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Hong Kong highlights philanthropy in new family office tax regime



The long-awaited tax concession scheme for family offices in Hong Kong¹ was passed and came into effect on 19 May 2023 ("Scheme"). It applies retrospectively to years of assessment commencing on or after 1 April 2022. For more details on the Scheme please see our earlier articles: [here](#) and [here](#).

One later-stage revision to the Scheme was the relaxing of the ownership threshold by family members of eligible entities from 95% to 75% if a Hong Kong tax exempt charity (or charities) holds the rest of the beneficial interest of the family office structure.

This move is much welcomed and in line with Hong Kong government's recent announcement to develop Hong Kong into a philanthropic centre. The government's policy statement released in March 2023 set out a series of measures that the territory would take to support and attract more family offices and family wealth to come to Hong Kong² ("FO Policy Statement").

¹ Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Ordinance 2023

² "Policy Statement on Developing Family Office Businesses in Hong Kong", Financial Services and the Treasury Bureau, 24 Mar, 2023.

Many wealthy families in Hong Kong have long been active in philanthropy and tax-exempt charities set up in Hong Kong have grown nearly 3 times over the past 20 years to over 9700. For 2020-21 the total amount of approved charitable donations (i.e. tax deductible for donors) amounted to HK\$4.35 billion and HK\$7.45 billion respectively for corporate and individual donors.

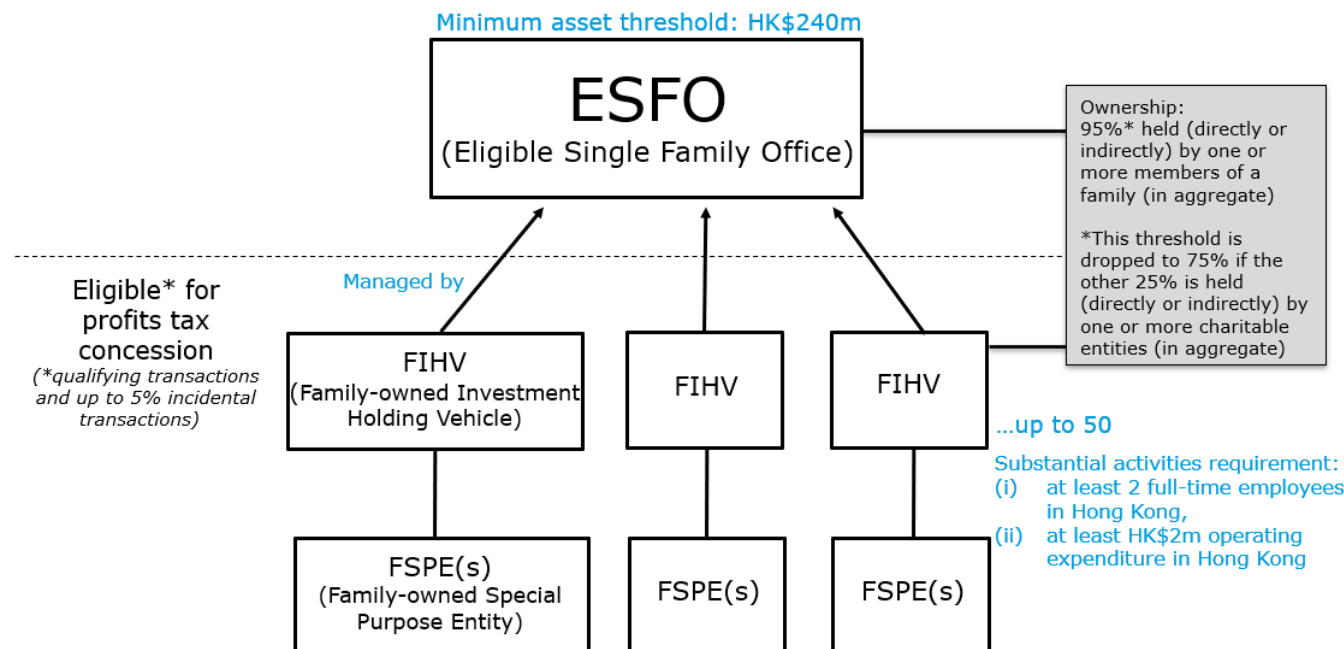
Meanwhile, tax exempt charities in Hong Kong are not limited to carrying out charitable activities in Hong Kong but also outside Hong Kong if their charitable purpose falls under the causes of **alleviation of poverty, advancement of education** and **advancement of religion**. This has long made Hong Kong charitable trusts and entities a popular vehicle for doing charitable work in mainland China, regionally and internationally.

With the growing global momentum and innovations surrounding "wealth for good", the tools for "giving" have grown from donations only to an exciting mix of donations and "impact investing". Most recently the Financial Services Development Council (FSDC) and the Global Impact Investing Network (GIIN) jointly held the first impact investing forum in Hong Kong with a packed audience at the hall of the Hong Kong Stock Exchange, and highlighted how the global impact investing market has surpassed US\$1 trillion last year. "While Europe and US have inspired much of the early momentum, the promise is here in Asia," said Finance Secretary Paul Chan.³

With its strong foundation in both philanthropy and finance, Hong Kong is well poised to become a regional hub for philanthropy, impact investing, sustainable finance family offices.

The Scheme is a step in the right direction to incentivise "wealth for good", and we expect to be seeing more supportive measures from the Hong Kong government going forward.

For a quick glance of the Scheme:



³ "Navigating the Future of Impact Investing In Asia" conference, 9 May, 2023.

For details on key measures introduced in the [FO Policy Statement](#), here is a summary:

Immigration	A new immigration scheme Capital Investment Scheme appealing to asset owners, with details to be announced later, but which we already know will consider assets denominated in both Hong Kong dollars and RMB
Tax	Profits tax concession for FIHVs
Licensing support	Targeted support from the Securities and Futures Commission including a dedicated communication channel maintained by the licensing team for family office related enquiries
Education	A new Hong Kong Academy for Wealth Legacy to offer training to industry practitioners as well as next generation wealth owners on wealth management topics from capital preservation and inheritance to arts and culture, and green and sustainable investments
Art	Promoting art storage facilities at the Hong Kong International Airport, with an eye to consolidating Hong Kong's position as a leading art exhibition and trading centre in Asia, providing services to local, mainland China and world art collectors and enthusiasts
Philanthropy	Developing Hong Kong into a philanthropic centre, by enhancing the application process by charities to the Inland Revenue Department for tax exempt status, and expanding the extent of beneficial interest that an exempted charity may hold in an FIHV under the Scheme

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