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**Bills Committee on Limited Partnership Fund and
Business Registration Legislation (Amendment) Bill 2021**

Background brief

Purpose

This paper provides background information on the Limited Partnership Fund and Business Registration Legislation (Amendment) Bill 2021 ("the Bill"). It also summarizes the views and concerns expressed by members when the Panel on Financial Affairs ("FA Panel") was consulted on the legislative proposals concerned.

Background

2. At present, an investment fund may be established in Hong Kong in the form of a limited partnership. However, there is no statutory mechanism to facilitate overseas funds set up in the form of limited partnerships to re-domicile to Hong Kong. In line with the Administration's on-going efforts to encourage fund formation and operation in Hong Kong and to develop Hong Kong into a preferred fund domicile, the Administration proposes to create a fund re-domiciliation mechanism for non-Hong Kong funds set up in the form of limited partnerships to re-locate to Hong Kong. The Administration conducted an industry consultation on introducing the limited partnership fund ("LPF") regime in July 2019. The industry supported the introduction of a re-domiciliation mechanism for LPFs.

The Limited Partnership Fund and Business Registration Legislation (Amendment) Bill 2021

3. Accordingly, the Administration introduced the Bill to the Legislative Council ("LegCo") at its meeting of 7 July 2021. The Bill seeks to:

- (a) amend the Limited Partnership Fund Ordinance (Cap. 637) to introduce a mechanism for the re-domiciliation of funds set up outside Hong Kong in the form of limited partnerships so as to become LPFs under Cap. 637;
- (b) amend the Business Registration Ordinance (Cap. 310) and the Business Registration Regulations (Cap. 310A) to provide for simultaneous business registration ("BR") applications on registration of LPFs; and
- (c) provide for related matters.

4. Details of the major provisions of the Bill are set out in paragraph 20 of the LegCo Brief (File Ref: ASST/3/1/10C(2020)Pt.1 dated 29 June 2021), and paragraphs 5 to 11 of the Legal Service Division Report on the Bill (LC Paper No. LS87/20-21).

5. The Bill, if passed, would come into operation on 1 November 2021 save and except that Part 3 (relating to simultaneous BR applications of LPFs) would come into operation on a day to be appointed by the Secretary for Financial Services and the Treasury by notice published in the Gazette.

Major views and concerns expressed by Members

6. The Administration briefed the FA Panel on the legislative proposal to allow foreign investment funds to re-domicile to Hong Kong as LPFs at the meeting on 1 February 2021. Members generally supported the legislative proposal. The major views and concerns expressed by members at the meeting are summarized in the ensuing paragraphs.

Measures to attract foreign funds to set up in or re-locate to Hong Kong

7. Members commented that the Administration should create a business environment with legal and tax certainty to facilitate the operation of various companies so as to attract foreign investment and foreign funds to set up or re-locate to Hong Kong. Some members mentioned that there were suggestions from the public that the Government should increase the rate of stamp duty on stock transactions. They expressed concerns that any such move would undermine the competitiveness of Hong Kong's LPF regimes and run counter to the policy objective of attracting more funds and companies to set up in Hong Kong. They also considered that any adjustment to the rate of stamp duty and the profitability requirements for listing on the Main Board would have impacts on the competitiveness and attractiveness of Hong Kong's financial

markets. The Administration assured members that it would continue to examine the rate of stamp duty on stock transactions having regard to the need to strike a balance among different factors including Government revenue, market development and the competitiveness of Hong Kong's stock market.

8. Some members referred to the findings of a survey conducted by InvestHK on companies in Hong Kong with their parent companies based in other jurisdictions. The survey pointed out that Hong Kong's simple tax system and low tax rate as well as its proximity to the Mainland were the top favourable factors for setting up businesses in Hong Kong. The top unfavourable factors included the shortage of residential and business accommodation as well as high rental costs. The survey also revealed that most companies would keep their business plans and some companies even planned to expand their businesses in Hong Kong. There was a suggestion that the Administration should continue to develop measures to attract multinationals to set up and grow their businesses in Hong Kong.

9. The Administration informed the Panel that it would continue to step up efforts in encouraging fund formation and operation in Hong Kong, including organizing activities such as the webinars conducted by the Financial Services Development Council, with a view to promoting Hong Kong as a premier asset and wealth management centre in the region.

Benefits of the proposed re-domiciliation mechanism for Hong Kong

10. Members enquired about the direct and indirect benefits of the proposed re-domiciliation mechanisms to Hong Kong, including the expected number of LPFs that would be re-domiciled to Hong Kong.

11. The Administration advised that the industry had been calling for an early introduction of re-domiciliation mechanisms for LPFs and some industry players were actively considering the relocation of their funds to Hong Kong. While the Government had not made any estimation, it was projected by some industry estimates that around 2 500 new jobs could be created each year in the local private equity fund and professional services industries with the provision of a facilitative environment for the private equity sector.

Latest development

12. At the House Committee meeting on 9 July 2021, Members agreed to form a Bills Committee to study the Bill.

Relevant papers

13. A list of relevant papers is in the **Appendix**.

Council Business Division 1
Legislative Council Secretariat
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List of relevant papers

Date	Event	Paper
1 February 2021	Meeting of the Panel on Financial Affairs	Administration's paper (LC Paper No. CB(1)533/20-21(06)) Minutes of meeting (LC Paper No. CB(1)828/20-21)
7 July 2021	The Limited Partnership Fund and Business Registration Legislation (Amendment) Bill 2021	The Bill Legislative Council Brief (File Ref: ASST/3/1/10C(2020)Pt.1) Legal Service Division Report (LC Paper No. LS87/20-21)