

Government welcomes passage of Inland Revenue (Amendment) (Tax Concessions for Carried Interest) Bill 2021

The Secretary for Financial Services and the Treasury, Mr Christopher Hui, welcomed the passage of the Inland Revenue (Amendment) (Tax Concessions for Carried Interest) Bill 2021 (the Bill) by the Legislative Council today (April 28).

The Bill seeks to amend the Inland Revenue Ordinance (Cap. 112) to provide tax concessions for carried interest distributed by eligible private equity funds operating in Hong Kong.

Mr Hui said, "The tax concession regime for carried interest would attract more private equity funds to operate and be managed in Hong Kong, thus boosting more investment management and related activities, which will bring business opportunities to various professional services and economic benefits to Hong Kong."

Qualifying carried interest recipients have to fulfil substantial activities requirements (including the number of qualified full-time employees and operating expenditure incurred in Hong Kong) for the tax concessions to apply. The Bill also expands the classes of assets that may be held and administered by a special purpose entity on behalf of a fund for the purpose of profits tax exemption regime for funds, with a view to facilitating the operation of funds in Hong Kong.

The Bill will commence on the day on which the amendment ordinance is gazetted, and will apply concessionary tax treatment to eligible carried interest received by, or accrued to, qualifying carried interest recipients on or after April 1, 2020. The Hong Kong Monetary Authority and Inland Revenue Department will announce relevant implementation details in due course.