



# Asset Management Tax Update

Hong Kong Budget 2023-24

February 2023



## The 2023-24 Budget: Key Takeaways for Asset and Wealth Management

Financial Secretary Paul Chan delivered his latest Budget Speech on 22 February in a very different climate to last year. Twelve months ago, Hong Kong was experiencing its fifth -- and most serious -- wave of Covid outbreaks, and weeks-long quarantine requirements for arrivals remained in place. Now, with the vast majority of restrictions removed and the border with the Chinese Mainland reopened, the outlook is much brighter for the asset and wealth management sector as normal business operations resume.

Despite an expected deficit of almost HKD140 billion, the Government's reserves remain at a healthy level of HKD820 billion. This gave the Financial Secretary leeway to provide continued support as the city returns to normal, and his Budget speech contained a number of new policies and plans focused on promoting the asset and wealth management industry.

He noted the importance of the sector to the city's role as a global financial centre, and said that the Government would actively take measures to further strengthen Hong Kong's status as the asset and wealth management hub in Asia.

New measures announced include plans for a Capital Investment Entrant Scheme and more funds to attract family offices to the city. At the same time, the Financial Secretary also said that a number of the current incentive schemes would be reviewed and refined, including a review of the existing tax concession measures applied to funds and carried interest.

### Summary



Key highlights for the asset and wealth management sector in the 2023-24 Budget include:

- more support to attract family offices
- a new Capital Investment Entrant Scheme
- enhancements to the Exchange Fund's alternative asset portfolios
- review of tax incentives for funds and carried interest
- streamline the application process for UHNWI clients

# Initiatives to Support the Asset and Wealth Management Sector

## Family Offices

The profits tax exemption for family offices announced in last year's Budget will be applicable to qualifying transactions dating from 1 April 2022. In addition, HKD100 million will be allocated to InvestHK over the next three years to attract more family offices to the city.

## Capital Investment Entrant Scheme

Under the proposed new Capital Investment Entrant Scheme, applicants will be able to reside and pursue development in Hong Kong after investing a certain amount in the local asset market, not including property. Details of the scheme will be announced later. Hong Kong previously had a similar programme, which did allow investment in property, but it was suspended in 2015.

## Exchange Fund Portfolios

In recent years, the Exchange Fund has established alternative asset portfolios with dedicated allocation to smaller local managers. As a next step, such portfolios will cover also private equity funds managed by smaller local managers and those seeking to expand their Hong Kong operations. The Exchange Fund will also increase allocation to funds that focus on sustainable investment.

## Refinements of Current Measures

Besides new policies, the Financial Secretary also announced that the Government would work with the regulators to refine some of the current incentives for the asset and wealth management sector. These include a review of the existing tax concession measures applicable to funds and carried interest. This is an important and very welcome development that the asset management industry has been suggesting for many years. In addition, the suitability assessment and disclosure processes for sophisticated or ultra-high net worth individual clients will be streamlined.

## Talent

The Financial Services and the Treasury Bureau has set up a steering group to oversee key projects to support the sector, including a summit planned for late March on the theme of Wealth for Good in Hong Kong. The steering group will also provide dedicated training for wealth management talent.

## Other Measures

Besides a range of proposals directly targeting the asset and wealth management sector, the Budget also contained a number of broader measures that may be of interest. These include:

- the Hong Kong Investment Corporation, announced in the 2022 Budget, is now up and running, and has started to identify partners to make strategic investments
- several new sustainability-related initiatives to boost Hong Kong's role as an ESG hub, including plans to set up a Green Technology and Finance Development Committee, the issuance of HKD15 billion in retail green bonds, and help for green projects to obtain capital from non-traditional lenders
- a mechanism to facilitate companies domiciled overseas to re-domicile in Hong Kong

## Conclusion

The list of new measures and proposals in the 2023-24 Budget demonstrate that the Government has made supporting the asset and wealth management sector a priority. In addition, plans to review and refine some of the current incentives should help to ensure that Hong Kong remains competitive and can retain its status as a global and regional hub for the sector. KPMG will monitor the implementation of the new proposals and the planned refinements to current policies, and will share our insights with clients as the asset and wealth management landscape continues to evolve.

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