UHY

NEWSLETTER

HONG KONG OVERHAULS FUND TAX CONCESSIONS

Major breakthrough expands performance-fee eligibility across multi-asset strategies.

EXECUTIVE SUMMARY

We are pleased to bring you a critical update regarding Hong Kong's asset management tax landscape. The Inland Revenue (Amendment) (Preferential Tax Regimes for Funds, Family-owned Investment Holding Vehicles and Carried Interest) Bill 2026 was gazetted on 12 June 2026 and introduced into the Legislative Council.

Once enacted, these groundbreaking measures will take retrospective effect from the Year of Assessment 2025/26.

EFFECTIVE DATE : Year of Assessment 2025/26

DATA ANALYTICS & COMPLIANCE

Our data-driven insights ensure your funds meet the new legislative standards.

THE BIG SHIFT

From Private Equity Only to Multi-Asset Coverage

Breaking private equity limits, the 2026 Bill expands Hong Kong's 0% carried interest concession, extending the 0% profits tax and 100% salaries tax deduction to a wider range of asset classes and strategies:

UNDER THE NEW BILL

- **Hedge Funds & Public Securities:** Listed equities, public derivatives, FX, and futures are now eligible.
- **Private Credit Platforms:** Performance fees derived from loans and credit investments qualify.
- **Alternative Assets:** The scope explicitly extends to digital assets, overseas immovable property, insurance-linked securities, and precious metals.

Removing Major Compliance Roadblocks

The Bill removes the two most onerous compliance hurdles that previously deterred managers from applying:

01 No More HKMA Certification:

Funds no longer need to undergo the costly and time-consuming prior approval process with the Hong Kong Monetary Authority.

02 No Hurdle Rate Required:

The statutory hurdle rate requirement is eliminated, fully accommodating typical hedge fund "high-water mark only" fee models.

Immediate Transitional Filing Action

As a transitional administrative measure confirmed by the IRD, taxpayers eligible for these proposed exemptions can submit their 2025/26 tax returns on this concessionary basis immediately, even before the Bill is formally enacted.

If your fund operates a hedge fund, private credit, or multi-asset strategy in Hong Kong, please contact our tax advisory team at UHY Prime Hong Kong to evaluate your fund documentation and structure your performance-linked allocations to secure this 0% tax treatment.
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Conclusion

The 2026 Bill broadens Hong Kong's 0% carried interest tax concession beyond private equity and removes major compliance hurdles, significantly improving access for diverse fund strategies.

Key Takeaways

- **Retrospective Benefits:**
  0% profits tax and 100% salaries tax deductions apply from 2025/26.
- **Simplified Compliance:**
  Eliminates HKMA approvals and statutory hurdle rates.
- **Expanded Scope:**
  Now includes hedge funds, private credit, and alternative assets.
- **Immediate Filing:**
  Taxpayers can file 2025/26 returns using these concessions immediately.