Local Version: Hong Kong, China
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1 Quick Facts

Here you find general information about Hong Kong.

To keep track of the latest changes with Announcement of Legal Change, just add Announcement of Legal Change to your SAP Support Launchpad.

Legal Compliance

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2 Human Capital Management for Hong Kong, China

The HCM region version of Hong Kong, China is designed for use by businesses with operations in Hong Kong, China. As well as the generic SAP System functions, it comprises functions designed for laws and business practices particular to the system according to local requirements.

Despite its status as a Special Administrative Region of the People’s Republic of China, Hong Kong has many features characteristic of individual region, such as its own currency and tax laws; and sales from mainland China to Hong Kong are treated as exports. As such, SAP treats it technically as a region.

2.1 Legal Changes

2.1.1 Mandatory Provident Fund (MPF)

Legal Requirement

The Mandatory Provident Fund is a compulsory saving scheme for the retirement of residents in Hong Kong. Most employees and their employers are required to contribute monthly to mandatory provident fund schemes provided by approved private organizations, according to their salaries and the period of employment.
2.1.2 MPF Contribution Report

As the statement from MPF schemes authority in Hong Kong, an MPF principal intermediary is a business entity registered with MPFA to engage in MPF sales and marketing activities. It may be an authorized financial institution or corporation registered under the Securities and Futures Ordinance (Chapter 571, Laws of Hong
Kong), or an insurer or long-term insurance broker authorized under the Insurance Ordinance (Chapter 41, Laws of Hong Kong).

An MPF subsidiary intermediary is a person sponsored by an MPF principal intermediary and registered with MPFA to carry out MPF sales and marketing activities on behalf of the principal intermediary. The person may be an individual licensed under the Securities and Futures Ordinance to deal in or advise on securities; an individual registered under the Banking Ordinance (Chapter 155, Laws of Hong Kong) to deal in or advise on securities; an appointed long term insurance agent under the Insurance Ordinance; or the chief executive/technical representative of an authorized long term insurance broker.

In addition to the existing supported MPF contribution report in HSBC and Bermuda format, SAP newly released a new MPF contribution report for supporting the Manulife format with the following functions:

- Generate ALV list with Excel download function.
- Generate Monthly Contribution Remittance Statement in plain text file with the Manulife format.

For more details of the solution, please refer to New MPF Contribution Report with Manulife Format.

### 2.1.3 Long Service Payment / Severance Payment

#### Legal Requirement

**Long Service Payments (LSP)**

Long Service Payments (LSP) is regulated in Hong Kong Law, CAP 57 EMPLOYMENT ORDINANCE PART VB section 31R ~ 31ZE.

**Definition:**

Where an employee who has been employed under a continuous contract-

(a) for not less than 5 years of service at the relevant date-

(i) is dismissed and his employer is not liable to pay him a severance payment by reason thereof; or

(ii) subject to subsections (3) to (5), terminates his contract in the circumstances specified in section 10(aa); or

(b) terminates his contract and, at the relevant date, he is not less than 65 years of age and has been employed under that contract for not less than 5 years, the employer shall, subject to this Part and Part VC, pay to the employee a long service payment calculated in accordance with section 31V(1).

**Amount of long service payment:**

Subject to this Part, the amount of a long service payment payable under section 31R(1) or 31RA(1) shall be calculated by allowing-

(a) in the case of a monthly rated employee, two-thirds of his last full month’s wages, or two-thirds of $22500, whichever is less; and
(b) in any other case, 18 days’ wages based on any 18 days chosen by the employee and occurring during his last 30 normal working days, or two-thirds of $22500, whichever is less.

**Severance Payments (SP)**

Severance Payments (SP) is regulated in Hong Kong Law, CAP 57 EMPLOYMENT ORDINANCE PART VA section 31A ~ 31Q.

**Definition:**

(1) Where an employee who has been employed under a continuous contract for a period of not less than 24 months ending with the relevant date-

(a) is dismissed by his employer by reason of redundancy; or

(b) is laid off within the meaning of section 31E, the employer shall, subject to this Part and Part VC, be liable to pay to the employee a severance payment calculated in accordance with section 31G.

**Amount of severance payment:**

The amount of a severance payment to which an employee is entitled in any case shall be calculated by allowing-

(a) in the case of a monthly rated employee, two-thirds of this last full month's wages, or two-thirds of $22500, whichever is less; and

(b) in any other case, 18 days’ wages based on any 18 days chosen by the employee and occurring during his last 30 normal working days, or two-thirds of $22500, whichever is less.

**SAP Solutions**

*V_T7HK4A*  
Factor & constants for LSP/SP  
The calculation need to compare "two-thirds of his last full month's wages" and "two-thirds of $22500". Two-thirds is defined as 0.3333 in Factor field. Last full month's wages is stored in the base wage type (040 or 041). Two-thirds of $22500 is maintained as 15000 HKD in Maximum limit field. These are grouped with BSG for PCR and pay type (L for LSP, S for SP).

*V_T7HK4C*  
Maximum amounts and reckonable YOS for LSP/SP.
2.1.4 Tax Report

Legal Requirement

Employer can submit annual employer’s returns of remuneration and pensions in computerized format. The latest link for I.R.56E/B/F/G forms are attached below.

- IR56B
- IR56E
- IR56F
- IR56G
- IR56M

SAP Solutions

Form E is for the new hiring employees

IR56E
Form B is for regular employees of tax year and

IR56B

Form F is for terminated employees who will continuously work in Hong Kong.

Include inactive ee (status = 1). The employee with inactive status could be displayed in the result.

Previous submission date: You specify the previous submission date when you create an IR56 replacement/additional form. In this case, the system indicates the correct previous submission date in the replacement/additional form.
In majority case Form G, like Form F, is for termination. But the employee who will leave Hong Kong is required to submit Form G.

IR56G

Form M is tax year end report for the person other than employee, only the EC whose IT0345 check the checkbox of "person other than employee" can run IR56M.

IR56M
2.1.5 Hong Kong Paid Sick Leave

2.1.5.1 Leave Quota Generation

Legal Requirement

Paid sickness days are divided into two categories - paid sickness days can first be accumulated up to 36 days in Category 1 and then 84 days in Category 2.

SAP Solutions

Using report HHKCSKLE to generate the quota of ‘Paid Sick Leave’. According to the legal compliance, the report should be run by monthly to update the cumulation quota.

In this case, employee joined company over 12 months, he is eligible to get 4 days of sick leave quota in each month per legal compliance. If he has used 1 day of sick leave quota in cat1 in the next month, 1 day of new quota will be granted to cat1 to reach 36 days, the other 3 days of new quota will be granted to cat2.

2.1.5.2 Leave Application

Legal Requirement

When the sickness days taken exceeds the number of paid sickness days remaining in Category 1, any further sickness day(s) taken will enter in Category 2.
SAP Solutions

As the sickness days from 03.04.2017 to 30.04.2017 taken exceeds the number of paid sickness days remaining in cat1, so 4 days was deducted from cat1, the further 14 days was taken from cat2.

2.1.5.3 Wage Type Configuration

Legal Requirement

The daily rate of sickness allowance is a sum equivalent to four-fifths (80%) of the average daily wages earned by an employee in the 12-month period preceding the sickness day or the first sickness day (if more than 1 consecutive sickness day). If an employee is employed for less than 12 months, the calculation shall be based on the shorter period.

SAP Solutions

The standard wage type for sickness allowance can be configured in payroll.

- /HLC – used for paid sickness allowance
- /HW5 – used for deduction of unworked days
- \$/HLC – 80% of \$/010 (the average salary in the latest 12 months) as a base of paid sickness allowance.
2.2 Localization Solutions

With the development of enterprises and the concept of cloud, the workforce of enterprises is getting more and more diverse, posing great challenges for enterprises in terms of human capital management:

- The ever-changing workforce structure: Employees are from different countries and regions with different cultural backgrounds. They long for more flexible working and social platform as well as self-development.
- Communication: Collaboration has never been so emphasized before, which is also more complicated.
- Complexity: Traditional HCM systems are very complicated and inefficient, difficult to operate and use.
- Business Intelligence: It’s never easy to make data and business analysis easy and understandable to managers.

SAP Success Factors help enterprises address the above challenges and achieve excellence in HCM by making complicated things simple.

Country/Region Specifics for Employee Central

Find out which specific fields are needed to configure Employee Central for Hong Kong, China.

Country/Region Specifics for Employee Central Payroll

Find out which specific fields are needed to configure Employee Central Payroll for Hong Kong, China.
Country/Region Specifics for Employee Central Time Off

According to the legal requirement in Hong Kong, China, it has two categories of paid sick leave:

**Category 1**
Sick leave supported by a medical certificate from a registered medical practitioner. Employees can take up to 36 paid sick days from category 1 each year.

**Category 2**
Once an employee takes more than 36 paid sick days a year, any subsequent paid sick days move from category 1 to category 2. When this happens, an employer can request that additional forms of medical certificates (for example, a certificate from a hospital) and a record of the prescribed treatment be produced.

Sick leave balance can be carried forward to subsequent years, but employees can only have a maximum of 120 days at any point in time (36 from category 1 and 84 from category 2).

For more details of the solution for the feature, please refer to Setting Up Sick Leave Categories for Hong Kong, China.
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We try not to use gender-specific word forms and formulations. As appropriate for context and readability, SAP may use masculine word forms to refer to all genders.