



Hong Kong Tax Newsflash

Tax concession for carried interest – guidelines on auditor's report for fund certification

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The tax concession for carried interest provides profits tax and salaries tax exemptions for eligible carried interest from the provision of investment management services to certified investment funds. To qualify as a certified investment fund, a fund is required to apply for certification by the Hong Kong Monetary Authority (HKMA) and submit the application form together with an auditor's report. The HKMA issued guidelines on the auditor's report for fund certification on 31 August 2022 subsequent to the earlier [guideline on certification of funds](#).

The recent guidelines on the auditor's report were released for the [Funds and their Investment Managers](#), as well as [Certified Public Accountants](#) (CPAs). The Hong Kong Institute of Certified Public Accountants also issued a circular¹ on its website to provide guidance to practitioners in preparing an auditor's report. The guidelines set out the following:

- Responsibility of the funds and their investment managers to engage a CPA to prepare an agreed-upon procedures report²;
- Information and documents (including templates for the ownership structures diagrams and written representations) that are required

to be provided by the funds and their investment managers to the CPAs for performing the agreed upon procedures; and

- Responsibilities of, and the procedures that should be carried out by, the CPAs in preparing the agreed-upon procedures report.

The tax concession applies to carried interest received or accrued on or after 1 April 2020. A fund is required to apply for certification from the HKMA for each relevant year of assessment if the qualifying person wishes to claim the tax concession during such year of assessment. The application for certification may be submitted after the carried interest has been received or accrued but on or before the applicable deadline which is determined based on the qualifying person's accounting year-end date as follows:

Accounting year-end date falling within	Application deadline
1 April – 30 November	2 May in the following year
1 December – 31 December	15 August in the following year
1 January – 31 March	15 November in the following year

Prior to the announcement of the details on the auditor's report, a fund may submit a certification application form to the HKMA in the absence of an auditor's report. Now, with the guidelines in relation to the auditor's report released, the auditor's report must be submitted to the HKMA within 180 calendar days³ in order for the HKMA to process those applications.

Taxpayers should seek professional advice and arrange to prepare auditor's report for fund certification in order to enjoy the tax concession.

¹ Circular on Reporting for Certification of Funds under Schedule 16D to the Inland Revenue Ordinance (Cap. 112)

² The purpose of the agreed-upon procedures report is to assist the HKMA to determine whether the fund has directly or indirectly invested in specified securities (i.e. shares, stocks, debentures, loan stocks, funds, bonds or notes of, or issued by, a private company or an investee private company).

³ after the HKMA issued the guidelines

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