

# Hong Kong Aircraft Leasing Taxation Workshop

A compass to navigate the new regime

October 30th, 2018  
Event Summary

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## Workshop overview

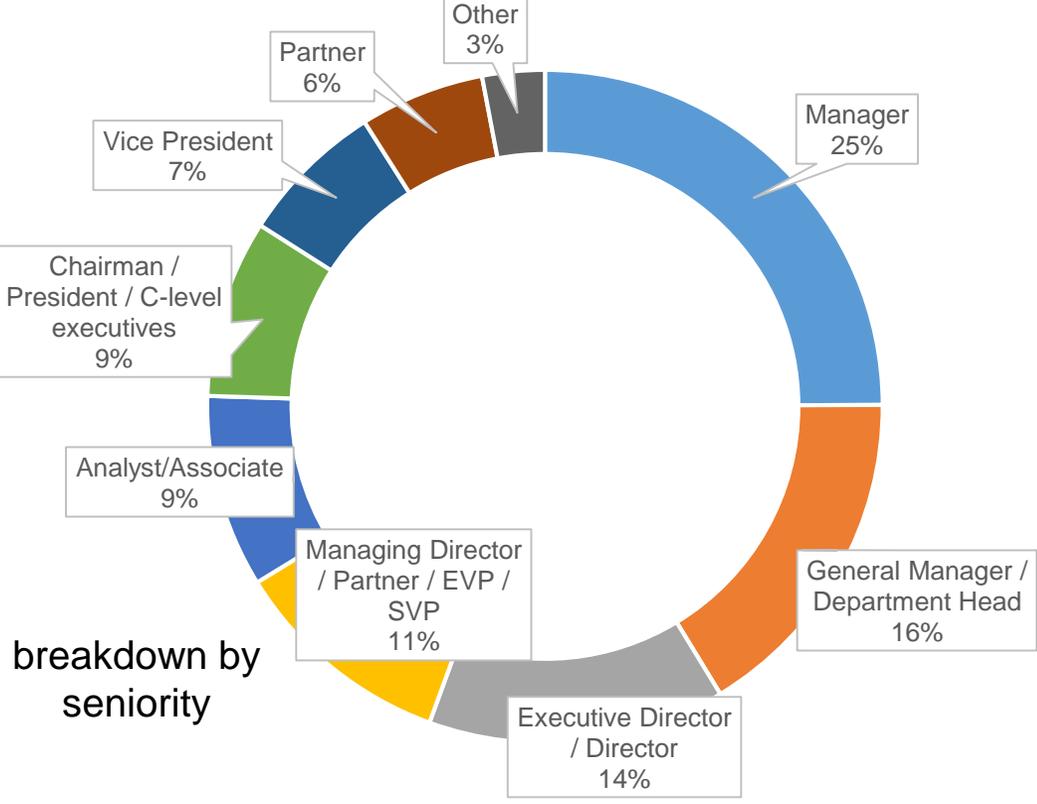
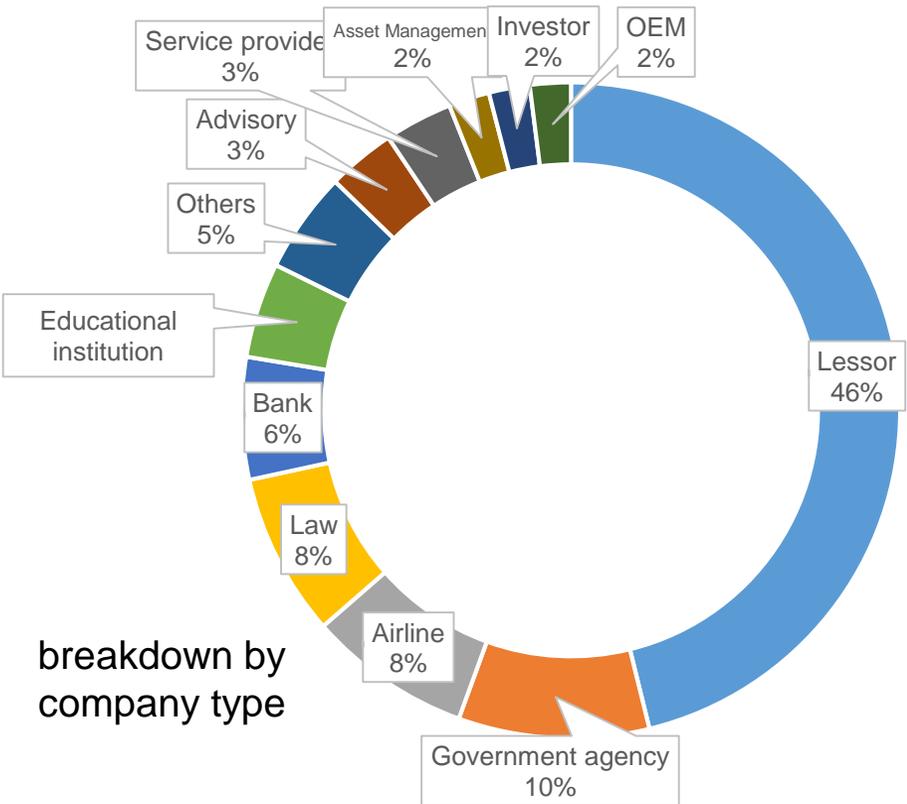
On October 30, 2018, *AirFinance Journal* held the inaugural Hong Kong Aircraft Leasing Taxation Workshop at Conrad Hotel in Hong Kong. This half-day interactive workshop brought together 13 speakers and 140 attendees to make a timely review of the Hong Kong aircraft leasing tax regime's first year in force. It provided lessors who have already – or are looking to – set up leasing platforms in Hong Kong with one-stop information to understand and utilise the Hong Kong aircraft leasing structure.

Key topics discussed are:

- Updates on Hong Kong's Tax Regime for Aircraft Leasing
- Listing options of aviation businesses in Hong Kong
- Developing a Professional Talent Pool in Aircraft Leasing and Aviation Finance in Hong Kong
- First movers and their debut success
- Case studies – Possible structures and their comparative advantages



# Attendees profile





## Talking points from the workshop

**Hong Kong's transport and housing secretary has lent his support to the development of Hong Kong as an aircraft financing and leasing hub.**

Frank Chan Fan secretary for transport and housing, says aviation is “far more than just transportation for Hong Kong”.

“It is indeed the bloodstream of our economy,” he says at the Airfinance Journal 2018 Hong Kong Aircraft Leasing Taxation Workshop in Hong Kong on 30 October.

Chan, who took up the post of secretary of transport and housing in 2017, recounts how Hong Kong's legislative council passed legislation to lower the effective tax rate for aircraft lessors domiciled in the city to 1.65% in June 2017.

“The new tax regime has been well received by the global aircraft financing sector. First movers like China Aircraft Leasing, ICBC Financial Leasing and Haitong Unitrust International are quick to respond and have already worked with airlines in South Korea, Japan, Indonesia, Qatar and mainland China,” he says.

“We are talking about roughly 10 aircraft, as of today. We are expecting more to come”.



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## Hong Kong's Inland Revenue Department (IRD) is encouraging aircraft lessors to set up in Hong Kong and promises to keep taxes low.

“Look at these friendly faces,” says Brian Chiu, deputy commissioner, IRD.

“I’m not going to collect too much tax on you. I’m going to tell you: ‘Wow, it’s very competitive, this regime.’”

Chiu also suggested that lessors could use Hong Kong as a platform to lease the mainland China-manufactured COMAC C919 aircraft.

“It’s a business. It’s part of the economy. We give importance to this industry. And that’s why we want you to have the investment here, the people here, the transactions here,” Chiu says.

One of the themes debated at the Airfinance Journal’s tax workshop was double tax treaties (DTTs).



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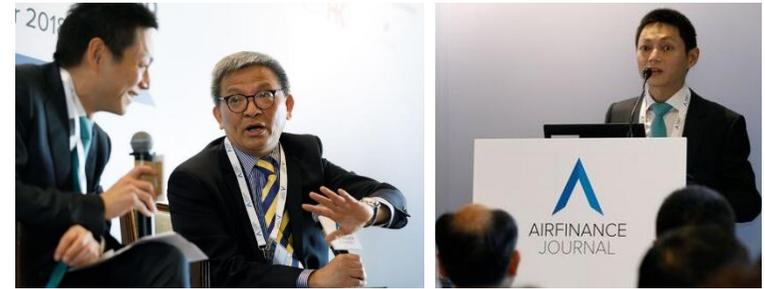
**For Clarence Leung, the treasurer of the Hong Kong Aircraft Leasing and Aviation Finance Association (HKALA) quality is more important than quantity when it comes to agreeing double tax treaties.**

Hong Kong does not have enough double tax treaties compared with Ireland or Singapore.

But from the association’s perspective, Leung does not believe having a number of double tax treaties helps the market at all. “Having the right double tax treaties with the right countries whereby I will lease my aircraft to those countries is far more important than to have many double tax treaties,” he says.

“We will ask the government to do more consultation with the industry stakeholders in terms of which industries are important in the aircraft leasing industry and which tax features are going to be important...I think that’s far more important than having many numbers ,” Leung adds.

The issue of DTTs has been raised many times in the past in the discussion about developing Hong Kong as an aircraft financing and leasing hub. Double taxation agreements (DTAs) are bilateral agreements between countries that seek to eliminate the double taxation of income. DTAs are crucial to the aircraft leasing industry because aircraft are big-ticket assets and any taxes on importing or leasing aircraft into a jurisdiction can severely impact a lessor’s profit and the lease rental it can offer to the airline.



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## Education

More educational opportunities are emerging to support training for Hong Kong's growing aviation financial centre.

"What we do need is for people to get more hands-on experience, especially in aircraft leasing," says Stanley Hui.

Hui notes more aircraft- and financing-focused educational programmes are being implemented in Hong Kong.

Government support via an educational fund is also in place for financial assistance, he adds.

This view is echoed by Carine Truong, director of leasing at NWS Holdings and graduate of Ecole Nationale de l'Aviation Civile (ENAC), which offers educational programmes with government institutions and universities in China, Hong Kong and France.

At the workshop, Truong announced the launch of an advanced masters programme in aircraft transport finance management. The post-graduate programme is accredited by the Conference des Grandes Ecoles (CGE).

"There is a lot of talent here in Hong Kong, but we need more in-field experience in the leasing industry," she says, noting the importance of crisis management programmes for the newly established Asian lessor community. "This type of training differentiates the younger lessors from the older more-established leasing companies."

Truong notes there has been a "leasing concentration in Ireland, with an Irish club" and it is "good that this club grows to include more of the Chinese leasing companies".



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