



ASSET MANAGEMENT TAX UPDATE

May 2021

SFC announces subsidy scheme for OFCs and REITs

Summary

Following on from the Financial Secretary's 2021/22 budget speech, on the 10th of May 2021, the Securities and Futures Commission ("SFC") announced the implementation of the grant scheme for the set up of open-ended fund companies ("OFC") and real estate investment trusts ("REIT").

Effective from 10 May 2021 to 9 May 2024, subject to a Government funding cap for the scheme, the subsidy will offer a rebate of 70% of all professional expenses that are paid to Hong Kong based service providers, with certain restrictions. The subsidy, however, is subject to a cap of HK\$ 1 million per OFC, and HK\$ 8 million per REIT in Hong Kong. Further details of the initiative are explained below. This is one of many recent initiatives that will further enhance Hong Kong's competitiveness as the leading asset management hub in Asia.



OFCs

The subsidy will cover 70% of professional fees accrued by managers establishing companies in, or re-domiciling companies to, Hong Kong and which become registered as an OFC, subject to a cap of HK\$1 million per OFC. There is a limit of 3 OFCs per investment manager who can claim this benefit.

The types of fees for which expenditure may be reimbursed under the subsidy include legal fees for the preparation of incorporation including any fees incurred in drafting legal documents and offering documents; accounting and tax advisor fees; fees charged by fund administrators, company secretaries, corporate service providers and regulatory consultants relating to the incorporation/redomiciling of OFCs. The subsidy will also cover listing agent fees incurred for listed OFCs.

The subsidy will not apply to newly set up sub-funds under an existing OFC structure.

REITs

This scheme applies to SFC authorized REITs listed on the Stock Exchange of Hong Kong ("SEHK") with a minimum market capitalization of HK\$ 1.5 billion at the time of listing. These REITs can then claim up to 70% of the professional fees paid to local Hong Kong service providers, up to a cap of HK\$ 8 million per REIT.

The types of expenses that are covered by this subsidy are along similar lines for OFCs, and include underwriting commissions, legal fees for the preparation of listing (including any offering documents and work done in relation to have the REIT authorized by the SFC); accountant and tax advisor fees; fees charged by fund administrators, company secretaries, corporate service providers relating to the incorporation/redomiciling of REITs; valuation reports; expenses for advertising and marketing the listing of the REIT; listing fees for any listing agents required for the listing of the REIT.

KPMG Observations

The scheme will not cover any registration or license fees paid to the SFC, nor will it cover audit fees paid to accounting firms for annual audits.

Applications for this subsidy will be considered on a case by case, first-come first-served basis. For private OFCs, the application must be lodged within three months from the date Registrar of Companies issues the certificate of incorporation or certificate of re-domiciliation. For REITs, the application must be made within three months of the REIT's listing date. The subsidy is, however, subject to a two-year claw back should the OFC move away from Hong Kong or the REIT delist from the SEHK.

The scheme is a targeted initiative and the financial impact should prove meaningful. Following other initiatives such as the limited partnership fund regime and carried interest tax concession, the Government can take credit for getting the balance right with its framework to encourage investment funds to “onshore” in Hong Kong.

To view the full FAQ from the SFC, click [here](#).

Contact us

**Darren Bowdern**

Head of Alternative Investments, Hong Kong
Head of Asset Management Tax, ASPAC
KPMG China
Tel: +852 2826 7166
darren.bowdern@kpmg.com

**Bonn Liu**

Partner, Head of Financial Services,
Hong Kong;
Head of Asset Management, ASPAC
KPMG China
Tel: +852 2826 7241
bonn.liu@kpmg.com

**Sandy Fung**

Partner
KPMG China
Tel: +852 2143 8821
sandy.fung@kpmg.com

**Vivian Chui**

Partner, Head of Securities & Asset
Management, Hong Kong
KPMG China
Tel: +852 2978 8128
vivian.chui@kpmg.com

**Nigel Hobler**

Partner
KPMG China
Tel: +852 2978 8266
nigel.hobler@kpmg.com

**Kasheen Grewal**

Director
KPMG China
Tel: +852 3927 4661
kasheen.grewal@kpmg.com



Asset Management Update

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