HONG KONG TAX | FUNDS · FAMILY OFFICES · CARRIED INTEREST · PROFITS TAX

Hong Kong funds, family offices and carried interest: tax bill nears passage

Published 9 October 2026 · The Finance Intellect · Source-based summary

A 2026 bill widens Hong Kong's tax exemptions for funds and family-owned investment vehicles and extends carried interest relief beyond private equity. If passed, it applies from 2025/26.

Country reference

- Country: Hong Kong (planned expansion country)
- Authorities: Inland Revenue Department (IRD); Financial Services and the Treasury Bureau (FSTB)
- Topic: Preferential tax regimes for funds, family-owned investment holding vehicles (FIHVs) and carried interest
- Key date: Bill gazetted 12 June 2026; second reading expected second half of 2026
- Law: Inland Revenue (Amendment) (Preferential Tax Regimes for Funds, Family-owned Investment Holding Vehicles and Carried Interest) Bill 2026

What the bill does

- Widens the definition of fund and the range of qualifying investments.
- Removes the 5% threshold for incidental transactions.
- Relaxes the exemption rules for special purpose entities, including family-owned ones.
- Adds tax reporting and economic substance requirements to the unified fund exemption, similar to FIHVs.

Carried interest

- The concession extends beyond private equity to other eligible fund profits, for profits tax and salaries tax.
- Carried interest must depend on investment performance, be non-discretionary, and arise from investment management services provided in Hong Kong.
- Proprietary trading businesses using their own capital are not funds and do not qualify.
- Qualifying employees may receive carried interest through other entities.

Status

The bill was gazetted on 12 June 2026. On 12 August the Government said the Bills Committee had finished its review and that it aimed to resume the second reading debate in the second half of 2026. If passed, the measures apply from the 2025/26 year of assessment.

What to do now

- Fund managers: review carry arrangements against the new conditions.
- Family offices: check FIHV substance and the new SPE rules.

- Watch the Legislative Council agenda for the second reading.

Our take

Retroactive effect to 2025/26 matters: structures set up now can benefit for the current year. For Gulf families comparing Hong Kong with Singapore or Dubai, the regime becomes broader, but substance still decides.

Sources

- IRD: Bill on preferential tax regimes for funds, FIHVs and carried interest gazetted (12 June 2026)
- FSTB: Response on preferential tax regime for carried interest (12 August 2026)

> **Important.** This summary is for general information and is not tax, legal or financial advice. It is based on public Inland Revenue Department publications and may be incomplete or out of date. The official legislation and guidance prevail; check the official text before acting.

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