HKVCA 私投募資
香港創業及私募投資協會
The Association for Private Capital in Asia

April 8, 2022

TO: fo-consultation@fstb.gov.hk

Dear Sir/Madam,

Comments on Proposal for a Tax Concession Regime for Family-owned Investment Holding Vehicles

The HKVCA appreciates the recent announcement on promoting Hong Kong as a hub for the family office industry. The proposal for a tax concession regime for family-owned investment holding vehicles (FIHVs) could attract overseas family offices to reside in Hong Kong. To optimize the policy in the long run, based on the preliminary feedbacks we have received from in the market, the HKVCA is pleased to submit the following suggestions for your consideration:

1) The requirement for central management and control of FIHVs to be located in Hong Kong (CMC) is a serious obstacle to this initiative. For most family offices established by foreign and non-resident HNWIs, they will be unlikely willing to give up control of the FIHVs. Imposing the CMC requirement on FIHVs would discourage foreign and non-resident families from embracing this new regime.

   In respect of the unified fund tax exemption, there is no CMC requirement for the fund. You will note that Singapore does not require family offices to have an onshore CMC under S.13U (formerly 13X) for the investment holding company.

   Overseas family offices are reluctant to apply the regime with the CMC in place, and the intention of appealing to global and mainland China HNWIs will fail. We recommend removing this particular requirement in order to optimize the initiative.

2) On the substantial activities requirements, the proposal indicated that FIHVs should employ not less than two full-time employees in Hong Kong during the basis period for the year of assessment. In fact, single family offices operate with a small team. A small-sized family office, which manages HK$240 million (or approximately US$30 million), will typically only recruit 2-3 full time staff worldwide. Moreover, some investment activities are managed by financial officers and/or business development officers from their originating business companies.

   We recommend relaxing the requirement to one full time member of staff without restrictions on activities or qualifications. Alternatively, we suggest the regime offers flexibility on the rule of two full time employees which count towards all the entities managed within the same family rather than two employees per entity within the same family office.

3) The proposal stated the concession tax rate for single family offices. However, we suggest expanding the scope to multi-family offices in the future. A family with investible assets of

between $50 million and $100 million would most likely hire a multi-family office (MFO) rather than set up a single-family office as a more economically sound decision.

Moreover, MFOs are willing to expand their team in order to achieve greater economies of scale. Thus, leveraging MFOs is a key element for HNWIs who might redistribute their investible assets to Hong Kong.

We hope the Hong Kong government can offer the concession tax rate for family offices, which are important stakeholders that would contribute to cementing Hong Kong's position as a global financial hub. We look forward to your reply and would be very happy to arrange a meeting to discuss these issues further.

Yours Sincerely,

Danny Lee
Chair of the HKVCA Family Office Committee

About the HKVCA

The HKVCA is a member-based trade association which was established in Hong Kong in 1987. It currently has 480 members of whom 300 are Hong Kong based private equity managers across the full spectrum of the industry from venture capital, through growth capital and growth buyouts to institutional fund investors, fund of funds and secondary investors. The HKVCA represents small teams investing in start-ups as well as the world's 10 largest private equity firms.