

LCQ12: Promoting the setting up of family offices in Hong Kong

Following is a question by the Hon Jeffrey Lam and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (April 2):

Question:

The Government has proposed in the latest Budget that it will formulate proposals on the preferential tax regimes for funds, single family offices and carried interest, and develop a vibrant ecosystem for family offices. In this connection, will the Government inform this Council:

(1) given that the Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Bill 2022 was passed by this Council in 2023, which sought to provide profits tax concessions for family-owned investment holding vehicles managed by single family offices in Hong Kong, whether the authorities have assessed the adequacy of such tax concession measures and their effectiveness in encouraging family offices to establish a business presence in Hong Kong; if so, of the details; if not, the reasons for that;

(2) as it is learnt that a single family office is not required to apply for any licence under the Securities and Futures Ordinance (Cap. 571) if it does not carry on a business of regulated activity in Hong Kong, whether the Government has estimated the number of family offices in Hong Kong which have not applied for such licence; if so, of the details; if not, the reasons for that;

(3) of the progress and details of the Government's formulation of proposals on the preferential tax regimes for funds, single family offices and carried interest this year; and

(4) whether it will study encouraging more Mainland high-net-worth individuals to make cross-border investments through family offices set up in Hong Kong; if so, of the details; if not, the reasons for that?

Reply:

President,

Family office (FO) business is an important segment of the asset and wealth management sector. According to the Asset and Wealth Management Activities Survey 2023 published by the Securities and Futures Commission, the size of private banking and private wealth management business attributed to FOs and private trusts clients reached \$1,452 billion as of end-2023, providing huge business opportunities for the asset and wealth management

sector and other related professional services. In consultation with Invest Hong Kong (InvestHK), the reply to various parts of the question is as follows:

(1) and (3) The Legislative Council passed the Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Bill 2022 in May 2023, under which family-owned investment holding vehicles managed by single FOs in Hong Kong fulfilling the minimum asset threshold of HK\$240 million and substantial activities requirement can enjoy profits tax exemption for qualifying transactions. The Government have maintained communication with the industry to evaluate the effectiveness of the tax concession regime, and announced in the 2025-26 Budget 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, enhancing the tax concession arrangement on the distribution of carried interest by private equity funds. The Government have completed the industry consultation on the enhancement measures on the preferential tax regimes. The Government are formulating the relevant enhancement measures with financial regulators based on the feedback received. The Government target to work out the details of the proposals by this year and submit the legislative proposals to the Legislative Council for consideration in 2026. If approved, the relevant measures will take effect from the year of assessment 2025/26.

(2) and (4) A single FO is not required to apply for a licence under the Securities and Futures Ordinance if it does not carry on a business of regulated activity in Hong Kong. According to the research findings of the consultant commissioned by InvestHK and publicised in March 2024, there were around 2 700 single FOs operating in Hong Kong as of end-2023, with over half of them set up by ultra-high-net-worth individuals having a wealth of US\$50 million or above. Meanwhile, since its establishment in June 2021 up to end-February 2025, the dedicated FamilyOfficeHK team of InvestHK has assisted over 160 FOs to set up or expand their business in Hong Kong (including 135 FOs having set up or expanded their business in Hong Kong after the profits tax exemption regime for single FOs has taken effect), including 98 single FOs and 63 multi-FOs. Currently, around 150 FOs have indicated that they are preparing or have decided to set up or expand their business in Hong Kong as tabulated below by geographical region:

Region	FOs preparing or having decided to set up or expand business in Hong Kong
Mainland and Taiwan, China	82
Europe and Americas	34
Asia Pacific and Oceania	22
Middle East	9
Total	147

InvestHK will continue to conduct diversified investment promotion activities (e.g. roundtables, seminars, meetings with investors, media interviews and external visits) to proactively reach out and encourage more high-net-worth individuals (including high-net-worth individuals from the Mainland) to set up FOs in Hong Kong. Furthermore, investors from the Mainland currently can make investment in Hong Kong through various mutual access arrangements. The Government has been actively exploring opportunities to introduce further expansion initiatives, including enhancements to the Cross-boundary Wealth Management Connect has been further enhanced since February 2024 to increase individual investor quota, lower the threshold for participating in the Southbound Scheme, expand the scope of participating institutions, the scope of eligible investment products, and enhance the promotion and sales arrangements. The Government will continue to discuss with financial regulatory authorities in the Mainland on various cross-boundary remittance arrangements, including how to provide more facilitation arrangements while ensuring that the risks are manageable.