

## Hong Kong releases 2019/20 Budget

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On 27 February 2019, Hong Kong released the budget proposal for the tax year beginning 1 April 2019 (the Budget). The Budget includes the new law of profits tax exemption for funds, regional headquarters (RHQ) incentives, marine insurance industry tax incentives, and the new law for research and development (R&D) expenditure.

### **Further strengthening the asset management industry of Hong Kong**

To facilitate Hong Kong's development into a full-fledged fund service center, effective from 1 April 2019, the profits tax exemption for funds in Hong Kong will cover all privately-offered funds in the form of a collective investment funds, regardless of their residence, size and type.

### **Possible introduction of tax incentives for RHQ based in Hong Kong**

The Financial Secretary indicated that the Hong Kong Government will continue to improve the tax measures to strengthen Hong Kong's competitiveness to attract more multinational corporations to establish their RHQs in Hong Kong. This message appears to foretell that Hong Kong will soon introduce tax incentives for RHQs.

### **Proposed tax incentives for marine insurance industry**

To develop Hong Kong as a ship leasing center in the Asia-Pacific region, Hong Kong will offer a 50% profits tax concession to eligible insurance businesses, including the marine insurance industry.

### **Tax incentives for R&D expenditure**

In an effort to attract more R&D activities and investment to Hong Kong, a new law was passed to grant more tax deductions for qualifying R&D expenditure. Under the new law, qualifying R&D expenditure incurred on or after 1 April 2018 will be eligible for an additional tax deduction: the first HK\$2 million (US\$256,000) of eligible R&D expenditure will enjoy a 300% tax deduction; and the remainder, a deduction at 200%.

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