立法會

Legislative Council

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Panel on Financial Affairs
Meeting on 2 March 2026

Background brief
on enhancements to preferential tax regimes for funds, family-owned investment holding vehicles and carried interest

Purpose

The Administration proposes to amend the Inland Revenue Ordinance ("IRO") (Cap. 112) to enhance the tax exemption and concession regimes for privately-offered funds, family-owned investment holding vehicles ("FIHVs") managed by eligible single family offices ("FOs"), and carried interest, with a view to attracting more funds and FOs to establish a presence in Hong Kong. This paper provides the relevant background information and summarizes the major concerns and views expressed by Members.

Background

2. Hong Kong is an **international asset and wealth management ("WAM") centre**. As at end-2024, the total assets under management of WAM business in Hong Kong exceeded HK$35.1 trillion. The Government has been attracting more global capital to be managed in Hong Kong through a series of measures with the aim of propelling the all-rounded development of the fund industry.

3. **FO business** is an important segment of Hong Kong's WAM industry. According to the research findings of the consultant commissioned by Invest Hong Kong ("InvestHK"), there were around 3 384 single FOs operating in Hong Kong as at end-2025, of which over half were established by ultra-high-net-worth individuals ("UHNWIs") with assets exceeding US$50 million. As at end-2025, over 2 300 corporations were licensed by the Securities and Futures Commission ("SFC") for engaging in asset management activities (including multi-FOs). As at end-2024, the

size of private banking and private wealth management business attributed to FOs and private trusts clients reached HK$1,551 billion, representing a year-on-year increase of 7%, providing huge business opportunities for the WAM sector and other related professional services.

4. To reinforce Hong Kong's status as Asia's leading cross-border private wealth management centre and a global FO hub, **InvestHK** set up a **dedicated team** in 2021 to provide one-stop support services to FOs and UHNWIs interested in pursuing development in Hong Kong.[1] On 15 September 2025, the Administration announced that over 200 **FOs** had **set up operations or expanded their operations in Hong Kong with the assistance** of the dedicated team, marking an achievement of completing the key performance indicator set in the Chief Executive's 2022 Policy Address well ahead of schedule.

5. **The Inland Revenue (Amendment) (Tax Concessions for Carried Interest) Ordinance 2021** took effect in May 2021 to provide tax concessions for carried interest distributed by eligible private equity funds operating in Hong Kong, thereby attracting more private equity funds to be domiciled and to operate in Hong Kong. Under the Ordinance, qualifying carried interest recipients have to fulfil substantial activities requirements (including the number of qualified full-time employees and operating expenditure incurred in Hong Kong) for the tax concessions to apply. In addition, the Inland Revenue (Amendment) (Tax Concessions for Carried Interest) Ordinance 2021 also expands the classes of assets that may be held and administered by a special purpose entity on behalf of a fund for the purpose of profits tax exemption regime for funds, with a view to facilitating the operation of funds in Hong Kong.

6. The Government issued the Policy Statement on Developing Family Office Businesses in Hong Kong in March 2023, setting out a number of policy measures to create a conducive and competitive environment for the businesses of global FOs and asset owners to thrive in Hong Kong. As one of the support measures, **the Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Ordinance 2023** came into operation in May 2023. FIHVs managed by single FOs in Hong Kong fulfilling the minimum asset threshold of HK$240 million and the substantial activities requirement (including employing at least two full-time qualified employees in Hong Kong) can enjoy profits tax exemption for qualifying transactions.

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[1] Services provided by the dedicated team include supporting asset owners to set up FOs in Hong Kong, providing consultation services on living in Hong Kong (including opening of bank accounts, housing and healthcare), providing information on tax and business regulations, and where necessary issuing support letters to international schools in Hong Kong to facilitate admission applications of family members.

7. The 2025-2026 Budget announced **the proposals to further enhance the preferential tax regimes for funds, single FOs and carried interest**, including expanding the scope of "fund" under the tax exemption regime, increasing the types of qualifying transactions eligible for tax concessions for funds and single FOs, and enhancing the tax concession arrangement on the distribution of carried interest by private equity funds, with a view to attracting more promising funds and FOs to set up in Hong Kong. The Administration has completed the industry consultation on the enhancement measures on the preferential tax regimes. Based on the feedback received, it has also formulated the relevant enhancement measures with financial regulators and worked out the details of the proposals. The Administration **plans to submit the legislative proposals on the preferential tax regimes to the Legislative Council ("LegCo") for consideration in the first half of 2026**.

Major views and concerns expressed by Members

8. The major views and concerns expressed by Members are summarized below.

<u>Factors attracting family offices to set up in Hong Kong</u>

9. Members enquired about **the places of origin** of FOs that had set up or expanded their business in Hong Kong and **the factors that attracted them to set up in Hong Kong**. In addition, Members suggested that the dedicated team should, apart from proactively promoting Hong Kong's unique advantages as a global art auction and trading centre to FOs, **step up its efforts in promoting Hong Kong's advantages in other luxury goods**, including precious metals and wines.

10. The Administration pointed out that **with the introduction of tax concession measures for FOs in May 2023, Hong Kong had become much more attractive to many FOs meeting the minimum asset threshold of HK$240 million**. Moreover, Hong Kong was unique from other regions in that it had a wider range of investible products, in particular the availability of channels for investing in the Mainland market, such as Hong Kong's Bond Connect and Stock Connect. In addition, if applicants under the New Capital Investment Entrant Scheme ("New CIES") were also interested in setting up FOs in Hong Kong, InvestHK would provide them with appropriate support, and tax concessions would be granted to eligible FIHVs. The Administration would further promote the New CIES and Hong Kong's competitiveness and unique advantages as an FO hub, with a view to attracting more FOs to set up in Hong Kong.

Development needs of family offices

11. Members enquired about the FOs established in Hong Kong with the assistance or facilitation of InvestHK's the dedicated FamilyOfficeHK team, as well as **the common concerns of individuals who** were interested in or had already **set up FOs in Hong Kong** among the enquiries and follow-up cases handled by the team. Members suggested that the Administration should collect data or conduct surveys to gain an understanding of **the demand for office space and facilities** of FOs in Hong Kong, as well as the major challenges they faced in **recruiting professional talent**.

12. The Administration advised that the Government actively promoted the development of FO business and strengthened Hong Kong's advantages in developing the WAM industry and related professional service sectors in Hong Kong. The Government had also maintained close communication with the FO sector to understand the development needs of FOs. For those intending or having set up FOs in Hong Kong, **the general areas of concern included, among others, compliance requirements, tax incentives and the availability of professionals**. Generally speaking, individual FOs had different requirements for the location, privacy and supporting facilities of their office space, and might also consider the operating costs and proximity to professional service firms, etc.

13. The Administration supplemented that it was committed to **expanding the talent pool in wealth management and FOs to meet the demand of FOs for professional talent**. The Administration had implemented the Pilot Programme to Enhance Talent Training for the Asset and Wealth Management Sector to nurture more industry talent since 2016. To date, over 4 800 applications for reimbursement of eligible professional training course fees had been approved, and the Programme had provided internship opportunities for over 1 100 tertiary students, supporting the industry in offering more professional training and learning opportunities, thereby enhancing the professional standards of practitioners. In addition, **"management professionals in WAM"** and **"professionals in compliance in WAM"** had been included under **the Talent List** since 2018 and 2021 respectively, so as to facilitate high-quality talent in these professions to pursue development in Hong Kong. The Government had also established **the Hong Kong Academy for Wealth Legacy** in 2023 to provide a platform for collaboration, networking, knowledge sharing and talent development, and to provide relevant training for asset owners, wealth inheritors and the FO sector.

Preventing abuse of the preferential tax regimes

14. Members noted recent reports that quite a number of "fake family offices" had emerged in the market, and some of them might even be involved in money laundering or illegal fund-raising activities. Members enquired whether the Administration would consider drawing up a clear official definition and establishing a regulatory regime for FOs, and stepping up regulation through legislation or administrative measures to **prevent money laundering and other financial crimes**. Members also asked what monitoring mechanisms or regulatory measures were in place to **prevent** the enhanced **preferential tax regimes** for FOs and funds **from being abused as tax avoidance tools**.

15. The Administration advised that the Government welcomed all lawful and rule-compliant FOs to set up in Hong Kong and respected the private financial arrangement of single FOs. Regarding the regulation of investment activities of FOs, the licensing regime under the Securities and Futures Ordinance (Cap. 571) was activity-based. Generally speaking, a single FO referred to an arrangement established by members of a single family to manage the family's assets, investments and long-term interests. A single FO was **required to apply for a licence** under the Securities and Futures Ordinance if it carried on a business of regulated activity in Hong Kong, for example, **providing WAM services to clients other than members of the relevant family**, and to fulfil the relevant code of conduct and statutory requirements applicable to licensed corporations. The same requirements were also applicable to investment companies or multi-FOs. To facilitate the industry's understanding of the regulatory regime in Hong Kong, SFC had **issued a circular on the licensing obligations of FOs and a quick reference guide** to provide additional guidance.

16. The Administration supplemented that **professionals of various sectors providing services concerned to FOs were required to conduct necessary due diligence in compliance with the statutory requirements and relevant guidelines**. Among others, the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) provided that financial institutions (including banks, SFC-licensed corporations, insurance companies, and money services operators, etc.) and designated non-financial businesses and professions (including solicitors, accountants, estate agents, and trust or company service providers) shall conduct customer due diligence, including **identifying and verifying the identity of beneficial owners**, continuously **monitoring the business relationships with customers**, as well as maintaining records. Moreover, when service providers identified any suspicious transactions, they were also under the legal obligation to report to law enforcement agencies.

17. The Administration stressed that the Government's systems and measures for combating money laundering and terrorist financing had all along adhered to international standards and best practices. The Administration would **closely monitor the risks related to money laundering and terrorist financing**, as well as developments in international standards, and would **keep its systems and measures under constant review** so as to safeguard the integrity and stability of Hong Kong's financial system.

18. The Administration further advised that FIHVs managed by single FOs in Hong Kong and fulfilling the minimum asset threshold of HK$240 million and the substantial activities requirement could enjoy profits tax exemption for qualifying transactions. Currently, **a series of anti-avoidance measures had been put in place** for the preferential tax regimes for single FOs and funds. For example, a business undertaking for general commercial or industrial purpose was not eligible for tax concessions with a view to avoiding abuse. The tax regimes also contained the anti-round-tripping provisions to **prevent abuse or round-tripping by resident persons to take advantage of the profits tax exemption via a fund or FIHV**. Meanwhile, the general anti-avoidance provisions of IRO were also applicable to the preferential tax regimes for single FOs and funds. Through these provisions, the Inland Revenue Department could address any artificial or fictitious transaction, disposition that was not in fact given effect to, and transaction entered into for the sole or dominant purpose of enabling a person to obtain a tax benefit. The Administration also proposed to **introduce a tax reporting mechanism under the enhanced tax regime for funds** to ensure that the funds and special purpose entities meet the relevant tax exemption conditions under IRO. The Government would continue to closely communicate with the industry on formulating the details of the tax reporting regime, and **minimize the compliance burden on funds and special purpose entities** under the tax reporting regime.

<u>Multi-family offices</u>

19. There was a suggestion that the Administration should consider **further expanding the scope of the preferential tax regime for FOs to cover multi-FOs**.

20. The Administration advised that the current preferential tax regime for FOs did not cover FIHVs managed by **multi-FOs** as they **were generally independent service providers which were not owned by the relevant families**. Multi-FOs might engage in the provision of investment management services or other financial services for third parties, which were essentially no different from the business of banks, private banks and WAM companies. Furthermore, if FIHVs of different families were managed by

multi-FOs, there might be difficulties in ascertaining whether the minimum asset threshold and the substantial activities requirement of the FIHVs concerned were met. It was necessary for the Administration to critically examine the actual effectiveness and related fiscal implications of further extending the tax incentives to multi-FOs. The Administration supplemented that where **an FIHV met** the definition of "fund" under IRO and the **qualifying transactions** were carried out or arranged in Hong Kong by an SFC-licensed corporation (including multi-FOs), currently the relevant transactions were already **eligible for tax exemption under the unified tax regime for funds**.

Relevant papers

21. A list of relevant papers on the LegCo website is in the **Appendix**.

Council Business Divisions
Legislative Council Secretariat
27 February 2026

Appendix

Preferential tax regimes for funds, family-owned investment holding vehicles and carried interest

List of relevant papers

Committee	**Date of meeting**	**Paper**
Panel on Financial Affairs	7 November 2022	Agenda Item III: Briefing by the Secretary for Financial Services and the Treasury on the Chief Executive's 2022 Policy Address Minutes of meeting
	6 November 2023	Agenda Item III: Briefing by the Secretary for Financial Services and the Treasury on the Chief Executive's 2023 Policy Address Minutes of meeting
	8 July 2024	Agenda Item III: Development of family office business and implementation of the New Capital Investment Entrant Scheme Minutes of meeting
	28 October 2024	Agenda Item I: Briefing by the Secretary for Financial Services and the Treasury on the Chief Executive's 2024 Policy Address Minutes of meeting
	7 July 2025	Agenda Item IV: Implementation of the New Capital Investment Entrant Scheme and measures for developing the asset and wealth management industry Minutes of meeting

Committee	Date of meeting	Paper
Bills Committee on Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Bill 2022	2 May 2023*	Report of the Bills Committee to the Council
Finance Committee	8 April 2025	Administration's written replies to Members' initial questions on the Estimates of Expenditure 2025-2026 (Reply serial numbers: FSTB(FS)002, FSTB(FS)008, FSTB(FS)027, FSTB(FS)028, FSTB(FS)050, FSTB(FS)054, FSTB(FS)067, FSTB(FS)071, FSTB(FS)072, FSTB(FS)103, FSTB(FS)132, FSTB(FS)139, FSTB(FS)164, FSTB(FS)174, FSTB(FS)175)

* Date of issue

Council meeting	Paper
22 February 2023	Question 6: Attracting private equity funds to be domiciled and to operate in Hong Kong
24 April 2024	Question 14: Family offices set up in Hong Kong
24 April 2024	Question 15: Exploring Middle East market
12 February 2025	Question 15: Promoting development of the fund industry
2 April 2025	Question 12: Promoting the setting up of family offices in Hong Kong
25 June 2025	Question 5: Family offices
30 July 2025	Question 9: Promoting the establishment of family offices in Hong Kong