

Hong Kong Tax Incentive for Aircraft Leasing Activities

Half Tax Rate qualifying aircraft lessors / qualifying aircraft leasing managers can enjoy concessionary tax rate of **8.25%** (i.e. half of the prevailing profits tax rate of 16.5%) on profits derived from qualifying aircraft leasing activities (only dry lease, exclude funding lease, wet lease etc.) / qualifying aircraft leasing management activities, subject to certain conditions.

20% Tax Base only 20% of the net lease payments are assessed to the qualifying lessors to compensate for non-entitlement to depreciation allowances on the aircraft, resulting in an effective tax rate of **1.65%**, subject to certain conditions.

Qualifying aircraft lessor / aircraft leasing manager

A corporation carrying out qualifying aircraft leasing / aircraft leasing management activities

Not an aircraft operator

Not carry out in Hong Kong any activities other than qualifying aircraft leasing (management) activities, subject to safe harbor rule for aircraft leasing manager

Other considerations

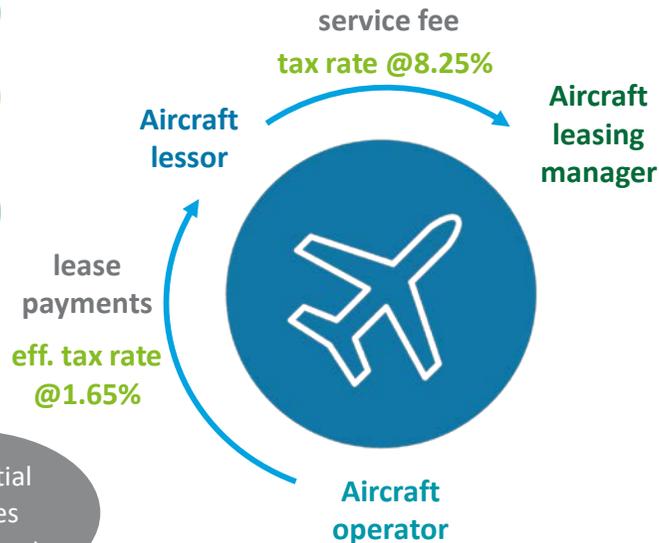
Anti-avoidance provisions

Entitlement of tax concession by election, irrevocable once elected

Substantial activities requirement

Anti-tax arbitrage rule

Arm's length principle



Key conditions for tax concession

Central management and control in Hong Kong

Qualifying activities carried out or arranged to be carried out in Hong Kong

Not carried out by a permanent establishment outside Hong Kong

Aircraft owned by the qualifying aircraft lessor

Tax treaty benefit

Reduced withholding tax rate (WHT) for Mainland

↓ Reduced WHT rate from 7% to 5%

✍️ Apply to lease rentals paid from Mainland to an aircraft leasing business in Hong Kong

🤝 Under PRC-HK DTA (4th protocol)

Service offerings



Business Model Planning

- recommend a tax efficient business model



Implementation

- review lease / management agreements
- perform transfer pricing analysis
- provide tax compliance services
- assist to apply for Certificate of Resident to enjoy beneficial WHT under PRC-HK DTA



Review

- review current aircraft leasing arrangements for eligibility of tax concession
- advise on election for tax concession

Key contacts

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