



COMPARISON OF HONG KONG LIMITED PARTNERSHIP FUNDS WITH OFFSHORE JURISDICTIONS

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In 2020, Hong Kong introduced the Limited Partnership Fund Ordinance (Cap. 637) (“**Ordinance**”) which created a new limited partnership fund regime to enable private funds to be registered in the form of limited partnerships in Hong Kong. This new regime was introduced to attract investment funds into Hong Kong and allows for similar partnership structures to those in the Cayman Islands and British Virgin Islands (“**BVI**”), which have long been the most popular for fund establishment.

The Ordinance enables the establishment of a limited partnership fund (“**LPF**”) with one or more general partners (who manage the limited partnership) and one or more limited partners (who are usually passive investors). The main constitutional document of the limited partnership will be the limited partnership agreement (the “**LPA**”).

The Hong Kong LPF scheme provides a similar level of flexibility, security and tax benefits as similar offshore jurisdictions. In some instances, Hong Kong can also be more simplified in terms of establishment and operating requirements saving set-up and ongoing operating costs.

Set out below is a matrix showing a high level comparison of the limited partnership regimes in Hong Kong, Cayman Islands and BVI.

	Hong Kong	Cayman	BVI
<i>Tax Treatment</i>	<ul style="list-style-type: none"> Entitled to profit tax exemption subject to certain conditions. Transfers or redemption of interest would not attract stamp duty. 	<ul style="list-style-type: none"> Not subject to any form of direct taxation. Entitled to apply for a government undertaking, that any future tax treatment in the Cayman Islands in relation to profits, income, gains, or appreciations would not apply to for a period not exceeding 50 years. 	<ul style="list-style-type: none"> Generally, a limited partnership is tax transparent for BVI tax purposes so tax will be assessed on the LPs and no assessment will be made on the limited partnership itself. There is no BVI withholding tax on interest payments or distributions. No BVI stamp duty is payable on transfers of partnership interests, assuming the partnership does not hold an interest in land in the BVI.
<i>Characteristic of the Limited Partnership</i>	<ul style="list-style-type: none"> Does not have a separate legal personality. Must have registered office in Hong Kong. 	<ul style="list-style-type: none"> Does not have a separate legal personality. Must have a registered office in the Cayman Islands. 	<ul style="list-style-type: none"> Has a separate legal personality unless its GP elects for it not to have one. Must have a BVI registered agent and BVI registered office.

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	<ul style="list-style-type: none"> Required to appoint Investment Manager to carry out day to day investment management functions. Investment manager can be the GP. 		<ul style="list-style-type: none"> If the GP is a BVI company, then it will require a BVI registered agent and registered office and corporate administration support.
<i>Characteristic of the General Partner (“GP”)</i>	<ul style="list-style-type: none"> GP has unlimited liability for all the debts and obligations of the LP. GP can be: (1) a private Hong Kong company; (2) a registered non-Hong Kong company, (3) a Hong Kong or overseas limited partnership; or (4) a Hong Kong resident. GP has ultimate responsibility for the management and control of the fund 	<ul style="list-style-type: none"> GP has unlimited liability for all the debts and obligations of the LP. The GP can be: (1) a natural person resided in Cayman; or (2) [an entity as partners]. The GP undertakes the conduct of the limited partnership’s business 	<ul style="list-style-type: none"> GP has unlimited liability for the debts of the limited partnership. The GP will have responsibility for the day-to-day management of the limited partnership in accordance with the terms of the LPA The general partner(s) will often be (but does not have to be) a BVI company.
<i>Characteristic of the Limited Partner (“LP”)</i>	<ul style="list-style-type: none"> LP has no day-to-day management rights or control over the assets held by the limited partnership. LP has the right to participate in the income and profits arising from limited partnership. LP is not liable for the debts and obligations of the limited partnership beyond the initial contribution (except when the LP takes part in the management of the limited partnership). LP does not owe any fiduciary duty to the GP or other LP in the LPF 	<ul style="list-style-type: none"> LP is not liable for debts or obligations of the limited partnership, except as provided in the LPA (provided they do not take part in the conduct of the business of the limited partnership). 	<ul style="list-style-type: none"> LP is not liable for the debts of the limited partnership beyond the initial contribution to the limited partnership, unless it: (1) takes part in the management of the limited partnership; or (2) is required to return monies or perform a release obligation.
<i>Confidentiality</i>	<ul style="list-style-type: none"> LP information is not available for public inspection. Only certain information relating to the general partner, the authorised representative and the investment manager is publicly available. 	<ul style="list-style-type: none"> LP information is not available for public inspection Only certain good standing and registration certificates of the limited partnership are publicly available. 	The only document which is publicly available is the limited partnership's registration statement.

	Hong Kong	Cayman	BVI
<i>Appointment of Auditors</i>	Required to appoint an auditor.	No requirement to appoint an auditor, unless required under the LPA or where the limited partnership carries on a regulated activity.	No requirement to appoint an auditor unless required under the LPA.
<i>Appointment of AML Officer</i>	<ul style="list-style-type: none"> Required by to appoint an Authorized Representative to be responsible for the implementation of AML measures. An Authorized Representative can be an authorised institution, a licensed corporation or a legal professional. 	<ul style="list-style-type: none"> Required to appoint Anti-Money Laundering Compliance Officer. The officer can be anyone at managerial level. Required to appoint Money Laundering Reporting officers. The officer can be anyone at managerial level. 	No requirement.
<i>Dissolution</i>	<ul style="list-style-type: none"> Limited partnership can be dissolved in accordance with the limited partnership agreement. A court ordered dissolution can also take place in certain circumstances on application by a LP or creditor of the limited partnership. 	<ul style="list-style-type: none"> Limited partnership can be wound up in accordance with the provisions of the LPA. 	Limited partnership can be wound up in accordance with the provisions of the LPA or upon certain resolutions being passed by the GPs and LPs.
<i>Set up time</i>	Within 1-5 days upon application being made		
<i>On-going compliance</i>	<ul style="list-style-type: none"> Annual filing required. Notification of changes to the following must be made to the Companies Registry in Hong Kong: <ul style="list-style-type: none"> The GP. The registered office. The investment manager. The responsible person. Location of where records are kept. 	Annual filing required.	No annual filing required (assuming it does not have any other BVI regulatory obligations).

This memorandum is intended to provide a general overview of the topic discussed and should not be considered comprehensive legal advice. Every situation is unique, and the information provided may not apply to specific circumstances. For tailored advice and guidance regarding your particular situation, please contact David Cameron Law Office directly. We are here to assist you with personalized legal support that meets your needs.

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