

GMS Flash Alert

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People's Republic of China - Hong Kong, Macao, Taiwan Residents and Social Security

On 29 November 2019, new guidance was issued on the social security contribution requirements and benefits entitlement, as well as the rights and related compliance obligations for Hong Kong, Macao, and Taiwan residents who live, work, and study in Mainland China.

The Ministry of Human Resources and Social Security and the National Healthcare Security Administration of the People's Republic of China ("China" or "PRC") jointly issued this guidance in the form of "Interim Measures for Hong Kong, Macao and Taiwan Residents' Participation in Social Security Schemes in Mainland China" (Order No. 41), which takes effect from 1 January 2020.¹ Order No. 41 provides practical guidance for implementing the "Draft Interim Measures for Hong Kong, Macao and Taiwan Residents' Participation in Social Security Schemes in Mainland China," released for public consultation on 25 October 2018.

For the complete story, see "[Measures for Hong Kong, Macao and Taiwan Residents to Participate in the PRC Social Security Schemes](#)," in *China Tax Alert* (Issue 41, December 2019), a publication of the KPMG International member firm in China.

WHY THIS MATTERS

Order No. 41 clarifies the contribution requirements and benefits entitlement for Hong Kong, Macao, and Taiwan residents who live, work and study in Mainland China. Its successful implementation will enable them to share the rights and compliance obligations on an equitable basis with residents of Mainland China. It also addresses the issue of double contributions by providing for contribution relief for Hong Kong, Macao, and Taiwan residents and their employers when participation in the home local social security schemes continues.

Companies that have not started contributing for their employees who are from Hong Kong, Macao, or Taiwan, should proactively check with local social security bureaux for guidelines on implementing Order No. 41, make relevant cost projections, evaluate potential financial impact, and where necessary, review and adjust their employee compensation and HR policies.

Salient Points

As early as 2005, the "Administrative Provisions on the Employment of Taiwan, Hong Kong and Macao Residents in Mainland China" had proposed measures to cover Taiwan, Hong Kong, and Macao individuals who are employed in Mainland China under the PRC social security schemes. However, implementation of those proposed measures varied across Mainland China. The next guidance, the "Interim Measures for Participation in Social Security Schemes of Foreigners Employed in China" issued in 2011 also did not explicitly impose the contribution requirements on Hong Kong, Macao, or Taiwan individuals.

The scope of relevant social security participants as stipulated in Order No. 41 has been extended from Hong Kong, Macao, and Taiwan residents employed in Mainland China as previously required under the 2005 administrative provisions to residents who are not employed in Mainland China. Thus, Hong Kong, Macao, and Taiwan residents are reminded to take proactive steps to analyse the financial impact and benefits entitlement under the new regulations.

Order No. 41 has implications for residents of Hong Kong, Macao, and Taiwan, which we highlight below.

Application of Participation

People affected are Hong Kong, Macao, and Taiwan residents legally employed by enterprises, public institutions, social organizations, individual businesses with employees, and other employers legally registered in Mainland China. The mandatory contributions include basic pension, medical, worker's injury, unemployment, and maternity insurance.

Hong Kong, Macao, and Taiwan residents who continue to participate in social security schemes in Hong Kong, Macao, and Taiwan may not be required to participate in the PRC basic pension or unemployment insurance schemes, subject to obtaining appropriate documentation to prove continuation of participation in the respective jurisdiction.

Process for Participation

Order No. 41 provides the general social security contribution process for general employees including the contribution location based on location of employer, registration documents required, registration process, and information on social security numbers for Hong Kong, Macao, and Taiwan residents.

Entitlements

Order No. 41 outlines participants' entitlement and contribution requirements for pension and medical insurance benefits.

Departure from Mainland China

Where a Hong Kong, Macao, or Taiwan resident leaves Mainland China before he/she meets the stipulated conditions for entitlement to pension benefits, he/she may choose to:

- retain his/her individual social security account, and continue to make social security contributions if he/she returns to work or reside in Mainland China (the contribution period will be calculated cumulatively); or

- apply to de-register from the PRC social security schemes, and receive a lump-sum pay-out from contributions accumulated in his/her personal social security account.

Transfer of Social Security Registration across Pooling Regions

Hong Kong, Macao, and Taiwan residents who change employment locations in Mainland China shall apply to transfer their social security registration to the relevant location where they will be employed. Order No. 41 specifies the methods for determining the location for claiming pension benefits for individuals.

KPMG NOTE

We await the release of further guidance on the following:

- Order No. 41 specifies that Hong Kong, Macao, and Taiwan residents who have obtained residence permits shall use their personal identification numbers for PRC social security contribution purposes; and those without a personal identification number shall be issued a social security number. However, Order No. 41 does not specify the social security number requirement for Taiwan residents who do not have a residence permit. Whether Taiwan residents can participate in the PRC social security schemes only after a residence permit is obtained, needs to be further confirmed.
- Order No. 41 stipulates that Hong Kong, Macao, and Taiwan residents who already participate in the “home/local” social security schemes may not be required to participate in the PRC basic pension or unemployment insurance schemes in Mainland China provided that certain proof issued by relevant authorities could be obtained. The specific requirements on the form of proof acceptable for claiming relief are unknown at this stage.

The KPMG International member firm in China will closely follow the relevant policies for Hong Kong, Macao, and Taiwan residents’ participation in the PRC social security schemes, and proactively discuss policy implementations and practical cases with local social security authorities.

Hong Kong, Macao, and Taiwan residents and the organisations that employ them are advised to consult with their professional tax advisers on the new requirements and next steps.

This article is excerpted, with permission, from “[Measures for Hong Kong, Macao and Taiwan Residents to Participate in the PRC Social Security Schemes](#),” in *China Tax Alert* (Issue 41, December 2019), a publication of the KPMG International member firm in the People’s Republic of China.

FOOTNOTE:

1 “Interim Measures for Hong Kong, Macao and Taiwan Residents’ Participation in Social Security Schemes in Mainland China” (Order No. 41 of the Ministry of Human Resources and Social Security and National Healthcare Security Administration, hereinafter referred to as “Order No. 41”).

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