

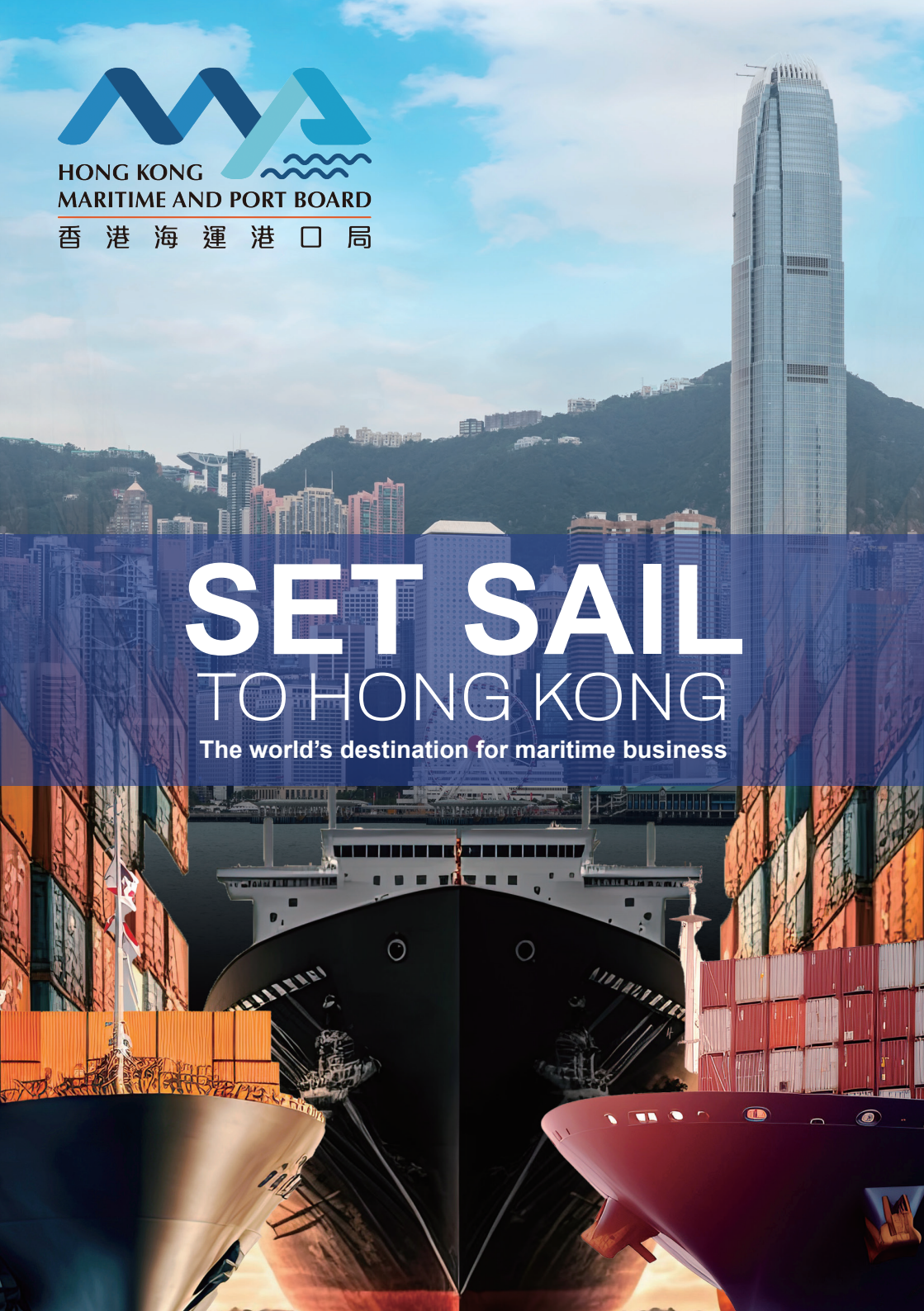


HONG KONG
MARITIME AND PORT BOARD

香港海運港口局

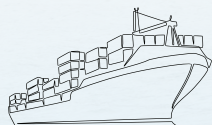
SET SAIL TO HONG KONG

The world's destination for maritime business



Hong Kong has long enjoyed an enduring place at the high table of maritime commercial primacy by virtue of a broad range of geographic, strategic, commercial, and legal advantages. Nonetheless, since the turn of the century, the growing importance of global shipping in Asia and the growth of emerging economies in the region, specifically China's economic powerhouse, has led to the rapid burgeoning of rival international maritime centres (IMCs).

In view of these developments, Hong Kong regularly benchmarks its IMC's competitiveness and actively identifies areas for improvement. From 2020 to 2022, the Hong Kong Government introduced a series of tax concessionary measures to draw maritime businesses into Hong Kong and enhance the status of the IMC as a whole. These tax measures encompass ship lessors, marine insurers, and shipping commercial principals, including ship agents, ship managers, and ship brokers. While the contribution of the preferential tax regime to the growth of Hong Kong's IMC will take time to fully materialise, the new initiatives are already beginning to bear fruit. Between January 2020 and December 2023, despite the impact of the three-year pandemic, Invest Hong Kong (InvestHK)—the government department responsible for foreign direct investment—assisted 35 Mainland Chinese and overseas shipping companies in setting up and expanding businesses in Hong Kong.



Hong Kong's low and simple tax regime

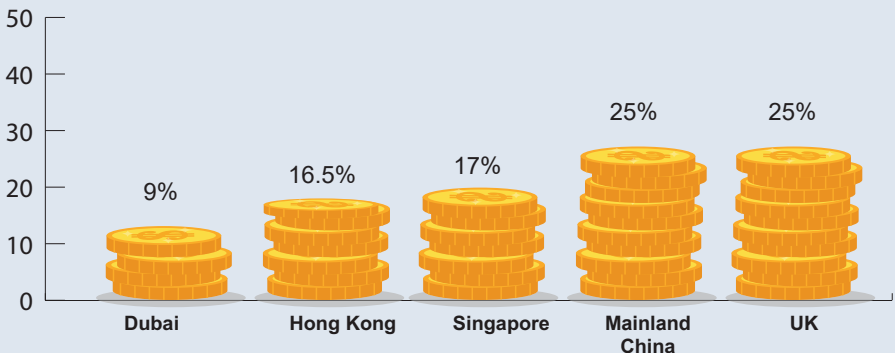
Hong Kong's low and simple tax system has long been an attraction to businesses within and beyond the maritime sector. Hong Kong adopts the territorial source principle of taxation, where only profits arising in or derived from Hong Kong are taxable.

Businesses generally enjoy **one of the most tax-friendly systems in the world.**

Only three direct taxes are imposed, namely:

- Profits tax: 16.5% for corporations and 15% for unincorporated businesses;
- Salaries tax: progressive rates ranging from 2% to 17%, capped at the standard rate of 15%; and
- Property tax: 15%.

The profits rate tax compares favourably with most of the top five IMCs*



*Xinhua-Baltic International Shipping Centre Development Index Report 2023

These figures tell only part of the story. Unlike its competitors, Hong Kong does not impose:

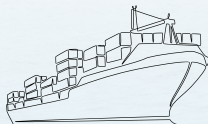
- Sales tax or VAT
- Withholding tax on dividends and interest
- Capital gains tax
- Tax on dividends
- Estate duty (abolished from 11 February 2006)

For the maritime sector in particular, section 23B of the Hong Kong Inland Revenue Ordinance (Cap. 112) also specifically exempts income derived from the international operation of ships registered in Hong Kong.

The preferential tax regime explained

The presence of a vibrant maritime cluster is essential to the sustainable and prosperous development of an IMC. Currently, Hong Kong is home to over 1 100 port and maritime-related companies that provide a broad range of high value-adding maritime services, ranging from ship agency, ship management, and ship broking, to ship finance, marine insurance, and maritime legal services.

In view of the increasing competition between IMCs in the region, the Hong Kong Government has spared no effort in attracting shipping commercial principals and enlarging Hong Kong's maritime cluster. Leveraging on the advantages of Hong Kong's tax system, over the past few years, the Hong Kong Government introduced a series of tax concessions targeting different sub-sectors of the maritime industry.



The first of the three sector-specific tax concessions is applicable to **ship leasing** activities with effect from 1 April 2020:

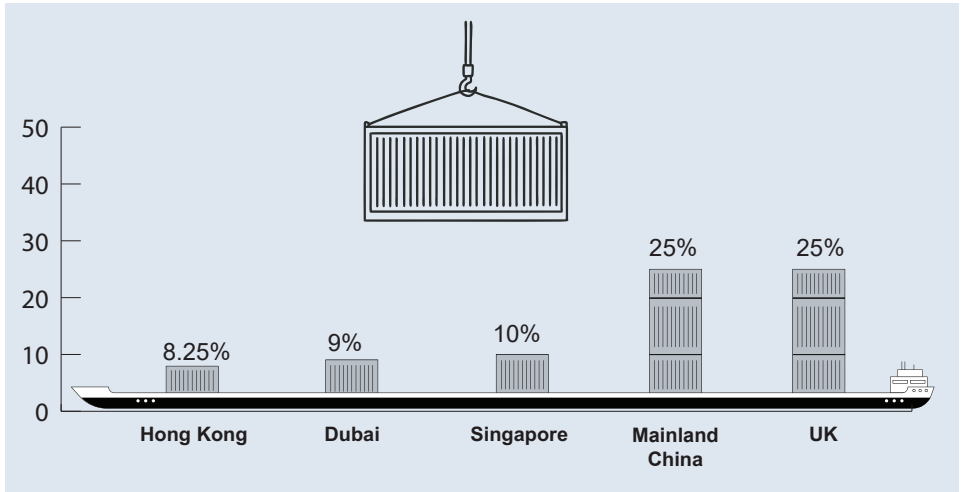
- Profits derived by qualifying ship lessors from carrying out qualifying ship leasing activities in relation to operating lease and finance lease are assessed at a concessionary profits tax rate of **0%**; whilst profits derived by qualifying ship leasing managers from carrying out qualifying ship leasing management activities for qualifying ship lessors are generally assessed at a profits tax rate of **8.25%** (i.e. half of the profits tax rate of 16.5%).

The Hong Kong Government subsequently turned its attention to general insurers, including **marine insurers**, extending tax concession to certain qualifying insurance-related businesses with effect from 19 March 2021:

- Profits derived by direct insurers from selected general insurance businesses, including those relevant to the underwriting of marine-related risks, are assessed at a profits tax rate of **8.25%** (i.e. half of the profits tax rate of 16.5%).

Most recently, the Government rolled out another round of measures to enhance the preferential tax regime by providing tax concessions to **shipping commercial principals** with effect from 1 April 2022:

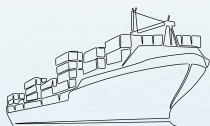
- Profits derived by qualifying **ship agents, ship managers and ship brokers** from carrying out qualifying ship agency, ship management and ship broking activities are generally assessed at a profits tax rate of **8.25%** (i.e. half of the profits tax rate of 16.5%)



As a result of the introduction of Hong Kong’s preferential tax regime, the profits tax burden for those shipping commercial principals with businesses based in Hong Kong is now the most favourable among their peers (see above figure)

Double taxation relief

The Hong Kong Government fully recognises the international nature of shipping operations and that this makes the sector more susceptible to double taxation than other commercial businesses. The Hong Kong Government has unceasingly pursued bilateral agreements with its trading partners with the aim of reducing the overall tax burden of ship operators in Hong Kong to improve their international competitiveness and boost Hong Kong’s reputation as an IMC.



The following list not only includes the jurisdictions that have concluded comprehensive double taxation agreements / arrangements (bilateral agreements / arrangements providing relief for double taxation to all forms of income including shipping income) with Hong Kong, but also those that have concluded double taxation relief agreements in respect of shipping / shipping and airline income and confirmed reciprocal tax exemption for shipping income:

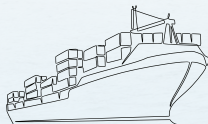
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- | | | | |
|---------------|-------------|-------------|----------------|
| Austria | Bahrain | Bangladesh | Belarus |
| Belgium | Brunei | Cambodia | Canada |
| Chile | Croatia | Czech | Denmark |
| Estonia | Finland | France | Georgia |
| Germany | Guernsey | Hungary | India |
| Indonesia | Ireland | Italy | Japan |
| Jersey | Korea | Kuwait | Latvia |
| Liechtenstein | Luxembourg | Macao SAR | Mainland China |
| Malaysia | Malta | Mauritius | Mexico |
| Netherlands | New Zealand | Norway | Pakistan |
| Portugal | Qatar | Romania | Russia |
| Saudi Arabia | Serbia | Singapore | South Africa |
| Spain | Sri Lanka | Switzerland | Thailand |
| UAE | UK | Vietnam | |

Hong Kong's holistic advantage as a base for maritime business

As an IMC, Hong Kong has many key advantages. This starts with its **strategic location** on Mainland China's doorstep and its growing integration into the Greater Bay Area. The unique "one country, two systems" arrangement has enabled Hong Kong to take on the role of a "super-connector" between Mainland China and the rest of the world. Hong Kong is the only common law jurisdiction within China, which further strengthens its maritime credentials as most shipping-related contracts and agreements are governed by English Law.

Recognising Hong Kong's substantial role in propelling long-term development, Mainland China's 12th Five-Year Plan (2011-2015), unprecedentedly included a dedicated chapter on the Hong Kong and Macao Special Administrative Regions. The Five-Year Plan called for Hong Kong to further consolidate and elevate its competitive advantages, including its status as an **international centre for shipping, financial services, and trade**. This call to action has been reinforced in the 13th and 14th Five-Year Plans.

Hong Kong's **free port status** allows for seamless movement of goods with zero tariffs and duties¹. This advantage translates into efficient logistics, streamlined supply chains, and high-quality services. The Hong Kong Port is renowned for its high-quality container port infrastructure and operational efficiency. It has earned its reputation as a "**catch-up port**" as it helps vessels make up for delays caused in other ports. The average time an ocean-going container vessel spent in Hong Kong Port was 0.95 days in 2023 as compared to the average of the world's top 20 container ports at 1.85 days.



1. Except for four types of dutiable commodities: liquors, tobacco (except smokeless tobacco and alternative smoking products), certain hydrocarbon oil and methyl alcohol.

The **Hong Kong Shipping Registry (HKSR)**, with about 2 300 registered ships totalling over 128 million gross tons, is the fourth largest register in the world in terms of gross tonnage (as of 2023). The HKSR is renowned for the high quality and safety of its fleet and is consistently **included in the white list of the Paris MoU and Tokyo MoU, and recognised by the United States Coast Guard (USCG) as Qualship 21 flag Administration**. The HKSR provides quality and holistic one-stop registration services round the clock with speed and relatively low cost to applicants. The port state detention rate of Hong Kong-registered ships is very low, with a rate of around 0.8% in 2023, far lower than the global average of 3.4%. At the same time, HKSR takes into account the needs of the global shipping industry and poses no nationality restriction for seafarers working onboard Hong Kong-registered ships, which provides great convenience for global ship operators. With Regional Desks strategically located across the globe, the HKSR offers readily available technical support and services by highly qualified and professional staff 24/7.

Hong Kong is a prime venue for **international legal and dispute resolution services** and is currently ranked the third most preferred seat for arbitration worldwide. The Hong Kong Government strives to enhance the maritime litigation and arbitration landscape with a raft of Mainland-Hong Kong arrangements enabling cross-border interim relief and enforcement that has made Hong Kong the jurisdiction of choice for dispute resolution, particularly where a Mainland party is involved. In 2020, the Baltic and International Maritime Council listed Hong Kong as one of the four designated arbitration venues in the standard contracts for the global maritime industry, affirming Hong Kong's leading position in the field of maritime arbitration.

C-suite executives of international maritime businesses based in Hong Kong frequently cite Hong Kong's **ease of doing business** and its **well-regulated infrastructure**, including an efficient airport, port, logistics network and world-class supply chain networks. The local maritime community's tri-lingual capabilities, extensive knowledge, broad experience, and commitment to innovation are also considered important factors when deciding to set up a business in Hong Kong.

The Hong Kong Government, through the HK\$500 million **Maritime and Aviation Training Fund (MATF)**, consolidates a vibrant, competent and diversified pool of professionals and technical personnel to ensure Hong Kong would maintain as a competitive IMC. As at end-2023, the MATF has benefitted more than 10 000 students and people working in the maritime sector through 13 schemes covering a broad range of talent attraction, development and retention initiatives.



Action Plan on Maritime and Port Development Strategy

In December 2023, the Government promulgated the Action Plan on Maritime and Port Development Strategy, which sets out 10 strategies and 32 action measures in four directions to consolidate and enhance Hong Kong's position as an international maritime centre. The relevant directions and strategies are as follow:

Direction 1: Enhancing Port Competitiveness – “Vessels, Cargoes and Destinations”

- Strategy (1): Developing Hong Kong as a Green Shipping Hub towards the Goal of Zero-carbon Emission
- Strategy (2): Facilitating Smart Port Development and Promoting Maritime Digitalisation
- Strategy (3): Enhancing Port Competitiveness and Striving for New Sources of Cargo

Direction 2: Strengthening High Value-added Maritime Services and Enlarging Maritime Network

- Strategy (4): Exploring Further Tax Concessions to Attract International Maritime Enterprises
- Strategy (5): Enhancing Hong Kong Shipping Registry (HKSR) to Consolidate the High-quality Brand
- Strategy (6): Leveraging the Advantages of the Legal System to Promote Maritime Arbitration

Direction 3: Enhancing Promotion of Hong Kong Maritime Brand and Grooming Maritime Talents

- Strategy (7): Stepping up Multi-faceted External Promotion to Showcase Hong Kong's Maritime Strengths
- Strategy (8): Enhancing Maritime Influence through the Guangdong Hong Kong-Macao Greater Bay Area (GBA) and International Collaboration
- Strategy (9): Expanding Maritime Talent Pool to Ensure New Impetus for the Industry

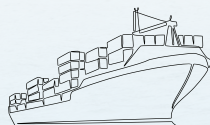
Direction 4: Enhancing the Support of Hong Kong Maritime and Port Board

- Strategy (10): Strengthening the Hong Kong Maritime and Port Board (HKMPB) in Collaboration with the Industry

Action Plan on Maritime and Port Development Strategy (full text):



Action Plan on Maritime and Port Development Strategy (promotional video):



Invest in Hong Kong

For further information about the business opportunities in Hong Kong, you may wish to reach out to InvestHK, which offers support to overseas and Mainland businesses to set up and expand in Hong Kong:

InvestHK

The Government of the Hong Kong
Special Administrative Region

Website: <https://www.investhk.gov.hk>

24/F, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong

Tel: (852) 3107 1000

Fax: (852) 3107 9007

E-mail address: enq@InvestHK.gov.hk



<https://www.linkedin.com/company/invest-hong-kong>



[@investhk](https://twitter.com/investhk)



INVEST_HK



Register under the Hong Kong Flag

For further information about registering your ship in Hong Kong, you may wish to reach out to the Marine Department, which has over 150 years of experience in ship registration, inspection, and survey:

Website: <https://www.mardep.gov.hk/en/hksr/index.html>

Tel: (852) 2852 4421 / (852) 2852 4387

Fax: (852) 2541 8842

E-mail address: hksr@mardep.gov.hk



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