



Industry Lobbying Pays Off In Hong Kong With Inclusion in Tax Exemption for Offshore PE Investments Announced in Budget Speech

28 February 2013, Hong Kong---The Hong Kong Venture Capital and Private Equity Association (HKVCA) today expressed its deep satisfaction with the statements made in relation to private equity in the budget speech delivered by the Financial Secretary of the Hong Kong Government, John Tsang, today, following discussions and lobbying on behalf of the industry.

In his speech, Tsang announced that private equity investments made in companies outside of Hong Kong would now qualify for the Profits Tax Exemption for Offshore Funds, an exemption which has been in place for over five years but up to now excluded investments in private companies, which had placed restrictions on the development of the local private equity industry.

HKVCA Chairman, David Pierce, explained, "The HKVCA represents the interests of the private equity and venture capital industry in Hong Kong and we had been in discussion with the Financial Services and Treasury Bureau (FSTB) about the need for tax reforms in the treatment of private equity in Hong Kong. We are delighted with this outcome on behalf of all of our members and for Hong Kong's reputation as a world class financial services centre."

In the same speech, Tsang also announced a proposal to improve the competitiveness of the entire fund management industry by providing structures for domiciling funds in Hong Kong.

"For many years Hong Kong has been the leading Private Equity centre in Asia," said Pierce, "but evolving tax treatments elsewhere have not been matched by enhancements in Hong Kong. It is very encouraging for us to see the tone of John Tsang's Budget speech where he clearly states an intention to provide structures for domiciling funds from all parts of the fund management industry in Hong Kong. HKVCA believes that allowing for the domiciling of private equity funds in Hong Kong will improve competitiveness for HK-based funds but also create many new jobs in the financial services sector."

The HKVCA was set up in 1987 to promote and protect the interests of the venture capital and private equity industries in Hong Kong and now represents 250 members of all sizes across all aspects of managing and servicing private assets.