 days each year. If they stay for 183 days or more in a relevant tax year, they may need to make sure this is not done for six consecutive years.

Conclusion

Conclusion: six recommendations

As the GBA initiative grows in importance, greater portability of social security benefits will be needed

Technical, safety and hygiene standards for elderly care and accommodation in the GBA should be prescribed and united

MPF providers should ensure employers and employees are informed about GBA retirement options formulated

Tax incentives to encourage pre-retirees to make voluntary contributions to their MPF schemes should be increased

More seamless cross-border MPF contribution / withdrawal arrangements should be put in place

Concessions should be granted so that Hong Kong retirees in the GBA can keep their non-resident taxpayer status beyond 183 days per year

Q&A

Please scan the QR code to download research paper

Thank you!