Speech by FS at Wealth for Good in Hong Kong Summit (English only) (with photo)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Wealth for Good in Hong Kong Summit today (March 27):

Distinguished guests, ladies and gentlemen,

Good afternoon. It is a pleasure to welcome you to Hong Kong – and to our second Wealth for Good Summit.

I trust you enjoyed last night's welcome dinner, and you are already discovering why Hong Kong is Asia's world city and, soon enough, I hope, is also your city, the home of your family office. Allow me to tell you a little about Hong Kong, why we're becoming the world's city for family offices.

Hong Kong: an ideal city for family offices

We take great pride in our status as a global wealth management hub. Indeed, we oversee nearly US$4 trillion in assets. And according to a survey, there are now some 2 700 family offices in Hong Kong. We are also Asia's largest hub for hedge funds, and second largest for private equity, behind only the Mainland. Thanks to the "one country, two systems" arrangement and the unwavering support of our country, Hong Kong is in a unique position to create value for family offices.

On the one hand, we enjoy priority access to the Mainland market. On the other, Hong Kong continues to be an international city practising the common law system, with the Judiciary exercising its power independently. We continue to maintain the free flow of capital, talent, goods and information, and a freely convertible currency pegged to the US dollar. We have extensive investment choices, a very deep international talent pool and world-class professional services. Our business practices and regulatory framework seamlessly align with the best international standards. Government policies here are transparent and predictable. To that you can add a stable political environment and excellent law and order. Hong Kong is indeed one of the safest metropolitan cities in the world.

Our financial services are world class with a very strong buffer and a vibrant ecosystem. The banking sector has a capital adequacy ratio at around 21 per cent, much higher than the international standard of 8 per cent. The liquidity ratio is at 175 per cent, much higher than the 100 per cent international benchmark. Seventy-three of the top 100 global banks operate here. Our Linked Exchange Rate System is underpinned by strong foreign currency reserve assets of over US$420 billion, which is 1.7 times of our monetary base.

It helps, too, that Hong Kong enjoys convenient and unparalleled access to the Mainland’s capital markets; that our mutual market access arrangements continue to expand. Stock Connect, Bond Connect, ETF Connect, Swap Connect and the Greater Bay Area Cross-boundary Wealth Management Connect have been implemented one after the other since 2014. In other words, Hong Kong is the place where you could have easy access to both international and Mainland capital.

Hong Kong's tax rate is low, and the system is simple. We have no sales tax, no value-added tax, no withholding tax on investment, no capital gains tax, no estate tax, no wine tax and no tax on dividends or interest earned. Doing business in Hong Kong, in short, is not taxing at all.

Hong Kong's professional services sector is recognised internationally for its professionalism, ethics and global vision. They cover not just finance and accounting, but also legal and dispute resolution, risk management, and much more. And it’s supported by a highly educated, skilled, experienced and multilingual workforce. They are here to help you realise growth and development.

Hong Kong is a city full of promises and opportunities. Let me share one example.

Since the start of this term of Government, we have been taking a proactive and catalytic role to develop our economy. In December 2022, we established the Office for Attracting Strategic Enterprises to spur our development in innovation and technology. We have so far attracted nearly 50 such companies to expand their business here. They will invest some US$5 billion and create 13 000 jobs.

And we have set up the Hong Kong Investment Corporation Limited, or HKIC, to play a proactive role in driving innovation and future growth. Managing US$8 billion in assets, the company will invest and co-invest in enterprises and projects, accelerating the development of technological innovation and growth of strategic industries. The HKIC will host a roundtable for international sovereign funds this year. It will also organise a summit for start-up investment and development, promoting cross-sector collaboration to drive our start-up ecosystem forward.

At the same time, our arms are wide open to talent. We have approved over 160 000 applications under the various talent admission schemes since December 2022, and over 100 000 of them have already arrived in Hong Kong.

Serving family offices well

Ladies and gentlemen, Hong Kong is determined to become a leading family office hub. To this end, we published a policy statement in March last year. One year later, we have achieved good progress. For example, legislation has been enacted to offer tax concessions to family-owned investment holding vehicles managed by single family offices in Hong Kong.

In order to nurture a more vibrant and dynamic family office service ecosystem, we have expanded the services portfolio of the FamilyOfficeHK team; and launched the new Network of Family Office Service Providers. The Network includes private banks, accounting and legal firms, trusts and other professional services firms. Together they have formed a strong nexus to better serve the needs of family offices.

And we have also established the Hong Kong Academy for Wealth Legacy to spearhead training, knowledge exchange and networking opportunities for both industry practitioners and next-generation wealth owners.

Beyond investments: philanthropy, arts and life

Ladies and gentlemen, the interest in philanthropy is growing among family offices. That fits well with Hong Kong’s own ambitions. We are committed to becoming a global hub for philanthropy.

Over the last year, to help wealth owners interested in philanthropic causes, we have provided enhanced guidance for charities seeking tax exemptions. The number of tax-exempt charities in Hong Kong surpassed 10 000 in March last year. We have also expanded the extent of beneficial interest an exempted charity may hold in family-owned investment-holding vehicles.

Green and social investment is another area of interest to family offices. In green finance, Hong Kong is a leader. We are committed to channeling green and philanthropic capital to projects that preserve and improve our environment.

Certainly, Hong Kong’s promise extends beyond finance and philanthropy. We are among the world’s leading international art and culture centres. In 2022, the total value of imports and exports of art pieces and antiques in Hong Kong exceeded US$11 billion. It helps that we don’t charge any value-added tax or the like.

Our art market is just getting going. The Airport Authority is spearheading efforts to create state-of-the-art facilities at Hong Kong International Airport for art storage and appreciation. It will, I’m confident, reinforce our role as Asia’s leading art exhibition and trading hub.

Family offices with an interest in art collection and investment will find a dynamic and supportive arts community here, one ripe with opportunities for cultural engagement and investment.

By the way, Art Basel and Art Central are being held this week in Hong Kong. Every year, many art lovers in the region fly in to visit. Don’t miss out.

Ladies and gentlemen, as you are here, I invite you to take some time to explore our wonderful city. Try dim sum, or late-night wonton noodles, or one of our more than 200 Michelin-recommended restaurants. And when you're done dining, head for the hills, for one of our dazzling country parks, which account for about 40 per cent of Hong Kong's territory. Or visit the UNESCO Global Geopark, with its stunning volcanic rock columns. It is just an hour’s drive from Central.

That's Hong Kong: vibrant, energetic and welcoming, for family offices and investment, for charity, and for the many pleasures of life.

Finally, I wish you all a rewarding Summit and a memorable experience in Hong Kong. I look forward, too, to welcoming you back – for the good of your family offices and the future of Hong Kong. Thank you.

Effective Exchange Rate Index

The effective exchange rate index for the Hong Kong dollar on Wednesday, March 27, 2024 is 105.7 (up 0.2 against yesterday's index).

Appointment to Standing Committee on Directorate Salaries and Conditions of Service

The Government announced today (March 27) that the Chief Executive has reappointed Ms Zabrina Lau Shing-yan as a member of the Standing Committee on Directorate Salaries and Conditions of Service (the Directorate Committee) for a term of two years from April 1, 2024, to March 31, 2026.

The Directorate Committee tenders advice to the Chief Executive on matters relating to the structure, pay and conditions of service of directorate ranks in the civil service. It is chaired by Mrs Ann Kung Yeung Yun-chi. Other serving members are Mr Jack Chan Hoi, Ms Margaret Cheng Wai-ching, Mr Kevin Lam Sze-cay and Ms Jacqueline Ng Wai-kwan.

Government reminds public receiving assisted reproductive services to keep supporting documents for future tax deduction claims

â€‹The Government reminded members of the public today (March 27) that tax deduction for expenses on assisted reproductive (AR) services under salaries tax and personal assessment is planned for introduction starting from the year of assessment 2024/25. If members of the public pay for expenses on assisted reproductive services on or after April 1 this year and intend to claim tax deductions for such expenses upon implementation of the proposed tax deduction scheme, they should keep relevant documents including receipts as proof.

To encourage couples to give birth during their prime reproductive years, the Government proposed in the 2023 Policy Address the introduction of a tax deduction for expenses on AR services starting from the year of assessment 2024/25, with the ceiling of deductible expenses capped at $100,000 for eligible persons for each year of assessment. To benefit from the tax deduction, taxpayers must be couples who are infertile or receive reproductive technology (RT) procedures under specified medical needs, or cancer patients or any other patients who may be rendered infertile as a result of chemotherapy, radiotherapy, surgery, or other medical treatment.

Taxpayers who freeze gametes for reasons other than medical needs may delay their childbearing plans. Such decision is contrary to the Government's policy of encouraging the public to have children as early as possible. Therefore, taxpayers will not be able to claim the proposed tax deduction for the receipt of such services.

The scope of expenses eligible for the proposed tax deduction scheme is limited to the necessary expenses paid by taxpayers for RT procedures at centres holding accredited licences in Hong Kong. The accredited licences refer to an artificial insemination by husband (AIH) licence, a treatment licence or a storage licence issued by the Council on Human Reproductive Technology (CHRT). The CHRT updates and publishes the list of licensed centres regularly on its website (www.chrt.org.hk) for public reference. In addition, taxpayers can only claim tax deductions in the year of assessment during which such expenses are paid. Reimbursed expenses (e.g. expenses reimbursed by insurance companies, medical reimbursements under civil service medical benefits, etc) are not tax deductible.

To facilitate taxpayers' claims for tax deductions in the future upon the implementation of the proposed tax deduction, the Government will prepare a standard form of Proof of Qualifying Expenses Paid for Assisted Reproductive Services (the Proof). A taxpayer, at the time of getting the payment receipt, may then request an accredited specialist or the person responsible of the licensed centre to issue and sign the Proof to certify the eligibility of the taxpayer for the tax deduction and that the relevant expenses are necessary for undergoing RT procedures. The Proof must show the amount and date of expenses paid by the taxpayer.

As for taxpayers who are going to pay necessary expenses for RT procedures on or after April 1 this year, they can also present the relevant receipts to obtain the Proof retrospectively from the licensed centre that provided the services as evidence for the tax deduction.

Where necessary, the Inland Revenue Department will request the taxpayers to submit the Proof as evidence for the tax deduction. Taxpayers should therefore keep the Proof for six years counting from the end of the relevant assessment year.

The Government plans to introduce an amendment bill for the Inland Revenue Ordinance (Cap. 112) into the Legislative Council within this year to implement the tax deduction.

Housing Authority to pass on rates concession to tenants

The following is issued on behalf of the Hong Kong Housing Authority:

The Hong Kong Housing Authority (HA) will pass on the rates concession for the first quarter of 2024-25, as set out in the Budget Speech of the Financial Secretary in February this year, to its domestic and non-domestic tenants, starting from April 2024.

"Following approval by the Subsidised Housing Committee of the HA, the apportioned amount of rates concession will be passed on to domestic tenants on a monthly basis over a three-month period from April 1, 2024, to June 30, 2024, by offsetting an equivalent amount of the monthly rent payable by them, subject to a ceiling of $1,000 for each rateable property," a spokesman for the HA said today (March 27). For tenancies that do not cover the entire month, the transfer of the rates concession will be made on a pro-rata basis.

"The rates concession passing-on arrangement will apply to all domestic lettings including interim housing licensees," the spokesman said.

"Similarly, the Commercial Properties Committee (CPC) of the HA approved that the rates concession for the first quarter of 2024-25 for the HA's non-domestic properties (excluding car parks) will also be passed on to the non-domestic tenants/licensees on a 'no loss, no gain' principle. Their monthly rates from April to June 2024 will be waived subject to a ceiling of $1,000 for each rateable non-domestic property," the spokesman said.

Also, for the HA's 18 single-operator markets, namely Ching Long, Choi Fook, Chun Yeung, Hoi Tat, Hung Fuk, Kwai Chung, Lei Muk Shue, Mun Tung, On Tai, Pak Tin, Queens Hill, Shek Mun, Shui Chuen O, Tin Yan, Yan Tin, Ying Tung, Kai Chuen and Ping Yan, the operators will also pass on the rates concession to their licensees in full.

"Given the small amount of rates concession to individual car park users and the significant administrative costs involved for its distribution to these users, the CPC endorsed the exclusion of car parks from this exercise in line with the arrangements for passing on the rates concession in previous exercises. The rates concession for car parks received by the HA will be invested in enhancing the HA's car park facilities, such as installation of electric vehicle charging facilities at suitable sites, replacement of energy-efficient lighting to promote environmental protection and upgrading of security systems," the spokesman said.

The maximum total amount of rates concession to be passed on to domestic and non-domestic tenants/licensees by the HA is estimated to be about $590 million and $8.4 million respectively. They will be individually notified of the detailed arrangements by the Housing Department.