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Video Transcript

Family offices in Hong Kong – Achieving intergenerational wealth transfer for business families

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Hong Kong is an international hub connecting Global, Asian and mainland China markets. The conducive business environment, mature and stable capital market, excellent asset and wealth management system, and a large pool of experienced talent make Hong Kong a natural choice for multi-national and mainland China business owners and families establishing a family office here. Hong Kong's reputation as a top international financial and wealth management centre is also built on a clear and transparent tax regime.

The HKSAR Government has launched a multi-pronged strategy which includes a tax concession scheme targeted at single family offices to further encourage the development of the Hong Kong family office ecosystem.

The Government actively supports family offices

The HKSAR Government issued the Policy Statement on Developing Family Office Businesses in Hong Kong on 24 March 2023. The Statement has set out eight initiatives with a view to create a conducive and competitive environment for the business of global family offices and asset owners to thrive in Hong Kong.

Tax concession scheme

On 10 May 2023, the Hong Kong Legislative Council officially passed the tax exemption scheme for family investment holding vehicles and had it gazetted on 19 May 2023. With regards to this tax exemption scheme, below are some key points to note:

This proposed tax concession scheme is targeted at single family offices. The client needs to set up two separate entities. The family investment holding vehicle (FIHV) and the single family office (SFO) must be owned at least 95% by one or more "related persons" belonging to the family. Related persons can include multiple generations of family members.

Charitable organisations that have obtained tax exemption under Section 88 of Hong Kong's Inland Revenue Ordinance can further increase their shareholding of the FIHV to no more than 25%. In this case, related parties can hold no less than 75% of the beneficial interest of the FIHV. These shareholding requirements provide greater flexibility for ultra-high-net-worth families to meet their specific legacy planning needs.

The family investment holding vehicle (FIHV) must be a corporation, partnership or trust set up in or outside Hong Kong with normal management or control in Hong Kong. The aggregate value of assets under management for a family-owned structure should be at least HKD240 million. The assets of the FIHV must be managed by an SFO in Hong Kong; the SFO must be a private company (incorporated in or outside Hong Kong) exercising normal management or control in Hong Kong.

At least 75% of the profits earned by the SFO has to be attributable from services provided to the FIHV. Each FIHV needs to employ at least two full-time qualified employees in Hong Kong and incur an annual operating expenditure of at least HKD2 million.

Upon fulfilment of the above conditions, profits derived from qualifying transactions and incidental transactions (up to 5% cap) in the FIHV family investment holding vehicle managed by the single family office will be exempted from Hong Kong profits tax. An official approval from the Government is not required for tax concession for family offices in Hong Kong. Eligible clients can elect to be included in this tax concession scheme (cannot be withdrawn once elected). The tax exemption can be retroactively applied from 1 April 2022 year of assessment.

The main purpose of this tax concession scheme is to provide certainty on the tax treatment of the investment holding vehicles held by ultra-high-net-worth individuals and family members, thereby attracting more families to set up and operate their family offices in Hong Kong.

HSBC Global Private Banking is poised to help our clients plan and design their family offices and formulate family governance solutions. In addition to providing customised solutions, we keep working with the Government and key industry stakeholders to further develop the Hong Kong family office ecosystem.