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INTRODUCTION TO “FAMILY OFFICE” in HONG KONG

As regards the idea of having “Family Office” in Hong Kong, it usually relates to a single-family office (rather than multiple-family office) arrangement as established for the sole purpose of serving the needs of members of a single family such as financial needs, family governance, wealth planning and preservation, wealth transfer and philanthropic endeavours.

There are no published statistics on the number of single-family offices incorporated or based in Hong Kong SAR basically for the reason that there is (unlike in Singapore) no pre-approval or licensing required for the establishment or any registration requirement in respect thereof. It is estimated that a total of about 2700 single-family offices are present in Hong Kong (nearly doubling the number in Singapore) as of the end of last year. There will be expectedly about 200 more such offices to be established in Hong Kong in the year to come.

It has transpired that Hong Kong has been quite attractive and competitive for high net-worth individuals and families rallying to consider Hong Kong as one key area for setting-up their bases or establishments as family office. Ostensibly, the depth and innovation of Hong Kong’s capital market, its proximity to the mainland market and its global connectivity and not least, its overall flexibility all stand out as major strengths of Hong Kong.

There is also the obvious support and countenance of the Hong Kong Government to promote and encourage the establishment of family offices in Hong Kong by taking the lead in creating a conducive and competitive environment for global family offices and assets owners to thrive and prosper in Hong Kong. In 2023, the Hong Kong Government announced eight-policy measures for that matter, including a new capital investment entrants program for residence in Hong Kong. It is noteworthy that the investment portfolios for such government program for each application also represents a unique opportunity to invest in project companies especially chosen by the Government in technology and innovative industries not otherwise be ordinarily made available.

More importantly, the Hong Kong Government has been instrumental in introducing or mulling to introduce tax concession scheme for family offices in Hong Kong, one of which already came to legislative effect in May 2023 relating to the ownership threshold by family members of eligible entities from 95% to 75% if a Hong Kong tax-exempt charity (or charities) holds the rest of the beneficial interest of the family office structure.

In the same connection, in terms of the tax advantages in relation to a family office in Hong Kong, it is important to note generally that if a family office is structured as a pure investment vehicle and does not conduct any trade or business activities in Hong Kong, it may be eligible for profit tax exemption in Hong Kong. Also regardless of whether the recipients are Hong Kong residents or non-residents, there is no withholding tax on dividend distributions. There is likewise no capital gains tax and estate duty in Hong Kong. As for the cross-border investments and transactions of a family office, the benefits of Hong Kong having an extensive network of double taxation treaties with many jurisdictions may help minimize tax liabilities in this respect.

All in all, the principal idea and utility of establishing- “Single-Family Office” in Hong Kong is to implement and actualize the time-honoured heritage and working culture of one’s family business with its concomitant wealth in the way of establishing and/or operating the same through working instrumentality such as corporate entity, limited partnership funds company, trust and/or other legal vehicle(s) as relevant and appropriate for the very such nature and fostering of such family business in Hong Kong. In respect of all these matters, we, with our specialty in corporate and commercial law and practice, shall be in the useful position to assist. In case of your need for further clarifications or elaborations, please feel free to contact us.