HONG KONG TAX ALERT

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Chief Executive's 2018 Policy Address

Summary

Chief Executive Carrie Lam delivered her second policy address on 10 October 2018. The Chief Executive introduced various tax incentives and measures to enhance Hong Kong's position as an international finance centre.

Some of the key tax incentives include the introduction of tax concessions to attract more ship leasing companies to set up operations and expand their businesses in Hong Kong and a new limited partnership regime which will hopefully overcome some of the limitations of the open-ended fund company regime.

On 10 October 2018, Chief Executive Carrie Lam delivered her second policy address (click here). This sets out the Hong Kong government's policies over the coming years.

Of interest from a tax perspective is the shift over the past few years towards a more proactive view on tax and the use of tax incentives to enhance Hong Kong's position as an international finance centre and as a major platform for capital raising and financing.

This year, the maritime industry was identified as a major pillar in supporting the development of Hong Kong's trade and logistics industries. Given Mainland China's Belt and Road Initiative and the proposal to develop the Greater Bay Area, it will be important to enhance Hong Kong as a high value-added maritime services centre and an important transshipment hub in the Asia-Pacific region. The key tax measures include:

- Introducing tax concession measures to attract more ship leasing companies to set up operations and expand their businesses in Hong Kong;
- Providing tax reliefs to promote the development of marine insurance and the underwriting of specialty risks in Hong Kong.

Other tax measures that were proposed to diversify Hong Kong's economy include:

- A new limited partnership regime will be introduced in Hong Kong following the recent commencement of the open-ended fund company regime and related profits tax exemption for such companies;
- Hong Kong will explore jointly with the relevant Mainland authorities appropriate measures to reduce the tax burden of teachers and researchers who cross the border for work. This is to promote the flow of scientific research talent between the Mainland and Hong Kong, thereby fostering the development of the Greater Bay Area as a global technology and innovation hub.

The Hong Kong government is also aiming to increase its double tax treaty network to over 50 treaties in the coming years.

KPMG observations

We welcome the government's initiatives in offering various tax incentives to diversify Hong Kong's economy and remove some of the competitive disadvantages Hong Kong faces in attracting and retaining businesses.

In the context of the ship leasing incentive, currently, most of the shipping income derived from lease rentals is exempt from tax in Hong Kong. As such, we hope that any new tax incentives do not actually go backwards and impose tax on such operations, but rather will complement and expand the current exemption to cover a range of shipping related support services conducted in Hong Kong.

In addition, we also hope that the new limited partnership regime will address the shortcomings of the open-ended fund company regime which has made it practically difficult for funds based in Hong Kong to use.

For more information and assistance, please contact your usual tax advisor or one of our tax contacts below.

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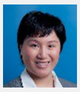

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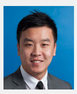

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