



Hong Kong: Asia's maritime hub

Favourable tax policies for ship leasing businesses and maritime insurance firms are the latest strategic initiatives intended to reinforce Hong Kong's position as a world-leading maritime cluster, and enable maritime organisations to capture the opportunities emerging from Asia.

Revered by much of Hong Kong's population, the Chinese sea goddess Tin Hau, protectress of seafarers, has overseen the city's development from fishing village to colonial entrepot to world-leading maritime hub. Now, new government initiatives—most recently a tax concession legislation—will see Hong Kong expand as a global maritime cluster.

The Ship Leasing Tax Concessions Bill 2020, which taxes qualifying ship lessors' profits at 0% and taxes qualifying ship leasing managers at 0% or 8.25% profits tax, boosts Hong Kong's competitiveness as a burgeoning shipping hub.

"The passage of this bill is very timely," says Hing Chao, executive chairman at Wah Kwong Maritime Transport Holdings. "It rides on the back of the dramatic rise of ship leasing companies in Mainland China."

Hong Kong stands to benefit. The city is one of Asia's most significant international ship finance centres and major Chinese ship lessors have already established a presence there. "The recent tax concession is one of the initiatives that potentially could bring in new principals," says Bjorn Hojgaard, chief executive officer of Anglo-Eastern Univan Group.

Favourable tax policies are also being extended later this year to marine-related insurance businesses, which will see their profits tax rate halved to 8.25%.

"Hong Kong's strength as a maritime cluster rests on three pillars: a low and stable tax regime, its open capital account ... and it's a place with strong institutions and the rule of law," says Mr Hojgaard.

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360 degree services provision

The support policies are part of efforts to sustainably grow Hong Kong's maritime economy.

Merchant fleet representative BIMCO added Hong Kong as a fourth arbitration centre in September, joining London, New York and Singapore. Hong Kong also became the first offshore jurisdiction to be empowered to apply to Mainland Chinese courts for interim measures relating to arbitration.

"Hong Kong is the only common law system within China—the vast majority of maritime disputes are resolved under common law—and Mainland Chinese parties support maritime dispute resolution in the SAR," says Arthur Bowring, president of the Hong Kong Maritime Arbitration Group.

"The legal framework and arbitration system for dispute resolution are critical when it comes to doing business in China," says Angad Banga, chief operating officer of Caravel Group.



The Hong Kong Shipping Register (HKSR) ranks 4th globally in terms of gross tonnage.



From April 1st 2020, qualifying ship lessors' profits derived from qualifying ship leasing activity taxed at 0%.



In September 2020, Hong Kong became one of four dispute resolution venues recognised by BIMCO, which represents the owners of about 60% of the world's merchant fleet.

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Hong Kong's maritime strategy draws on the strength of the SAR's ship registry and its leading position in finance, as companies on the register are likely to turn to locally-based entities for syndicated and club lending based on Hong Kong ship mortgages.

Maritime's next generation

As a global hub, Hong Kong has always placed an emphasis on developing a pipeline of talent. To provide investment for the development of maritime talent and funding, the Hong Kong Maritime and Port Board launched the Maritime and Aviation Training Fund (MATF) in 2014. Other measures include a "Talent List" for fast-track immigration that covers maritime experts.

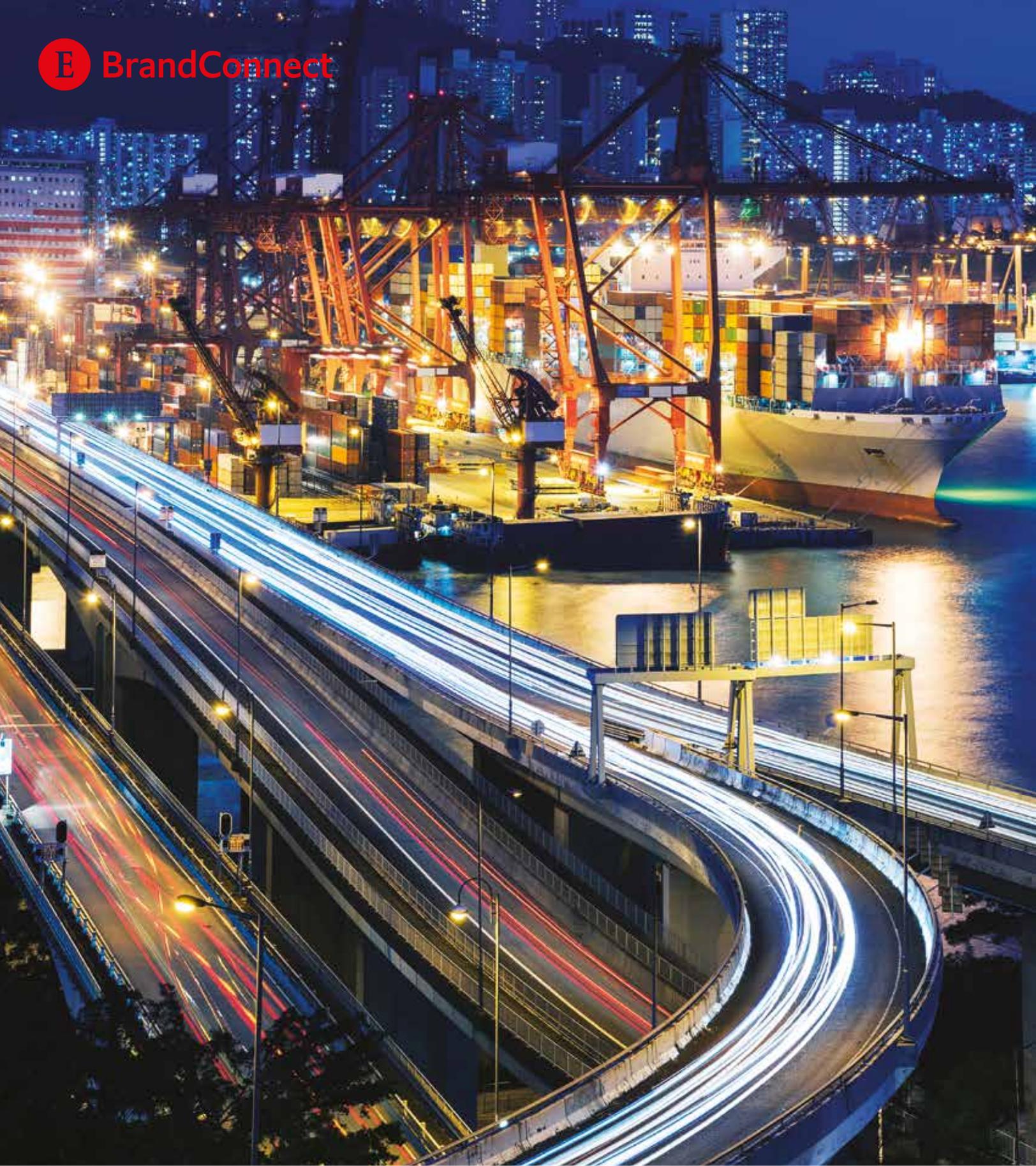
"We as an industry need to educate young people so that they understand the careers that are available in the maritime industry," says Mr Banga.

The territory serves as a gateway and platform to access opportunities created by China's flagship policies, such as the Belt and Road Initiative and Guangdong-Hong Kong-Macao Greater Bay Area (GBA). "The GBA not only presents significant business opportunities, but also solutions to structural challenges that have hampered the industry's growth in Hong Kong," says Mr Chao.

The foundations have been laid for Hong Kong's maritime sector to continue to be Asia's global hub.

"Leveraging on our East-West connection, competitive tax regime, close partnership with industry stakeholders and continual quest for sustainable development in tandem with the logistics and aviation sectors, Hong Kong will continue to offer a congenial business environment which allows our maritime cluster to thrive and bloom, and also help contribute to enhancing the overall competitiveness of the port cluster in the Greater Bay Area."

Frank Chan, Secretary for Transport and Housing,
Government of the Hong Kong Special Administrative Region



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