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Wealth for Good:

Hong Kong as a
Regional Philanthropic Hub

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Executive Summary

Executive Summary

Hong Kong's asset and wealth management industry is vital to its economic landscape and global financial ecosystem. According to the Boston Consulting Group (BCG), Hong Kong is expected to surpass Switzerland to be the world's largest booking centre in 2027.¹ As a leading international financial centre, Hong Kong has established itself as a hub for asset and wealth management (AWM), attracting a diverse range of investors, funds, and financial institutions. The industry's significance stems from its ability to mobilise and allocate capital efficiently, facilitate investment opportunities, and provide wealth preservation and growth solutions.

As a destination for wealth preservation, Hong Kong has witnessed a rapid development of family offices (FOs). FOs and private trusts have continued to contribute to the industry significantly, accounting for 17% of the total assets under management (AUM) of the private banking and private wealth management business.² Expanding their propensity for and involvement in philanthropy, FOs present the need for Hong Kong to establish itself as a premier destination for philanthropy, combining both positive social impact and family legacies. Establishing a more comprehensive ecosystem for FOs with a philanthropic pillar incorporated is crucial to establishing Hong Kong as a hub for FOs, as well as strengthening its status as an asset and wealth management hub.

Hong Kong possesses several strengths that position itself favourably as a philanthropic hub. Its proximity to Mainland China drives cross-border/ boundary philanthropy and collaboration among local, Mainland and international philanthropic actors. The city's robust financial infrastructure, including a strong banking system, extensive capital markets, and the availability of professional services and talents, provides a solid foundation to facilitate philanthropic activities. Hong Kong's adherence to the rule of law, strong corporate governance, and free market approach continue to inspire trust among philanthropists and donors. Additionally, its global connectivity as an international financial centre allows Hong Kong to attract international and Mainland philanthropic capital, foster partnerships, and leverage global expertise.

Recognising these strengths, Hong Kong can further attract FOs and involve their participation to contribute to the city's financial ecosystem and global societal development. Issued in March 2023, the Policy Statement on Developing Family Office Businesses emphasised the importance of establishing Hong Kong as a philanthropic hub in complementary to strengthening Hong Kong's stature as a FO hub.³ By positioning itself as a philanthropic hub and leveraging its strengths to connect between Mainland China and the rest of the world, Hong Kong is uniquely placed to attract philanthropic capital and facilitate cross-border/ boundary philanthropic activities, especially to reap the natural benefits of its proximity and role as an international financial centre to Mainland China and its deep-rooted connections to global markets.

The Financial Services Development Council (FSDC) acknowledges the need to bolster Hong Kong's philanthropic sector to fully capitalise the city's potential and strength as a regional philanthropic hub. By enhancing the regulatory environment, promoting transparency, and providing robust infrastructure, the FSDC believes Hong Kong can attract more philanthropic capital, foster innovation, and contribute to social and economic development.

To this end, the FSDC has formed a dedicated Working Group comprising industry experts with a view to gathering market feedback and formulate policy recommendations for the Government's and public stakeholders' consideration.

¹ Boston Consulting Group. (2023, June). *Global Wealth Report 2023: Resetting the Course*. <https://web-assets.bcg.com/fb/64/e10897864913a480415d0e1fe3c6/bcg-global-wealth-report-2023-june-2023.pdf>

² Securities and Futures Commission. (2023, August). *Asset and Wealth Management Activities Survey 2022*. https://www.sfc.hk/-/media/EN/files/COM/Reports-and-surveys/AWMAS-2022_E.pdf?rev=3b6a43ac11404a2cac7123c2f5c949e&hash=C33D88F5AAEAC176BC072AE9326091CC

³ Financial Services and the Treasury Bureau. (2023, March). *Policy Statement on Developing Family Office Businesses in Hong Kong*. https://gia.info.gov.hk/general/202303/24/P2023032300717_415645_1_1679627481405.pdf

The report identifies the key challenges facing the industry and puts forward relevant policy recommendations:

i. *Giving momentum: further tax incentives for philanthropic activities*

- a. Removing/adjusting the ceiling of 35% on income eligible for tax deduction for charitable donations
- b. Expanding the coverage of “approved charitable donations” to non-monetary donations

ii. *Doing good made easy: to provide regulatory clarity and certainty*

- a. Providing regulatory certainty and clarification of various philanthropic concepts
- b. Establishing a centralised directory of charities
- c. Promoting a balance between transparency and efficiency in administrative and reporting processes facilitated by technology

iii. *Coordinated philanthropy: the feasibility of establishing a cross-sectoral steering committee and a one-stop shop for the charity industry*

- a. Establishing a cross-sectoral steering committee for better policy design, support and coordination
- b. Setting up a one-stop shop under the steering committee to facilitate operations of charitable organisations and enhance trust and quality of reporting within the sector, which may also help coordinate with counterparts on the Mainland

With more support and incentives available for donors to give alongside a more streamlined approach for charitable organisations to operate, Hong Kong can continue positioning itself at the forefront of philanthropy in the region. It can cement the city as a centre where financial acumen and philanthropic commitment converge for the greater good, thereby enriching both the city and the wider region it serves.

Introduction

Introduction

In recent years, the emergence of family offices alongside the wealth accumulation in Asia has been a key driving force in the AWM industry. Acknowledging the importance of FOs to the overall AWM landscape, the Hong Kong SAR Government (the Government) aims to strengthen Hong Kong's role as a regional family offices hub and an AWM centre. In addition to its commitment to attracting at least 200 new FOs to the city by 2025,⁴ the Policy Statement on Developing Family Office Businesses in Hong Kong issued in March 2023 detailed the Government's plan to bolster the industry.⁵

The FSDC has devoted much effort in shaping a comprehensive ecosystem in Hong Kong for FOs to thrive. In 2020, the FSDC published a paper aimed at strengthening the city's value proposition as a leading FO hub in Asia.⁶ Since then, the industry has gathered further momentum alongside the latest policy developments, such as setting up a one-stop FO servicing centre and introducing a facilitative tax regime for FOs. These developments aligned with the recommendations presented in the paper. In 2022, the momentum continued to build when the FSDC, in collaboration with the Global Family Business Research Centre (GFBRC) of the Tsinghua University PBC School of Finance, released a report on China's FO landscape, highlighting the fact that FOs' objectives extend beyond mere financial aims. Therefore, it is crucial for Hong Kong to diversify its offering as an FO hub in terms of meeting FOs' non-financial/ investment needs, such as family governance, wealth preservation, and intergenerational inheritance.⁷

Philanthropy, among other things, has emerged as a reflection of family values and preserving family legacy. FOs often have a multi-generational perspective, focusing on preserving and growing wealth across generations. This long-term outlook aligns well with philanthropy, as it allows for sustained and consistent support for charitable initiatives over time. FOs are increasingly leveraging their influence to make a positive difference through charitable giving. In fact, in the Global Family Office 2023 report published by UBS, 27% of the interviewed FOs indicated that "giving back to society/philanthropy" is the primary purpose of their FOs' assets and activities.⁸ Similarly, Ocorian reported that 91% of FO professionals anticipated a surge in charitable giving over the next three years.⁹ According to the Milken Institute, on average, FOs in North America donated US\$ 7.5 million each annually, while European and Asian Pacific FOs contributed US\$ 6 million and US\$ 2.7 million respectively in 2021.¹⁰

In light of the growing role of philanthropy within FOs, the Hong Kong SAR Government places great importance on developing the city as a philanthropic centre, an initiative that complements Hong Kong's status as a leading FO hub.¹¹ The FSDC, sharing this vision, believes that it is imperative for the city to enhance its resources to create a welcoming and convenient environment for both local and international family foundations, as well as other charitable organisations, to pursue and advance their philanthropic goals.

The subsequent sections examine the existing philanthropic landscape, charitable offerings in the city and challenges within the sector. Additionally, this paper suggests practical policy recommendations attuned to strengthening the philanthropic ecosystem, streamlining the complex administrative processes currently confronting charitable organisations in their day-to-day operations, enhancing scope and capacity for charitable giving, which will attract donors and incentivise them to contribute further. The ultimate objective of this paper is for Hong Kong to stand out as a beacon for philanthropy, and the pursuit of this serves as a testament to Hong Kong's commitment to facilitating AWM while fostering societal progress and harmony in public good.

4 HKSAR. (2022, October 19). *The Chief Executive's 2022 Policy Address*. https://www.policyaddress.gov.hk/2022/public/pdf/policy/policy-full_en.pdf

5 Financial Services and the Treasury Bureau. (2023, March). *Policy Statement on Developing Family Office Businesses in Hong Kong*. https://gia.info.gov.hk/general/202303/24/P2023032300717_415645_1_1679627481405.pdf

6 Financial Services Development Council. (2020, July). *Family Wisdom: A Family Office Hub in Hong Kong*. https://www.fsdcc.org.hk/media/1rej3ikz/fsdc_paper_no_45_family_wisdom_a_family_office_hub_in_hong_kong_paper_eng.pdf

7 Financial Services Development Council. (2022, September). *China Family Office Report (2022)*. <https://www.fsdcc.org.hk/media/iyfhdqaz/china-family-office-report-2022-e-final.pdf>

8 UBS. (2023). *Global Family Office Report*. <https://www.ubs.com/global/en/family-office-uhnw/reports/global-family-office-report-2023.html>

9 Ocorian. (2023, May 2). *Increasing Wealth Drives Family Office Focus on Philanthropy and Succession Plans*.

<https://www.ocorian.com/press-release/increasing-wealth-drives-family-office-focus-philanthropy-and-succession-plans>

10 Milken Institute. (2021, June 22). *Philanthropist's Field Guide – Philanthropy in a Family Office*. <https://milkeninstitute.org/article/philanthropy-family-office>

11 Financial Services and the Treasury Bureau. (2023, March). *Policy Statement on Developing Family Office Businesses in Hong Kong*. https://gia.info.gov.hk/general/202303/24/P2023032300717_415645_1_1679627481405.pdf

➤ What is Philanthropy?

What is Philanthropy?

In the financial landscape, the lack of a universal definition of philanthropy has led to confusion and the blurring of lines with concepts such as charitable giving and impact investing. This ambiguity hinders decision-making and effective resource allocation for social causes. Therefore, it is crucial to provide greater context on the meaning of philanthropy. A well-defined understanding of philanthropy promotes informed dialogue, collaboration, and trust, thereby fostering increased participation, and unlocking the full potential of philanthropy as a catalyst for positive change in the financial world and society as a whole.

While there is no standardised definition of the concept of philanthropy, common attributes can be identified through various academic attempts to define such a concept. Gonzalez (2013) positioned philanthropy

“as the actions taken by a private citizen, or group of citizens, to try **to improve or better those less fortunate or with special and/or specific needs**”.¹²

This perspective aligns with Barman’s (2017) definition of philanthropy as “**private giving for public purposes**”.¹³ In Payton and Moody’s (2008) *Understanding Philanthropy – Its Meaning and Mission*, a broader definition of philanthropy was adopted:

“Voluntary action encompasses both **voluntary giving and voluntary service**, the former usually referring to **gifts of money and the latter to gifts of time**. But we also include voluntary association as a third form of voluntary action. **Voluntary association is the vehicle or instrument for philanthropic giving and service; it organises gifts of money and time to accomplish public purposes**”.¹⁴

However literal or conceptual these definitions may seem, various literature suggests that philanthropy, in general, encompasses the **mobilisation of private actions or giving for public good**. This insight allows us to unpack the concept of philanthropy further, especially when comparing it to other forms of giving in the nature of charity or impact investing.

¹² Gonzalez, L. J. (2013). *Fundamentals of fund-raising: Fund-raising for academic libraries*. Private Philanthropic Trends in Academic Libraries, 15–40. <https://doi.org/10.1016/b978-1-84334-618-0.50002-8>

¹³ Barman, E. (2017). *The social bases of philanthropy*. *Annual Review of Sociology*, 43, 271-290. <https://www.annualreviews.org/doi/pdf/10.1146/annurev-soc-060116-053524>

¹⁴ Payton, R. L., & Moody, M. P. (2008). *Understanding Philanthropy*. Indiana University Press.

Philanthropy and Charity – A Comparative Perspective

While “charity” remains the more familiar concept to the public, denoting giving, “philanthropy” encompasses a vaster vision. Despite sometimes being used interchangeably, philanthropy, to the FSDC, signifies giving with an expanded horizon - cultivating longer-term prosperity across all society or particular communities. It involves a deliberate or enduring effort to address root causes and create sustainable solutions, often involving substantial financial resources and collaborations with various stakeholders.

Charity, on the other hand, typically involves individual acts of providing temporary or one-time aid, such as distributing winter coats to the unhoused, supplying goods to local food pantries, or financing scholarship funds. While these compassionate deeds fall under charitable activities, they may not constitute philanthropy per se, which often centres on larger-scale, visionary undertakings such as establishing schools or libraries. Such ambitious projects aim to generate profound, transformative impacts that last for generations. As Chadha (2022) put it, **“where charity relieves immediate wants, philanthropy strategises to empower communities and seed chances for futures brighter still, reflecting both virtue’s fronts - meeting present needs, while ever sowing future bounties as gifts that keep giving”**.¹⁵

Philanthropy, Impact Investing, and Blended Finance – Distinguishing Intent and Returns

As the giving culture and societal needs evolve over time, the manner or means of giving is constantly changing. The growing interaction between the social sector and the financial sector has spurred innovative giving practices. Among other things, impact investing has emerged as one of the most popular tools for channelling financial capital towards public good.

Impact investment “connects financial markets with the real economy by supporting organisations to generate both financial returns and positive social and environmental impacts” (Farber & Wuffli, 2019).¹⁶ The Global Impact Investing Network (n.d.) defines impact investments as investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.¹⁷ While some models of impact investment, such as programme-related investment by foundations with utilises a patient capital model, may not be seeking returns at least in the short or medium term, the dual focus on “financial return” and “impact” is a distinctive feature of impact investing, which sets it apart from traditional investing, while the expectation of at least the return of capital and prospect of some financial gain sets it apart from charity and philanthropy.

Despite ongoing discussion among practitioners and academics around the definition, motivations, intentions, and scope of impact investing, there are two key elements that are widely agreed upon, namely **identifying an intentional pre-determined social impact**, combined with some **analytical approach for impact measurement** (Farber & Wuffli, 2019).¹⁸

Notably, impact investing is not the only tool for achieving social impact and at the same time delivering financial return. The international market is gaining pace on the use of blended finance as another approach to balance the pursuit of impact objectives and financial objectives. It involves leveraging public or philanthropic funding to attract additional private sector capital for development purposes. By enhancing the risk-return ratio of investments, blended finance serves to make the initiative more attractive to private investors seeking market rate returns.¹⁹ Such innovation creates opportunities for unexpected partnerships between organisations, whether their focus is on financial returns, social impact, or a combination of both. In a typical blended finance model, philanthropic foundations collaborate with development finance institutions

15 Chadha, N. (2022). *Philanthropy: Exploring the Art of Giving*. Journal of Positive School Psychology, 6,4, 6372-6376. <https://www.journalppw.com/index.php/jpsp/article/view/4535>

16 Farber, V & Wuffli, P. (2019). *A Primer on Investing for Impact and the Role of Philanthropic Impact Investing*. International Institute for Management Development. <https://imd.widen.net/view/pdf/wx2anmrvfb/impact-investing-and-philanthropy.pdf>

17 Global Impact Investing Network. (n.d.). *What you need to know about impact investing*. The GIIN. <https://thegiin.org/impact-investing/need-to-know/#what-is-impact-investing>

18 Farber, V & Wuffli, P. (2019). *A Primer on Investing for Impact and the Role of Philanthropic Impact Investing*. International Institute for Management Development. <https://imd.widen.net/view/pdf/wx2anmrvfb/impact-investing-and-philanthropy.pdf>

19 Wo, B. (2021, July 21). *Breaking Down Blended Finance*. Asia Philanthropy Circle. <https://asiaphilanthropycircle.org/breaking-down-blended-finance/>

to provide guarantees to mitigate risk for private finance. This can catalyse and incentivise private sector investment in key sectors, complementing grants and development finance. Additionally, they offer technical assistance to facilitate investments and address financing gaps.²⁰ The distinguishing aspect of blended finance lies in the structure of investments, aligning objectives rather than solely focusing on the investment type.

Due to the apparent difference in generating financial returns, **the FSDC recognises the need for distinct research studies on philanthropy and impact investing or blended finance. This distinction is not merely academic;** it has significant practical implications for both investors and recipients of aid, shaping their strategies and expectations. **Consequently, it is crucial to clarify that this paper specifically concentrates on philanthropy, which does not aim to generate financial returns.**

While this section provides clarity on differentiating between charity and philanthropy, previous data and reporting practices have not always made this distinction, leading to a mix of information within the industry. Therefore, in the following sections, cross-data encompasses both charitable and philanthropic activities. This recognition also highlights the need for improved data collection and reporting methodologies to accurately differentiate and analyse the distinct contributions and impacts of charity and philanthropy in today's complex social and financial landscape.

²⁰ Jafri, J. (2022, March 14). *New ways of philanthropic giving blended finance and the SDGs*. University of Cambridge Judge Business School. <https://www.jbs.cam.ac.uk/2022/new-ways-of-philanthropic-giving/>

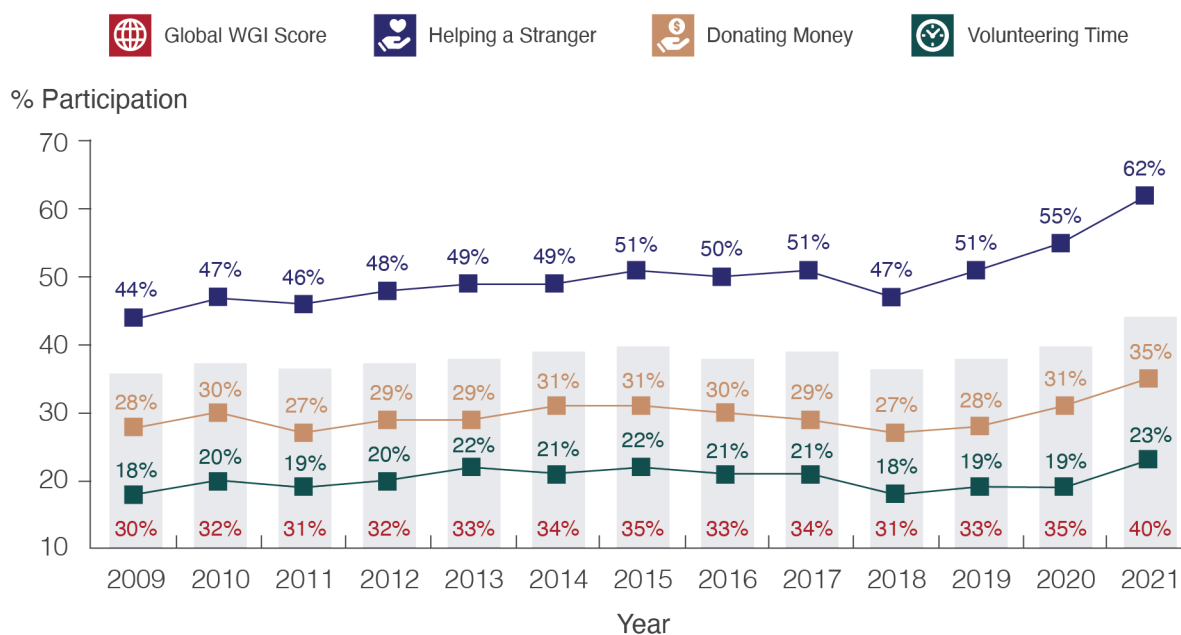
➤ Overview of the Philanthropic Landscape in the World, Asia, and Hong Kong

Overview of the Philanthropic Landscape in the World, Asia, and Hong Kong

Global and Asia's Philanthropic Landscape

The philanthropy/charity sector's value cannot be solely measured by productivity or its direct contribution to a country's gross domestic product (GDP). Nevertheless, it is widely acknowledged that the sector represents a potent force for positive change. The impact of this sector is vital not only for the betterment of society but also for the government and economy as a whole.²¹

Figure 1. World Giving Index 2022



Philanthropic endeavours remain a vital catalyst for creating positive social change, especially amidst hardship or turmoil. They also play a vital role in addressing societal needs that may otherwise be overlooked or underserved. Despite the recent pandemic and geopolitical tensions, charitable activities around the world have managed to maintain their vitality. The Charities Aid Foundation's (CAF) Global World Giving Index 2022 score revealed that more than one in three individuals worldwide donated money in 2021,²² surveying 119 countries representing over 90% of the global adult population.

The pandemic has brought the resilience and compassion of people worldwide, and most importantly, the need for philanthropists to be at the forefront. This global health emergency has prompted populations worldwide to become more inclined to assist strangers, donate money, and volunteer their time for charitable causes (Figure 1). Moreover, compassion transcends borders as evidenced by global cross-border philanthropic giving reaching US\$70 billion in 2020, which was roughly equivalent to the GDP of the 73rd largest economy in the world.²³ These figures illustrate generosity's power to uplift lives globally and forge goodwill across divisions. Philanthropy serves as a unifying source, reflecting humanity's capacity for compassion - especially during challenging times. It also implies the importance of collaboration and collective action in addressing complex global issues such as poverty, inequality, and environmental sustainability.

²¹ Charity Commission for England and Wales & Frontier Economics. (2019, September). *The Vale of the Charity Sector – An Overview*.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/835686/Value_of_Charity_-_Oct_19_-_published.pdf

²² Charities Aid Foundation. (2022). *World Giving Index 2022 – A Global View of Giving Trends*.

https://www.cafonline.org/docs/default-source/about-us-research/caf_world_giving_index_2022_210922-final.pdf

²³ Indiana University – Purdue University Indianapolis. (2023, April). *Global Philanthropy Tracker 2023*. <https://globalindices.iupui.edu/tracker/index.html>

Taking a closer look at Asia, the region has a long-standing history of giving as it is deeply rooted in the religious, cultural, and traditional practices across countries. Southeast Asian countries, such as Indonesia and Myanmar, are regular finalists among the top 10 most generous countries in the world, according to CAF's World Giving Index 2022.²⁴ With 84% of its population donating money to charity, Indonesia claimed the top spot in terms of the population's willingness to donate, followed closely by Myanmar at 73%.

Leveraging its historic giving culture, ultra-high-net-worth (UHNW) individuals and families have played a key role in philanthropic developments in the region. Wealthy families and FOs often help shape the philanthropic landscape due to their unique characteristics and resources. As private wealth management entities established by affluent families, FOs have the capability to direct substantial financial resources towards philanthropic endeavours. Across the globe, 74% of FOs are engaged in philanthropy in 2016.^{25,26} Their long-term investment horizons and focus on preserving generational wealth provide them with the stability needed for sustainable and impactful philanthropic initiatives, which is critical for addressing systemic challenges. FOs can also leverage their extensive networks and expertise to identify social issues, develop strategic philanthropic objectives that align with broader societal goals, and implement effective solutions. Their strategic involvement in philanthropy can cultivate a legacy of responsible wealth stewardship and social investment, setting a precedent for others to follow suit.

Asia is home to an expanding population of UHNW individuals. Its billionaire population is projected to grow by 33% between 2021 and 2026, overtaking Europe to be the world's second-largest wealth region after the United States by 2026.²⁷ This expanding wealth has the potential to fuel philanthropic initiatives on an unprecedented scale, provided that the right structures are in place to facilitate giving.

Indeed, Asia's UHNW individuals have demonstrated a strong commitment to philanthropy and their contributions often align with global critical needs such as healthcare, education and the environment²⁸ Forbes' Asia's 2022 Heroes of Philanthropy list illuminates some of these significant contributions. For instance, Indian billionaire, Gautam Adani, dedicated US\$7.7 billion to healthcare, education and skill development; Thailand's leading fan manufacturer, Joon Wanavit, and his family donated US\$24 million to raise funds for public healthcare services.²⁹ Hong Kong billionaires Li Ka-shing and Ronnie and Gerald Chan, who were also on the list, donated over US\$128 million and US\$100 million respectively in 2022.³⁰ Furthermore, there has been a notable trend towards a more structured and formalised approach to giving, as evidenced by the rise in donor-advised funds and foundations. These structured vehicles for giving are introducing a higher level of organisation and purpose to philanthropic activities in the region.³¹

Similar to the donation trends in Asia, education remains a key focus area among philanthropists in China. According to the Hurun China Philanthropy List 2022, 49 individuals in Mainland China donated RMB 100 million or more respectively between 1 April 2021 to 31 August 2022. The total philanthropic contributions of these individuals amounted to an impressive US\$10 billion, led by four generous billion-dollar donations. Of the top 10 donors, six directed part of their funds towards educational projects.³²

An interesting geographical trend is also observed within this philanthropic activity. Notably, 35% of the companies owned by these philanthropists are based in the GBA. This could indicate a concentration of philanthropic activity within this economically vibrant region.³³

In addition to individual donations, the ecosystem in Mainland China has been developing at a steady pace. In terms of foundations and charitable organisations, the total number of social organisations in Mainland China was 900,900 at the end of 2021, representing an increase of 0.7% compared to the same period in

24 Charities Aid Foundation. (2022). *World Giving Index 2022 – A Global View of Giving Trends*.

https://www.cafonline.org/docs/default-source/about-us-research/caf_world_giving_index_2022_210922-final.pdf

25 Milken Institute. (2021). *Philanthropist's Field Guide – Philanthropy in a Family Office*. Retrieved 2023, December 4 from <https://milkeninstitute.org/article/philanthropy-family-office>

26 World Economic Forum. (2016). *The Single Family Investment Office Today: A primer on structuring an investment office to achieve family objectives and societal value*. https://www3.weforum.org/docs/WEF_Single_Family_Business_Office_2016.pdf

27 Knight Frank. (2022, March). *The Wealth Report 2022*. <https://www.knightfrank.com/siteassets/subscribe/the-wealth-report-2022.pdf>

28 OECD. (2021). *Private Philanthropy for Development – 2nd Edition – Data for Action*.

https://oecd-main.shinyapps.io/philanthropy4development/_w_397ae10a/#tab-8055-5 (information on financing by sectors)

29 Watson, R. W. (2022, December 5). *Asia's 2022 heroes of philanthropy*. Forbes. Retrieved August 29, 2023 from <https://www.forbes.com/sites/ranawehebe/2022/12/05/asias-2022-heroes-of-philanthropy/?sh=1ecf3822697b>.

30 Ibid

31 Barclays Private Bank. (2023, August). *Philanthropy in Asia: The power of next gens*.

<https://privatebank.barclays.com/insights/2023/august/philanthropy-in-asia-the-power-of-next-gens/#ref1>

32 Hurun. (2022, November). *Hengchang Shaofang-Hurun China Philanthropy List 2022*. <https://www.hurun.net/en-US/Info/Detail?num=WlWVJLUHGIU1>

33 Ibid

2020.³⁴ Among others, there were 521,000 social service agencies and 8,885 foundations, representing year-on-year growth rates of 2% and 6% respectively. A total of 773 charitable trust filings were recorded, with a total asset size of RMB 3.9 billion. There was a total of 631 registered representative offices of overseas non-governmental organisations in accordance with the law, representing a 13.9% increase compared to 2020. The growing number of these organisations complements the Government's efforts in delivering social services, covering areas the Government cannot solely manage. This enables enhanced coordination in addressing the diverse needs of society.

Despite these positive trends, certain regulatory hurdles pose challenges. The tightening of the Mainland's Charity Law saw the country scoring only 2.96 overall in the 2022 Global Philanthropy Environment Index while the average overall score was 3.63.³⁵ Mainland China was also among the 38% of the reported economies with a restrictive philanthropic environment, mostly hampered by the relatively lower ease in conducting cross-border philanthropic activities or charitable donations.³⁶ In its recent iteration of the Doing Good Index 2022, the rating of Mainland China has improved due to the increase in transparency and accountability brought by the Charity Law and support provided by the Mainland Chinese Government.³⁷ In December 2023, the National People Congress voted to amend the Charity Law which sent positive signals to the market regarding international charity exchanges subject to relevant regulations and procedures.³⁸ While charities in Mainland China are able to raise more funding domestically, the foreign philanthropic capital flow remained limited.³⁹ Challenges in relation to cross-border philanthropic flows in Mainland China will be further discussed in later sections of this paper.

Hong Kong's Philanthropic Landscape

Philanthropy in Mainland China has been growing at an admirable pace, and Hong Kong continues to play an important role in this rapid development. In a report published by Give2Asia (2022), outbound giving from the city made up more than half of total giving volume, while that in other jurisdictions remained modest. Among the donors from Hong Kong interviewed in the study in 2022, at least 25% of their philanthropy giving was directed towards domestic causes, with the majority flowing into Mainland China.⁴⁰ However, as mentioned above, giving across the border has been viewed as challenging given the tightening of the Charity Law.

The vibrant and diverse philanthropic ecosystem in Hong Kong serves as a solid foundation facilitating donations and philanthropic activities within the city and beyond. Boasting a rich history of philanthropy, Hong Kong is home to a diverse array of organisations and individuals committed to societal betterment. Furthermore, its unique position as a global financial hub has contributed to the growth and development of philanthropic initiatives.

This section aims to explore the key stakeholders that constitute a comprehensive philanthropy ecosystem, as well as the distinctive strengths of Hong Kong as a philanthropic hub.

34 China Development Brief. (2022, October). 觀察 –《中國慈善發展報告 (2022)》: 中國慈善事業或將迎來第三波浪潮.
http://www.chinadevelopmentbrief.org.cn/customer/details.html?id=26772&category=undefined&categoryId=false&type=SYS_NEWS

35 Indiana University Lilly Family School of Philanthropy. (2022, March). *The 2022 Global Philanthropy Environment Index - China*.
<https://scholarworks.iupui.edu/server/api/core/bitstreams/8788cd1f-c079-465f-b2a3-b808ac1e36f6/content>

36 Indiana University Lilly Family School of Philanthropy. (2022, March). *The 2022 Global Philanthropy Environment Index*.
<https://scholarworks.iupui.edu/handle/1805/28098>

37 Centre for Asian Philanthropy and Society. (2022), *Doing Good Index 2022*,
https://wordpress.caps.org/wp-content/uploads/2022/07/Doing-Good-Index_2022_Final_online_0704.pdf

38 The National People's Congress of the People's Republic of China. (2023). 全国人民代表大会常务委员会关于修改《中华人民共和国慈善法》的决定. Retrieved January 12, 2023 from http://www.npc.gov.cn/c2/c30834/202312/t20231229_434001.html

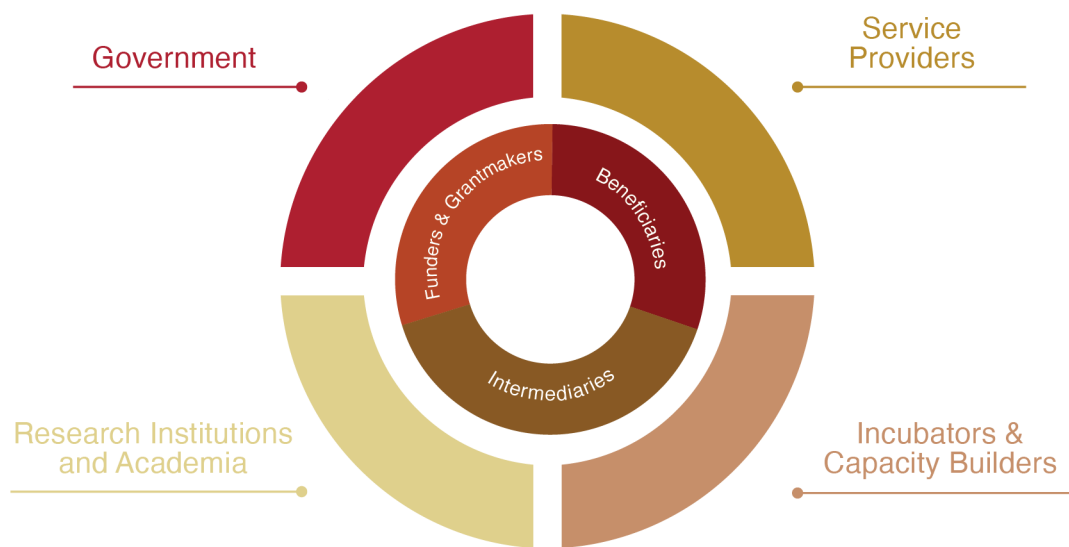
39 Centre for Asian Philanthropy and Society. (2022), *Doing Good Index 2022*,
https://wordpress.caps.org/wp-content/uploads/2022/07/Doing-Good-Index_2022_Final_online_0704.pdf

40 Give2Asia. (2022). *Unlocking Cross-border Philanthropy in Asia*.
<https://give2asia.org/wp-content/uploads/2022/06/Hong-Kong-SAR-Market-Profile-Unlocking-Cross-border-Philanthropy-in-Asia.pdf>

Key Stakeholders of the Philanthropic Ecosystem in Hong Kong

The philanthropic ecosystem encompasses a diverse range of stakeholders, with each playing a unique role in cultivating social impact and addressing societal challenges. The multifaceted ecosystem provides a platform for collaboration, knowledge-sharing, and resource mobilisation, aiming to maximise the effectiveness and efficiency of philanthropic efforts. It fosters an environment of trust, transparency, and innovation, enabling the collective pursuit of social change and the creation of sustainable solutions to address pressing social issues.

Figure 2. The philanthropic ecosystem in Hong Kong



Source: FSDC; adaptation of AVPN (2022),⁴¹ Centre for Asian Philanthropy and Society (CAPS) (2023),⁴² and Worldwide Initiatives for Grantmaker Support (WINGS)⁴³ reports

Hong Kong's philanthropic sector is an intricately interconnected ecosystem encompassing two symbiotic circles. The pulse of the inner circle is driven by the vibrant interactions of funders and grantmakers, beneficiaries, and intermediaries - the core actors of social change. Encasing this is the outer circle, comprising the Government, service providers, research institutions, academia, incubators and capacity builders. They form a supportive shell that amplifies the inner circle's impact by fostering a balanced environment of guidance, support, and regulation. In particular, it facilitates efficient and meaningful interactions within the core (Figure 2).

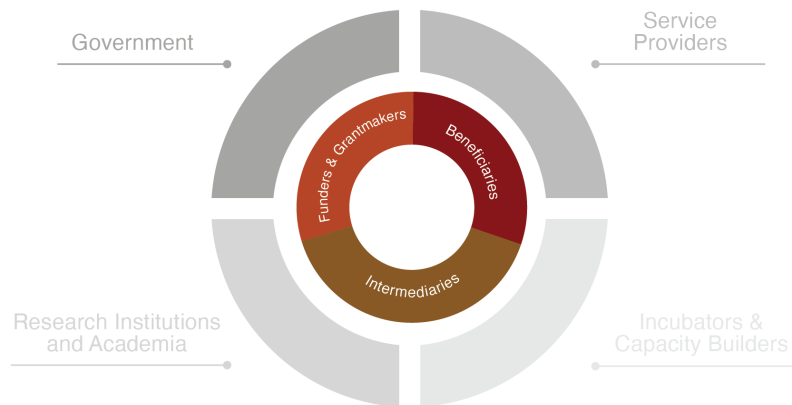
Notably, as the landscape evolves, the roles within the ecosystem are not rigidly defined. Overlap among the stakeholders is a common occurrence, further enriching the dynamism and versatility of the ecosystem.

41 AVPN. (2019). *Philanthropy in China*. https://avpn.asia/wp-content/uploads/dlm_uploads/2019/01/Philanthropy-in-China_Web-Version-1.pdf

42 Centre for Asian Philanthropy and Society. (2023, February). *Hong Kong as a Philanthropy Hub*. https://caps.org/work/our-research_hong-kong-as-a-philanthropy-hub

43 Worldwide Initiatives for Grantmaker Support. (2018, May). *Unlocking philanthropy's potential – What funders can do to build strong philanthropy support ecosystems*. <https://wings.issuelab.org/resources/30804/30804.pdf>

The Inner Core



(a) *Funders & Grantmakers*

Funders and grantmakers play a crucial role in philanthropy by providing financial resources and support to initiatives and organisations working towards creating positive social impact. Some funders and grantmakers also design and operate programmes of their own. Hong Kong is home to one of the world's top ten donors, i.e., The Hong Kong Jockey Club Charities Trust.⁴⁴ Their primary role lies in strategically and effectively allocating funds aligned with their philanthropic goals and priorities. To achieve this, funders and grantmakers actively seek out relevant projects and engage in the assessment process, often involving the evaluation of proposals and applications from non-profit organisations. Through this evaluation, they identify projects and programmes that align with their funding criteria. Factors such as potential impact, feasibility, and sustainability are carefully considered before making funding decisions.

In Hong Kong, family foundations represent a key group of funders contributing to the philanthropic ecosystem. Many affluent families in the city have established their own foundations to support various causes and projects. Some examples of foundations in Hong Kong include Chow Tai Fook Charity Foundation, Kadoorie Charitable Foundation, Keswick Foundation, Li Ka Shing Foundation etc. In the Doing Good Index 2022, 59% of the surveyed social delivery organisations in Hong Kong were funded by individuals and foundations.⁴⁵ Family foundations, particularly those with a long-standing presence, often have a deep understanding of the local context and are well-positioned to address pressing social issues. They provide not only financial resources but also expertise and valuable networks to support innovative solutions and foster sustainable development in Hong Kong and beyond. Notably, with the increasing number of new FOs establishing themselves in Hong Kong, it is anticipated that this sector will play a larger role in supporting charitable endeavours within the city.

Industry practitioners shared that FOs have more flexibility to explore innovative approaches to philanthropy. They are more willing to take calculated risks, support unproven but promising initiatives, and accept experimentation of unconventional solutions to complex social challenges. This flexibility enables FOs to be at the forefront of innovation in the philanthropic sector. Their pioneering projects can offer valuable insights and help develop practice. Furthermore, FOs bring a personalised approach to philanthropy, often guided by the values and priorities of the founding family. This allows for a more tailored and targeted approach to giving, aligning philanthropic efforts closely with the family's passions and interests. FOs may also be keen to support a wide range of causes, from education and healthcare to environmental conservation and social justice, reflecting the entrepreneurial spirit and diverse philanthropic goals of different families.

As such, the growth of FOs is likely to result in the emergence of more new family foundations as one of the means of conducting philanthropic activities, necessitating additional support in setting philanthropic goals, identifying suitable projects, and navigating the intricacies of the philanthropic landscape. There is a clear opportunity for synergistic relationships within the philanthropic community, where the experience and innovation of established FOs and their foundations can guide the newcomers, fostering a collaborative environment for the greater good of society.

⁴⁴ The Hong Kong Jockey Club. (n.d.). *The Charities Trust – About the Trust*. Retrieved October 11, 2023 from <https://charities.hkjc.com/charities/english/charities-trust/index.aspx>

⁴⁵ Centre for Asian Philanthropy and Society. (2022). *Doing Good Index 2022*, https://wordpress.caps.org/wp-content/uploads/2022/07/Doing-Good-Index_2022_Final_online_0704.pdf

(b) Intermediaries

Intermediaries are important actors connecting funders and beneficiaries. Hong Kong is home to numerous non-profit organisations and corporate social responsibility programmes. The List of Charitable Institutions and Trusts of a Public Character, which are exempt from tax under section 88 of the Inland Revenue Ordinance (IRO) (List of Tax-Exempt Charitable Institutions) published by the Inland Revenue Department (IRD) in Hong Kong hosted 17,000 entities as at October 2023⁴⁶. As of 31 March 2023, 10,042 charities were recognised as exempt from tax under section 88 of the IRO⁴⁷. Collectively, these organisations play a pivotal and bridging role as “intermediaries”, providing or delivering social services to beneficiaries and ensuring effective communications between funders and beneficiaries. Examples of such intermediaries in Hong Kong are Caritas Hong Kong, Crossroads, Food Angel, HandsOn Hong Kong, and St. James’ Settlement. It is important to note that intermediaries can fall into the category of beneficiaries at the same time as they are also recipients of grants and donations.

Intermediaries are regarded as a key component of a philanthropy cluster. They address a wide range of social issues, including but not limited to poverty alleviation, education, healthcare, and environmental conservation. Intermediaries bring specialised expertise and local knowledge to their work, equipping them with a comprehensive understanding of the social issues they handle. In their stewardship of funds, they ensure that financial resources are effectively deployed.

(c) Beneficiaries

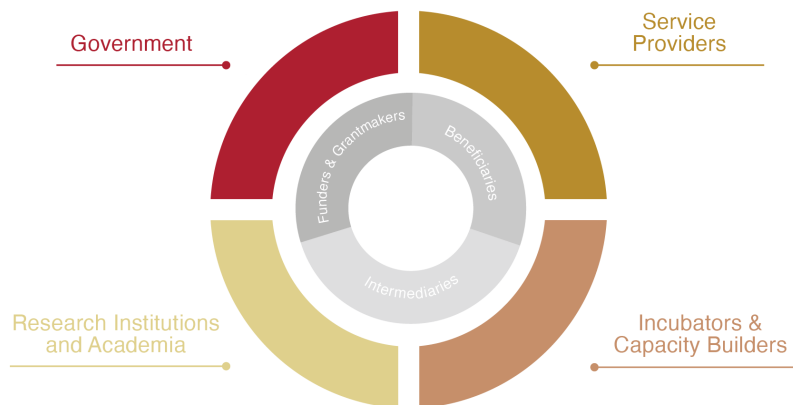
In the rapidly evolving philanthropic landscape, the traditional boundaries defining beneficiaries are being redrawn. Today, the beneficiary circle is extending beyond conventional social programmes. Start-ups and entrepreneurial ventures by charitable organisations for beneficiaries that contribute to societal impact are now gaining recognition as beneficiaries within the philanthropic sphere.

By extending their support to these socially conscious start-ups, funders and grantmakers have begun playing a transformative role. This expanded view of beneficiaries highlights the recognition that social impact is not a singular path but a broad highway with multiple lanes. This evolution in the beneficiary definition is not only a testament to the versatility of modern philanthropy but also a promising sign of its future trajectory, one that seamlessly integrates business innovation with social change.

⁴⁶ Inland Revenue Department. (2023, October 31). *List of Charitable Institutions and Trusts of a Public Character, which are Exempt from Tax under Section 88 of the Inland Revenue Ordinance*. https://www.ird.gov.hk/eng/pdf/s88list_emb.pdf

⁴⁷ Inland Revenue Department. (2023). *Annual Report 2022-23, Schedules*. <https://www.ird.gov.hk/dar/2022-23/table/en/miscellaneous.pdf>

The Outer Circle



(d) Government

The Hong Kong SAR Government stands as a stem in the city's philanthropic ecosystem, executing a multifaceted role that shapes and supports the sector. First, it provides a framework that ensures transparency, accountability, and good governance in the non-profit sector. Similar to other jurisdictions, the Government also sets policies and regulations that govern the registration and operation of non-profit organisations, ensuring compliance with legal requirements. By fostering an enabling environment, the Government promotes trust and confidence in the philanthropic sector, encouraging individuals and organisations to contribute to philanthropic endeavours.

In addition to its regulatory role, the Government supports and facilitates philanthropic initiatives through funding and partnership opportunities. It allocates financial resources to support social welfare programmes. The Government provides social services mainly through social delivery organisations (SDOs) by way of subventions. In 2022/23, this amounted to HK\$ 23.3 billion.⁴⁸ Moreover, it finances community development projects, and initiatives addressing pressing social issues, such as the Social Innovation and Entrepreneurship Development Fund (SIE Fund), Partnership Fund for the Disadvantaged (PFD) and the Community Care Fund (CCF). Funding and partnerships aside, these funding schemes point to the testing ground the Government creates for pilot initiatives and approaches. The SIE Fund is an illustration of funding provided by the Government in partnership with NGOs to address social challenges. The SIE Fund was established to support schemes and experiments with a view to attracting, inspiring or nurturing social entrepreneurship to develop innovations that aim at creating social impact and building social capital for supporting poverty relief in Hong Kong.⁴⁹ As of August 2023, over HK\$ 690 million has been allocated by the SIE Fund to various initiatives, funding a total of 504 projects, supporting over 336,000 beneficiaries.⁵⁰ Moreover, the Government also collaborates with non-profit organisations, businesses, and community groups to implement joint initiatives and leverage resources effectively. Additionally, the Government acts as a convenor and facilitator, bringing together different stakeholders in the philanthropic ecosystem to promote knowledge exchange, best practices, and collaboration. Through its various departments and agencies, the Government plays a vital role in shaping the philanthropic landscape in Hong Kong and driving positive social change.

(e) Service Providers (including Philanthropy Advisors/ Financial Institutions/ Professional Service Providers)

Service providers, including financial institutions and professional service providers, are essential components of a robust philanthropic ecosystem, according to CAPS^{51,52}. Their expertise and resources can strengthen the functionality and sustainability of philanthropic endeavours.

48 HKSAR. (2022, September). *Hong Kong: The Facts, Social Welfare*. https://www.gov.hk/en/about/abouthk/factsheets/docs/social_welfare.pdf

49 Social Innovation and Entrepreneurship Development Fund. (n.d.). *What is SIE Fund*. Retrieved October 31, 2023 from <https://www.sie.gov.hk/en/who-we-are/sie-fund.page>

50 Social Innovation and Entrepreneurship Development Fund. (2023, August). *HKU Evaluation Study confirms SIE Fund's contributions to the development of the Social Innovation Ecosystem – Our Performance*. <https://www.sie.gov.hk/en/who-we-are/performance.page>

51 Centre for Asian Philanthropy and Society. (2023, February). *Hong Kong as a Philanthropy Hub*. https://caps.org/work/our-research_hong-kong-as-a-philanthropy-hub

52 In the context of the CAPS report, intermediaries are referred to as service providers. For the purposes of this research paper, the terms "service providers" used in the CAPS report and "intermediaries" used in this paper have similar definitions and perform comparable functions.

Financial institutions, particularly private banks, trust companies and asset management companies are blending philanthropy with wealth management. They provide holistic financial solutions, including philanthropic advisory services. These institutions guide clients through the complex process of establishing independent trusts or foundations, ensuring the efficient management of philanthropic activities. They aid in identifying potential projects that align with clients' philanthropic interests and offer strategic planning advice on donation timing, tax implications, and impact measurement. Certain financial institutions go a step further by creating their own foundations and acting as service providers. They curate philanthropic projects which their clients can directly donate to, further simplifying the philanthropic journey for them.

Professional service providers, including legal and accounting firms, philanthropy advisors, are crucial allies for philanthropists. Legal firms guide philanthropists through regulatory compliance and risk management, ensuring their initiatives conform to laws and mitigating potential risks. Accounting firms uphold the financial integrity of philanthropic activities. They manage financial aspects from tax deductions to transparent reporting.

Together, these service providers form a vital support within the philanthropic ecosystem, enabling philanthropists to effectively translate their wealth into meaningful social impact.

(f) Research Institutions and Academia

Research institutions and academic bodies serve as the intellectual engine of the philanthropic ecosystem. Their work involves conducting research and analysis that inform and shape the strategic direction of philanthropic activities. By studying trends, evaluating programmes, and assessing impact, they provide crucial data-driven insights that guide decision-making processes. Some notable research institutions in Hong Kong in this regard include CAPS, the Better Hong Kong Foundation, the Centre for Civil Society and Governance at the University of Hong Kong, and the Institute of Philanthropy recently established by the Hong Kong Jockey Club.⁵³ Furthermore, their role extends to educating the next generation of philanthropists and non-profit leaders, thereby ensuring the continuous evolution and advancement of the sector.

(g) Incubators and Capacity Builders

In parallel, incubators and capacity builders function as vital support systems within the ecosystem. Incubators offer a nurturing environment for emerging non-profit organisations, providing them with the resources and mentorship they need to grow and thrive. They often facilitate access to networks, funding, and strategic partnerships, thereby accelerating the growth trajectory of these organisations. These organisations include the Asian Venture Philanthropy Network (AVPN), Asian Charity Services, Social Impact Partners, etc.

Capacity builders, on the other hand, focus on enhancing the operational efficiency and effectiveness of non-profit organisations. They provide training and resources in areas such as strategic planning, leadership development, financial management, and impact measurement. Their work ensures that these organisations are equipped with the necessary skills and knowledge necessary to navigate the challenges of the sector and maximise their social impact.

The philanthropic ecosystem is a vibrant and complex network of diverse actors, each contributing unique capabilities towards the common goal of fostering societal advancements and changes. Through their synergistic efforts, these entities enhance the effectiveness of philanthropic initiatives and strengthen the ecosystem's resilience. Their ongoing collaboration and innovation are central in transforming Hong Kong into a leading hub for impactful philanthropy.

⁵³ The Hong Kong Jockey Club. (2023, September). *Jockey Club announces Institute of Philanthropy – bringing together local, regional and global thought leadership for the betterment of society*. Retrieved October 31, 2023 from https://corporate.hkjc.com/corporate/corporate-news/english/2023-09/news_2023091101328.aspx

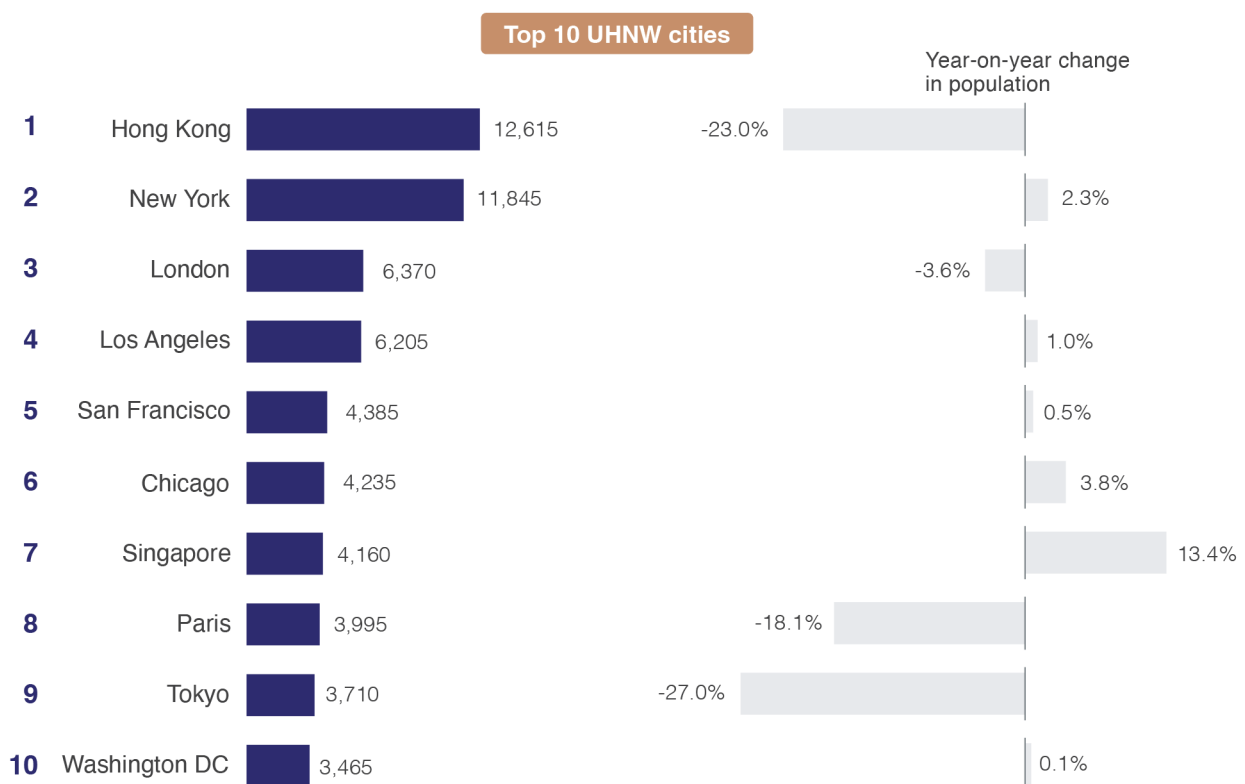
Distinctive Strengths of Hong Kong’s Philanthropic Ecosystem

Accordingly, Hong Kong’s well-developed ecosystem gives rise to several distinctive strengths that set the city further apart from other philanthropic centres.

i. Immense wealth and long-standing history of giving

As touched upon earlier, the accumulation of wealth in the city serves as a massive driving force for philanthropic activities in Hong Kong. With 66 billionaires in Hong Kong, the city has one of the highest concentrations of billionaires in the world.⁵⁴ Hong Kong topped other Asian cities as the primary or secondary residences of UHNW individuals. Hong Kong also ranked third overall as one of the world’s top homes for the wealthy, being the home to 12,615 UHNW individuals (Figure 3).⁵⁵

Figure 3. Global ultra-high net worth population in 2022



Note: Population numbers are rounded to the nearest 5. Cities are defined on the basis of urban agglomerations and metropolitan (metro) areas, which include the built-up areas outside the administrative core. For example, New York includes New York City, Newark and Jersey City. We focus on metro areas to ensure comparability because globally comparable city-level data is not available. Major cities are determined on a nominal GDP basis in \$. Changes are measured based on model inputs updated retrospectively and not on previously published figures.

Source: Wealth-X, an Altrata company 2023

Moreover, among the HNW households in China, each with assets of over RMB100 million, 9% of them called Hong Kong their home, underscoring the city’s pivotal role in wealth generation.⁵⁶

Notably, the culture of giving and the concept of “giving back” are deeply ingrained in the local society, with philanthropy being seen as a way to address social needs and contribute to the betterment of the community. In 2021, 44% of the population donated to charity.⁵⁷ For the year of assessment 2020-21, the amounts of approved charitable donations allowed under profits tax and salaries tax were HK\$4.35 billion and HK\$7.45 billion respectively.⁵⁸

54 Forbes. (2023). *World’s Billionaires List, The Richest in 2023*. Retrieved October 11, 2023. <https://www.forbes.com/billionaires/>

55 Altrata. (2023, September). *World Ultra Wealth Report 2023*. <https://info.altrata.com/world-ultra-wealth-report-2023-pdf>

56 Hurun. (2023, March). *Yi Tsai - Hurun China Wealth Report 2022*. <https://www.hurun.net/en-US/Info/Detail?num=VXF1Q91WF5AF>

57 Charities Aid Foundation. (2022). *World Giving Index 2022 – A Global View of Giving Trends*.

https://www.cafonline.org/docs/default-source/about-us-research/caf_world_giving_index_2022_210922-final.pdf

58 Inland Revenue Department. (2022). *Annual Report 2021-22, Schedules*. https://www.ird.gov.hk/dar/2021-22/table/en/ar_2122.pdf

Generosity and philanthropy have been integral parts of Hong Kong's social fabric for centuries. Historical records and accounts reveal that the tradition of giving dates back to early British Colonial rule, where Christian-inspired missionary charities and Chinese clan-based associations took the lead in providing accessible public services in the areas of education, medical services, orphanages, and elderly care facilities.⁵⁹ Wealthy individuals and merchants also played a part by contributing to public welfare and supporting those in need. This tradition continued to flourish during the colonial era and has persisted through to the present day.

Over the years, Hong Kong's philanthropic landscape has evolved and expanded, driven by a combination of individual philanthropists, corporate entities, and charitable organisations. Wealthy individuals and families in Hong Kong have played a significant role in contributing to various causes. Their donations have made a substantial impact on the development of social infrastructure and the well-being of the community.

In addition to financial contributions, families, together with their FOs and family foundations, also contribute to philanthropy through their knowledge and experience. Many families engage in strategic philanthropy, employing rigorous evaluation processes and impact measurement frameworks to ensure their philanthropic efforts are effective and sustainable. They often collaborate with other philanthropic organisations, share insights and best practices, and actively participate in networks and forums dedicated to philanthropy. This collective knowledge and collaborative approach can lead to more effective and widespread societal benefits, enhancing the overall impact of FOs in the philanthropic sector.

Corporate social responsibility has also become an integral part of the business culture in Hong Kong. Many local and multinational companies operating in the city actively engage in charitable initiatives, supporting community programmes, and dedicating resources to social causes for many years. Take HSBC Hong Kong as an example, the bank's first recorded act of philanthropy was a donation of HK\$ 1,000 to the China Famine Fund to help those experiencing hunger in northern China which dates back to 1878.⁶⁰ Corporates' contributions extend beyond financial donations, often involving employee volunteering, skill-sharing, and partnerships with non-profit organisations. Corporates in Hong Kong do not only make an impact via corporate donations and volunteering, some also choose to maximise their long-term impact by establishing a foundation, such as the Hongkong Bank Foundation, AIA Foundation, and HKEX Foundation. This collective effort has fostered a culture of giving and social responsibility, making philanthropy a fundamental aspect of Hong Kong's identity.

59 Shapiro, R. A., Mirchandani, M., & Jang, H. (2018). *Old Money—The History of Giving in Asia*. In *Pragmatic philanthropy: Asian Charity explained*. essay, Palgrave Macmillan. <https://wordpress.caps.org/wp-content/uploads/2018/02/Pragmatic-Philanthropy-Asian-Charity-Explained.pdf>

60 HSBC. (n.d.). *The Hongkong Bank Foundation*. Retrieved December, 5 2023 from <https://www.hongkongbankfoundation.org.hk/#:~:text=Milestones%20of%20our%20philanthropy%20story&text=HSBC's%20first%20recorded%20act%20of,of%20The%20Hongkong%20Bank%20Foundation.>

Boxout Section 1 - Keswick Foundation⁶¹

Empowering Social Transformation: Leveraging Catalytic Capital for Good in Hong Kong

Established in 1979 by Sir John Keswick and his daughter, Maggie Keswick Jencks, the Keswick Foundation (the Foundation) is a charitable organisation with a mission to facilitate long-term and impactful service development and capacity building to address social needs in Hong Kong and Mainland China.

The Foundation funds pilot projects that enable innovative, holistic and practical solutions to address service gaps in the community. Areas of funding focus include (i) Capacity Building for Social Service and Education; (ii) Children, Youth and Family; (iii) Elderly, Special Needs and Vulnerable Groups, and (iv) Response to Crisis Events. In general, projects are funded for a maximum of three years. The funding may cover recurrent, programme or, in exceptional circumstances, capital costs.

The Power of Catalytic Giving

Catalytic philanthropy is a strategic and transformative approach to giving that goes beyond traditional donations. The Foundation prioritises support and provides guidance for funded organisations, fostering innovation and maximising impact. Since many social projects in Hong Kong are sub-vented or funded by the Government and larger public funders, it becomes challenging for the Foundation to find high-quality projects that need support. As such, it tries to differ as a partner, rather than a conventional donor, collaborating with grantees to develop and scale their initiatives. This approach focuses on addressing the root causes of social issues and creating sustainable solutions for long-term change. The Foundation invests in innovative projects and takes calculated risks to drive social innovation and push boundaries.

Beyond financial support, the Foundation actively contributes time, expertise, and network to help organisations maximise their impact. This hands-on approach includes providing strategic guidance, mentoring, and network to grantee partners, empowering them with the necessary tools and resources.

An exemplary illustration of catalytic philanthropy is the “Extended Living Space for Sub-divided Unit Residents in Tsuen Wan” project. This initiative enhances the well-being of low-income families by providing a versatile community space for cooking, laundry, studying, and quality family time. The Foundation played a pivotal role in realising this project, acting as the first funder and supporting Caritas Hong Kong in leading the initiative. Furthermore, they facilitated the Government’s provision of an unused premises for the project and introduced Hongkong Land as a funded partner who contributed financial resources and expertise in renovation and design. Through strategic collaborations, the Foundation embodies the essence of catalytic philanthropy, mobilising resources and forging impactful partnerships to drive sustainable change.

Another testament to the Foundation’s commitment to innovative solutions is the “ExIT in the Dark” project. By providing funding, they enabled Ebenezer New Hope School to collaborate with the Hong Kong Polytechnic University in developing an engaging exercise system that motivates children with multiple disabilities through interactive games targeting coordination, balance, cardio, and strength training. The Foundation’s support ensures the integration of technology and social innovations to address the unique challenges faced by disabled individuals.

The Champion for Change Award, initiated by the Foundation, also recognises and supports individuals and organisations that have demonstrated exceptional innovation, leadership, and impact in the social sector. Through this initiative, the Foundation not only provides financial support but also shines a spotlight on inspiring changemakers, encouraging others to follow their lead and catalyse positive change within their communities.

⁶¹ The Keswick Foundation. (2019). *Changing Lives – The Keswick Foundation*.
https://www.keswickfoundation.org.hk/_files/ugd/d7b60f_63edc8747e4746ef8fe75b1aa9a3be12.pdf



The Foundation plays a crucial role in driving long-term, sustainable change in the social sector. Through its commitment to catalytic philanthropy, it continues to make a significant impact, empowering individuals and communities to thrive and create a better future for all.

Driving Change and Capacity Building

With its commitment to ensuring a greater and more sustainable ripple effect in the social sector with its work, capacity building is another area of focus at the Foundation. In the past 40 years, the Foundation has upheld the vision laid down by one of its founders Maggie Keswick Jencks to “not seek glory or fame, but rather act on a simple desire to share what we have, whether material or non-material, with those who are less fortunate than us”.

As a part of its continuous effort to help those that are less fortunate, the Foundation is dedicated to driving long-term changes by focusing on capacity building in the social sector in Hong Kong and Mainland China. Since the late 1980s, it has played a crucial role in developing social work education in China, following the re-establishment of social work as a discipline in Mainland universities.

One significant initiative supported by the Foundation was the funding of the country’s first Master in Social Work Programme. Developed jointly by the Hong Kong Polytechnic University and Peking University, the programme was offered to seven cohorts between 2000 and 2016, training a total of 235 professionals. Graduates of the programme have emerged as influential leaders in social work education and service organisations in China.

Apart from delivering the Master Programme, the Foundation also contributed to the three-year strategic plan (2010-2014) of the PKU-PolyU China Social Work Research Centre. The plan aimed to strengthen the Centre’s position as the national hub for social work education and leadership in China, consolidating its role in the field.

A Challenging Past Builds the Future

Although it may sound like a cliché, education is the most powerful tool one can use to change the world. Through its proud contributions to the development of social work education in Hong Kong and Mainland China, a more well-developed social service ecosystem has been established with social services being more accessible to those in need. The Foundation is set to play an even more important and impactful role in this regard in Hong Kong and Mainland China in the years to come.

ii. Value proposition as an International Financial Centre

Amidst a climate of market uncertainties and slowed economic growth, Hong Kong has maintained its eminent status in the global financial landscape. According to the Boston Consulting Group (BCG), notwithstanding a global contraction in assets under management (AUM) to levels akin to those observed in 2020,⁶² Hong Kong still secured the second spot among the world's top 10 cross-border wealth management booking centres.⁶³ This demonstrates Hong Kong's resilience and continued attractiveness as a leading financial hub, despite the economic headwinds. The city is expected to top the list in 2027 with a 7.6% CAGR between 2022-2027, overtaking Switzerland. The prosperity of the asset and wealth management industry in part is attributed to its sound financial and investment environment, and more importantly, the amount of wealth accumulated in the city. Such an amount of wealth serves as a funding source for the philanthropy sector to develop.

Hong Kong's strong financial infrastructure and expertise continues to attract both local and international philanthropic organisations. Its well-established banking system, robust regulatory framework, and depth of financial services make it an ideal location for managing philanthropic funds. The presence of reputable financial institutions and wealth management professionals in Hong Kong provides philanthropic organisations with access to a wide range of financial products, investment opportunities, and strategic advisory services tailored to their specific needs.

Moreover, Hong Kong's global connectivity and reputation as a trusted and transparent financial hub has contributed to the growth of the philanthropic industry. Philanthropists respect and value transparency of the impact of their contributions. Its strategic geographical location and historical ties with Mainland China make Hong Kong a bridge between international philanthropic organisations and the burgeoning philanthropic landscape in Asia. The city's strength in the rule of law, solid legal framework, and international standards of transparency and accountability inspire confidence among philanthropic organisations and donors. It has also enabled Hong Kong to attract substantial inflows of philanthropic capital and foster cross-border collaborations, ultimately driving positive social impact both within Hong Kong and across the region.

iii. Proximity to Mainland China

Hong Kong's strategic geographical location and deep-rooted connections to Mainland China are one of the most unleveraged strong suits of the city. Its proximity to Mainland China suggests significant potential for it to further advance to a leading hub for global philanthropy. Such potential, particularly in a streamlined regulatory environment, could facilitate two-way philanthropic capital flows - Hong Kong could serve as a conduit for international philanthropy, while also unlocking the potential to channel Mainland China's burgeoning wealth towards global philanthropic endeavours.

Mainland China presents an array of opportunities for philanthropic investments that are capable of generating significant societal impact across various sectors. According to an OECD report, Mainland China was the second-largest recipient of philanthropic funding from 205 worldwide organisations between 2016-2019, receiving 7% of total funds.⁶⁴ Furthermore, the China Foundation Centre reported that domestic funding in China outpaced international donations, raising US\$2.7 billion domestically from 2016-2019 compared to US\$400 million in cross-border donations.⁶⁵ These statistics underscore the immense potential within Mainland China for philanthropic investments.

Traditionally, Hong Kong has served as a gateway for international businesses venturing into the Mainland China market. This role can expand further to facilitate cross-border giving, enabling Hong Kong to channel the philanthropic capital of global wealth owners towards high-impact projects in Mainland China. Notably, Hong Kong's role in philanthropy extends beyond its borders, with a substantial 58.3% of its total giving volume constituting cross-border philanthropy in the past five years (Figure 4). This statistic highlights Hong Kong's status as a philanthropic platform that serves not only local needs but also facilitates aid directed to other regions.

62 Boston Consulting Group. (2023, May). *Global Asset Management 2023: The Tide has Turned*.

<https://web-assets.bcg.com/c8/97/bc0329a046f89c7faeef9ab6a877/bcg-global-asset-management-2023-may-2023.pdf>

63 Boston Consulting Group. (2023, June). *Global Wealth Report 2023: Resetting the Course*.

<https://web-assets.bcg.com/fb/64/e10897864913a480415d0e1fe3c6/bcg-global-wealth-report-2023-june-2023.pdf>

64 OECD. (2021). *Private Philanthropy for Development – 2nd Edition – Data for Action*.

https://oecd-main.shinyapps.io/philanthropy4development/_w_397ae10a/#tab-8055-5

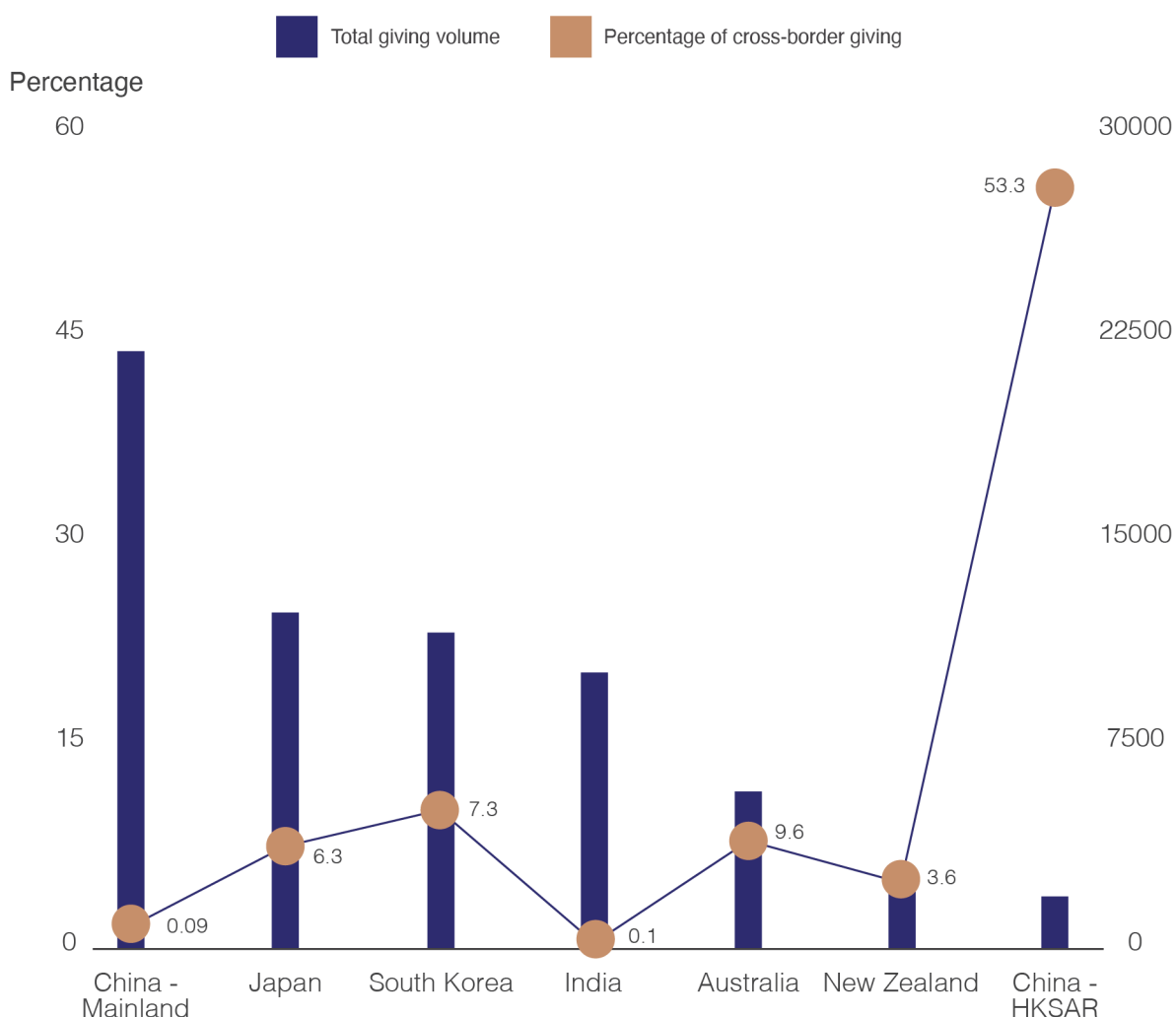
65 OECD. (2023). *Domestic and Cross-border Philanthropy for Development and Gender Equality in China 2016-19*.

<https://web-archive.oecd.org/2023-04-04/654909-China-Domestic-Cross-border-Philanthropy-Development-gender.pdf>

The connections between Mainland Chinese and Hong Kong markets have become closer in various aspects, ranging from more obvious sectors such as the financial sector to technology, education, health, etc. Given the fact that people in the two markets are living closely connected lives, such proximity also has the potential to fuel more philanthropic endeavours in both markets.

Over the years, Hong Kong has been a consistent contributor to Mainland China in terms of disaster recovery and addressing social issues. Instances include the 2009 Sichuan earthquake and more recently, during the pandemic. Since the start of the COVID-19 pandemic to February 2020, Hong Kong had contributed over RMB \$1 billion to the Mainland through a range of channels.⁶⁶ Additionally, certain societies and institutions procured anti-epidemic materials and medical equipment, such as masks and protective clothing, from overseas and dispatched them to the front lines of the Mainland’s battle against the pandemic.⁶⁷

Figure 4. Philanthropic giving volume in Asia in the past five years



Source: Give2Asia

On the other hand, the growing UHNW demographic in China further underscores the philanthropic potential of this symbiotic relationship. In the first half of 2022, Mainland China was the only major market to register a rise in its UHNW population, recording an increase of 2.3% to a total of 51,145 UHNW individuals.⁶⁸ Wealth creation lies in economic growth, and such accumulation of wealth in China was a result of the reform and opening up in the 1970s and the accelerated evolution of globalisation, urbanisation, and the development of the real estate industry since 2000, according to Zhang at the China-CEE Institute.⁶⁹

66 The State Council of the People’s Republic of China. (2020, October 2). 香港社會各界向內地捐款累計逾10億元人民幣 支援抗擊新冠肺炎疫情. Retrieved November 1, 2023 from http://big5.www.gov.cn/gate/big5/www.gov.cn/xinwen/2020-02/10/content_5477033.htm

67 Ibid

68 Altrata. (2022, November). *World Ultra Wealth Report 2022*. <https://altrata.com/reports/world-ultra-wealth-report-2022>

69 Zhang, X. (2023). *Keeping the Means of Wealth Accumulation Well-regulated and Promoting Chinese-style Modernization*. China Watch, 3(7). China-CEE Institute. https://china-cee.eu/wp-content/uploads/2023/02/China_Watch_ZHANG-Xiaoqing_2023_07.pdf

As the wealth in Mainland China swells, so does its domestic philanthropy. This year, for instance, the Tencent Charity Foundation set up a special incentive fund of RMB 100 million (US\$14.5 million), supplementing the core RMB 300 million of matched donation funding, to support new and innovative philanthropy projects.⁷⁰ In addition to corporate charitable endeavours, the rise of philanthropy in Mainland China can be attributed to the transfer of wealth from first-generation entrepreneurs to subsequent generations. As the post-50s and post-60s generation steps down from business operations and enters a more behind-the-scenes role, they are increasingly inclined to prioritise family philanthropy.⁷¹ This growth presents an opportunity for Hong Kong to further foster and support the culture of giving within China's expanding UHNW population.

With its renowned status as an international financial hub and the home to a prominent global NGO network and numerous organisations focused on enhancing capabilities and providing services, Hong Kong has the potential to contribute its valuable international expertise and extensive experience to the philanthropic landscape in Mainland China. Conversely, positioned naturally as a bridge between Mainland China and the rest of the world, Hong Kong has the potential to become a pivotal player in directing international philanthropic efforts towards high-impact projects in the Mainland. In this context, Hong Kong emerges as an ideal hub for channelling philanthropic capital.

iv. Staunch Government support

In CAPS' philanthropy cluster, the role of the government and public stakeholders is pivotal to the development of the philanthropic sector. In terms of delivering public welfare, Hong Kong follows free-market principles, which sets it apart from other jurisdictions in Asia. Given its commitment to a non-interventionist free market, the Hong Kong SAR Government has delegated the main responsibility of delivering social services to SDOs and has become the primary source of funding for SDOs, providing HK\$ 23.3 billion to SDOs in 2022/23.⁷² While not directly taking part in philanthropic activities, the intent and support, regulatory framework and tax incentives provided by the Government effectively facilitate philanthropic giving. The relationship between the state and civil society in Hong Kong is characterised by its mutual dependence, where an increase in the government's indirect spending on social welfare also leads to the expansion of the voluntary sector.⁷³

In March 2023, the Hong Kong SAR Government has outlined a clear direction in its policy statement regarding the development of the FO, pinpointing the establishment of the city as a leading philanthropy hub is a key component of the strategy. This clear direction not only instills confidence but also attracts relevant stakeholders towards developing their operations in Hong Kong.

The announcement further reflects the Government's recognition of the important synergies between FO business and philanthropic endeavours. As part of the crucial elements to the FO ecosystem, the Government is committed to fostering co-ordination within Government bureaux and departments and forging partnerships among organisations with an aim to develop Hong Kong into a philanthropic centre for global wealth owners.⁷⁴

Moreover, tax incentives are another important means provided by the Government to incentivise philanthropic activities. In Hong Kong, tax deductions are available for both individuals and corporations, who donate money to tax-exempt charities or to the Government for charitable purposes.⁷⁵ Tax exemption is available for charitable institutions and trusts of a public character recognised by the IRD.⁷⁶ A charitable institution or trust established "for purposes which are exclusively charitable according to the law" may apply to the IRD for recognition of its tax exemption status under section 88 of the IRO.^{77, 78} However, market practitioners consulted during the course of this research study reflected that such a tax incentive scheme may require some enhancement to boost its competitiveness and effectiveness.

70 Tencent. (2023, September 1). *99 giving day: Donation matching extends outside Tencent Platform*. Retrieved November 1, 2023 from <https://www.tencent.com/en-us/articles/2201679.html>

71 Gao, H., Ye, J., & Xu, L. (2021). *The Philanthropy of Chinese Ultra-High-Net-Worth Families*. PBCSF Tsinghua University. https://eng.pbcfsf.tsinghua.edu.cn/_local/D/73/9E/C6EA33E98FA98BBD3C21705F5F_42575BDE_65DA84.pdf?e=.pdf

72 HKSAR. (2022, September). *Hong Kong: The Facts, Social Welfare*. https://www.gov.hk/en/about/abouthk/factsheets/docs/social_welfare.pdf

73 Shapiro, R. A., Mirchandani, M., & Jang, H. (2018). *Old Money—The History of Giving in Asia*. In *Pragmatic philanthropy: Asian Charity explained. essay, Palgrave Macmillan*. <https://wordpress.caps.org/wp-content/uploads/2018/02/Pragmatic-Philanthropy-Asian-Charity-Explained.pdf>

74 Financial Services and the Treasury Bureau. (2023, March 24). *Policy Statement on Developing Family Office Businesses in Hong Kong*. https://gia.info.gov.hk/general/202303/24/P2023032300717_415645_1_1679627481405.pdf

75 Inland Revenue Department. (2008). *Inland Revenue Ordinance, Cap 112 s 16D, Approved Charitable Donations*. <https://www.elegislation.gov.hk/hk/cap112>

76 Inland Revenue Department. (2023, June). *Tax Guide for Charitable Institutions and Trusts of a Public Character*. https://www.ird.gov.hk/eng/pdf/tax_guide_for_charities.pdf

77 Ibid

78 Inland Revenue Department. (2012). *Inland Revenue Ordinance, Cap 112 s 88, Exemption of charitable bodies (2012)*. <https://www.ird.gov.hk/eng/tax/ach.htm>

v. Vibrant and diverse social and ancillary sector

Institutional efforts

Hong Kong boasts a vibrant and dynamic social sector that is integral in addressing various social challenges and promoting community well-being. As mentioned earlier, the city is home to a diverse range of non-profit organisations, charities, and social enterprises that work tirelessly to tackle issues such as poverty, education, healthcare, environmental sustainability, and more.⁷⁹

This vibrant ecosystem comprises charities of all sizes, from grassroots initiatives to large-scale foundations. The number of charities exempt from tax recognised by the IRD has increased by 32.3% since 2013 (7,592)⁸⁰, reaching 10,042 at the end of March 2023.⁸¹ These organisations are driven by a strong sense of social responsibility and a commitment to making a positive impact on society (Figure 5).

Figure 5: Number of charities which are exempt from tax under section 88 of the IRO⁸²

Year*	Number of Charities
2023	10,042
2022	9,709
2021	9,448
2020	9,217
2019	9,096
2018	8,998
2017	9,014
2016	8,831
2015	8,490
2014	8,044
2013	7,592

*As of 31 March of the year

Source: IRD

Besides the presence of diverse charitable organisations in Hong Kong, another noteworthy characteristic of its social sector is its capacity to foster collaboration and synergy among organisations from different sectors. Moreover, Hong Kong's social sector demonstrates a remarkable ability to adapt and innovate in a timely manner, effectively addressing emerging needs and adapting to changing circumstances. Many organisations leverage technology and digital platforms to enhance their reach, engagement, and efficiency. Moreover, collaborations and partnerships between the social sector, government agencies, businesses, and academia are common, fostering a collective effort to address social issues holistically. Some examples of these collaborations include, but not limited to, (i) InnoPower@JC-Fellowship for Teachers and Social Workers, funded by the Hong Kong Jockey Club (HKJC) and supported by the Education Bureau⁸³, (ii) the HKEX Charity Partnership Programme where the Hong Kong Stock Exchanges and Clearing Limited works in partnership with the Community Chest of Hong Kong⁸⁴, and (iii) the Anti-epidemic Community Support Programme which brought together 10 foundations supporting post-pandemic recovery in Hong Kong.⁸⁵ Such a collaborative approach not only maximises resources but also promotes knowledge sharing and best practices within the sector.

79 British Council. (2020). *The state of social enterprise in Hong Kong*.

https://www.britishcouncil.org/sites/default/files/british_council_hong_kong_social_enterprise_web_final.pdf

80 Inland Revenue Department. (n.d.). *Annual Report 2012-13*. <https://www.ird.gov.hk/dar/2012-13/table/en/misc.pdf>

81 Inland Revenue Department. (2023). *Annual Report 2022-23, Schedules*. <https://www.ird.gov.hk/dar/2022-23/table/en/miscellaneous.pdf>

82 Inland Revenue Department. (n.d.). *Annual Report*. <https://www.ird.gov.hk/eng/ppr/are.htm>

83 HKJC. (n.d.) *JCInnoPower*. Retrieved December 5, 2023 from <https://jcinnopower.hk/en>

84 HKEX. (n.d.). *HKEX Charity Partnership Programme*. Retrieved October 31, 2023 from https://www.hkexgroup.com/Corporate-Social-Responsibility/HKEX-Foundation/HKEX-Charity-Partnership-Programme?sc_lang=en

85 Chow Tai Fook Charity Foundation. (n.d.) *Anti-epidemic Community Support Programme*. Retrieved December 5, 2023 from <https://www.ctfcf.org/work/anti-epidemic-community-support-programme/>

Boxout Section 2 - The Hong Kong Jockey Club Charities Trust⁸⁶

Harnessing Institutional Power: The Collective Philanthropy of Hong Kong Jockey Club in Transforming Lives

The Hong Kong Jockey Club (HKJC) traces its long tradition of donating to charitable causes to 1915, but it was in the 1950s, as Hong Kong struggled to cope with post-war reconstruction and a massive influx of immigrants, that this role became integral to its operations. In 1955, HKJC formally decided to devote its surplus each year to charity and community projects, and in 1959, a separate company, Hong Kong Jockey Club (Charities) Ltd, was formed to administer donations. In 1993, a new entity was established, The Hong Kong Jockey Club Charities Trust (the Trust), to reflect the evolving nature, scale and scope of donations. The Charities Trust is one of the world's top ten charity donors.

The Trust's substantial donations to the community are made possible by the HKJC's unique integrated business model, which comprises racing and racecourse entertainment, a membership club, responsible sports wagering and lottery, and charities and community contribution. Approximately 90% of the Club's annual operating surplus after tax is donated to the Trust, enabling it to play a significant role in the community's development.

Historically, the HKJC primarily focused on developing hardware projects. However, as the societal landscape and public needs have changed, greater attention has been given to developmental initiatives and capacity-building work. Being a trailblazer and a prominent provider of grants in the city, the HKJC understands the crucial role of talent and skill sets in ensuring the long-term growth of the social sector. Consequently, leveraging its expertise and successful approaches, the HKJC is dedicated to expediting the professionalisation of the philanthropy sector. In September 2023, the HKJC announced the establishment of the Institute of Philanthropy, a "think-fund-do" tank dedicated to promoting philanthropic thought leadership at the local, regional and global levels together with its funder partners. The institute's mandate includes establishing a dynamic platform for thought exchange among philanthropic leaders, disseminating insights through collaborative publications, upskilling the sector's workforce, and championing research initiatives in partnership with academia and philanthropic stakeholders. To achieve these objectives, the HKJC has allocated an inaugural investment of HK\$ 5 billion, affirming its commitment to nurturing a more impactful philanthropic ecosystem.⁸⁷

Five Priority Areas⁸⁸

Over many years, the HKJC has established its position as a major social partner in fostering a caring and inclusive community in Hong Kong. Today, the HKJC Charities Trust ranks among the world's top ten charity donors. In 2022/23, the Trust approved a total of HK\$7.3 billion in donations to 247 charity and community projects.⁸⁹ It accomplishes this through donations made to its community partners via the Trust; various Trust-initiated projects; and by organising its own events that allow people to experience a healthy and vibrant lifestyle. They have identified five distinct categories of social need to address. In recognition of the importance of sustainable development, the Trust is incubating Sustainability as a sixth funding priority.

⁸⁶ The Hong Kong Jockey Club. (n.d.). *The Charities Trust*. Retrieved October 6, 2023, from <https://charities.hkjc.com/charities/english/charities-trust/index.aspx>

⁸⁷ The Hong Kong Jockey Club. (n.d.). *Institute of Philanthropy (IoP)*. Retrieved December 5, 2023, from https://campaign.hkjc.com/en/withyou/about-hkjc/institute-of-philanthropy.aspx?b_cid=CSLDSPA_2122RU25A_Menu

⁸⁸ The Hong Kong Jockey Club. (n.d.). *Five Priority Areas - Community & Charities*. Retrieved October 6, 2023, from <https://charities.hkjc.com/charities/english/community-contributions/index.aspx>

⁸⁹ The Hong Kong Jockey Club. (n.d.). *Charities*. Retrieved October 6, 2023, from <https://corporate.hkjc.com/corporate/english/who-we-are/charities.aspx>



1. *Helping people age with dignity and respect*

The Trust assists older individuals who have become disengaged from the community or are facing financial difficulties in aging with dignity and respect. Efforts are focused on enhancing care and residential services, facilitating social connections for older adults, and striving to enhance the well-being of caregivers. A donation of over HK\$157 million was made for a four-year project - the Jockey Club SMART Family-Link Project, which is a cross-sectoral collaboration to advance the use of Information and Communications Technology in family services. The Project aims to devise an innovative and evidence-based family service delivery model that leverages the effective use of ICT and data analytics to enable service users to better benefit from preventive, supportive and early remedial services provided by all 26 NGO-operated Integrated Family Service Centres and Integrated Service Centres to promote family well-being.

2. *Empowering young people and increasing social mobility*

The Trust facilitates the empowerment of young individuals to become active citizens and contribute positively to society. It strives to generate fresh prospects for young people with diverse capabilities to succeed in a technology-driven world. Efforts are made to enhance the prospects of individuals and uplift families to break the cycle of poverty. Created and funded by the HKJC, the ten-year Trust-initiated Project CLAP@JC is Hong Kong's first cross-sectoral support platform on career and life development, aiming to foster a sustainable ecosystem by bringing together the education, business, and community sectors to smooth the transition from school to work for all youth.

3. *Building a healthier community together*

Efforts are underway to establish a healthier community for all, with a particular focus on improving access to healthcare services. Emphasis is placed on areas such as primary care, palliative care, end-of-life care, and mental health and well-being.

4. *Promoting talent and sector excellence*

Support is provided to individuals from diverse backgrounds to help them realise their full potential. The Trust aids the not-for-profit sector in enhancing its capabilities, fostering collaboration and knowledge-sharing among individuals. The goal is to maximise their collective impact within the community.

5. *Advancing sports and culture*

Contributions are being made towards the development of an inclusive, creative, and vibrant Hong Kong. The aim is to improve the lives of all individuals through sports and the arts. The organisation seeks to facilitate easier access to an active lifestyle and enriching cultural experiences for everyone.

Bringing together thought leadership for the betterment of society - Institute of Philanthropy (IoP)

IoP was formally inaugurated at the Philanthropy for Better Cities Forum (PBC) in Hong Kong in September 2023. With an initial sum of HK\$5 billion (US\$640 million) from The Hong Kong Jockey Club and its Charities Trust, the IoP is a “think-fund-do” tank dedicated to promoting philanthropic thought leadership at the local, regional and global levels together with its funder partners.

Grounded in the East, the IoP acknowledges Asia's growing importance in the global philanthropic ecosystem, especially the increasing demand for philanthropic knowledge and competencies driven by economic

growth and development. With the vision “working towards the betterment of societies everywhere through impactful philanthropy”, it is the IoP’s mission as a global “think-fund-do” tank anchored in the East to:

- Bridge regional and global philanthropic efforts for the greater good.
- Scale strategic and innovative solutions to address regional and global challenges.
- Accelerate the professionalisation of the philanthropic sector.

Talent synergy

The philanthropy sector represents a dynamic nexus of social innovation, sustained by a broad spectrum of professional expertise. Building on the discussion from previous section titled *Overview of the Philanthropic Landscape in the World, Asia, and Hong Kong*, a sophisticated orchestration of skills across social engagement, asset and wealth management, and professional services is critical for the sector’s success. In this context, Hong Kong’s robust talent pool, with a cadre of professionals proficient across various disciplines, is conducive to the thriving of such a multifaceted philanthropy sector.

In 2022, the human health and social work industry collectively employed 7.3% of Hong Kong’s total working population, of which social work activities accounted for 2.5%.⁹⁰ This manpower is the bedrock upon which philanthropic organisations construct their initiatives, ranging from strategic grantmaking, programme management, advocacy, to impact assessment. A skilled workforce is indispensable for navigating the intricacies of the philanthropic landscape, enabling organisations to make strategic decisions that catalyse societal progress.

Apart from social sector workers, Hong Kong’s professional services sector, which accounts for 9.4% of total employment as of September 2023, plays a pivotal role in supporting philanthropic organisations.⁹¹ Professionals such as lawyers, accountants, consultants, and investment advisors offer specialised knowledge and guidance critical for effective philanthropic operations. They navigate legal and regulatory frameworks, ensure compliance, provide financial and strategic advice, and offer valuable insights into best practices. Additionally, the professional services sector facilitates philanthropic partnerships, connects organisations with potential donors, and steers resource management and allocation, including stewardship of FO philanthropy. The expertise and services provided by professionals in this sector significantly contribute to the efficiency, transparency, and long-term sustainability of philanthropic initiatives in Hong Kong.

In order to cultivate a healthy talent pipeline for the philanthropic sector in Hong Kong, both the industry and wealthy family members have been working together to provide a wide range of continuous education and upskilling courses. For instance, since 2001, the Harvard Business School Association of Hong Kong has been offering scholarships to Hong Kong’s NGO leaders to attend an executive education programme titled “Strategic Perspectives in Nonprofit Management” at the Harvard Business School every summer.⁹² The programme allows scholarship receivers, who are non-profit executive directors and chief executive officers, to gain on-the-ground experience and learn from practitioners in the United States.⁹³

Overall, Hong Kong’s philanthropic ecosystem is characterised by a strong culture of giving and a commitment to addressing social challenges, such as an ageing population and elderly health, poverty and inequality, and mental health issues. Alongside support from the Government and the contribution of service providers, the combination of family foundations, non-profit organisations, and corporate efforts creates a robust network of actors working towards a more equitable and sustainable society. With a focus on collaboration, transparency, and impact measurement, the philanthropic ecosystem in Hong Kong continues to evolve and adapt to the changing needs of the community, making a significant difference in the lives of many.

90 Census and Statistics Department. (2023, November). *Table 210-06305A: Employed persons by detailed industry of main employment and sex (excluding foreign domestic helpers)*. https://www.censtatd.gov.hk/en/web_table.html?id=210-06305A

91 Census and Statistics Department. (2023, November). *Table 210-06305 : Employed persons by detailed industry of main employment and sex*. https://www.censtatd.gov.hk/en/web_table.html?id=210-06305

92 Harvard Business School Association of Hong Kong. (n.d.). *HBSAHK Ming Wai Lau Scholarship*. Retrieved December 1, 2023 from <https://www.hbsahk.org/scholarships/>

93 Harvard Business School. (n.d.). *Strategic Perspectives in Nonprofit Management*. Retrieved December 1, 2023 from <https://www.exed.hbs.edu/strategic-perspectives-nonprofit-management/>

➤ **Challenges Faced by
Philanthropic
Organisations and
Foundations
in Maximising Impact**

Challenges Face by Philanthropic Organisations and Foundations in Maximising Impact

The philanthropic sector plays a crucial role in addressing social issues globally, and Hong Kong, with its strong tradition of giving, is no exception. Despite the presence of a vibrant culture of philanthropy among individuals and corporations, as well as numerous charitable institutions, there are still challenges to overcome in establishing a robust philanthropy ecosystem. This section will delve into the complexities faced by charitable organisations and foundations when engaging in philanthropic activities in Hong Kong.

i. Taxation on philanthropic giving

According to OECD (2020), “Tax concessions for philanthropy can efficiently increase philanthropic activity in the areas prioritised by the government and raise overall social welfare” (p.1)⁹⁴. Due to the significant impact of the philanthropic sector, many economies offer certain tax benefits to promote philanthropy. Entities that hold charitable status generally enjoy tax exemptions directly related to their activities. Additionally, individuals and corporate donors who contribute to these organisations often receive tax incentives for their philanthropic donations.⁹⁵

Hong Kong is among those jurisdictions which offer tax incentives for charitable donations for individuals and corporates, in the form of deduction against taxable income, while the city restricts tax deductions to a proportion of income or profits (Figure 6).⁹⁶ This restriction has been perceived as not sufficiently conducive for donors, including FOs to make significant contributions.

Figure 6: Comparison across Asia on Tax Incentive for Charitable Donations

Economy	For individuals		For corporations	
	Rate	Limit*	Rate	Limit*
Bangladesh [^]	12.5%	25%	10%	20%
Cambodia	0%	0%	100%	5%
China	100%	30%	100%	12%
Hong Kong	100%	35%	100%	35%
India	50%	10%	50%	10%
Indonesia	100%	5%	100%	5%
Japan	40%	25%	100%	#
Korea	15%	30%	100%	10%
Malaysia	100%	7%	100%	10%
Nepal	100%	5%	100%	5%
Pakistan	100%	30%	100%	20%
Philippines	100%	10%	100%	5%
Singapore	250%	100%	250%	100%
Sri Lanka	100%	33%	100%	20%
Taiwan	100%	20%	100%	10%
Thailand	100%	10%	100%	2%
Vietnam	100%	100%	100%	100%

* Depending on the economy, the limit may act as a percentage of taxable income, tax payable or of the amount donated.

[^] Pakistan, Japan and Korea have a tax credit system while Bangladesh has a tax rebate system. However, the system in Bangladesh operates similar to a tax credit system as compared to what is commonly understood to be a tax rebate.

(Capital x 0.25% + Income x 2.5%) / 4

Source: CAPS

94 OECD. (2020). *Taxation and Philanthropy Policy Brief*. <https://www.oecd.org/tax/tax-policy/policy-brief-taxation-and-philanthropy.pdf>

95 OECD. (2020). *Taxation and Philanthropy, OECD Tax Policy Studies, No. 27, 2020*, <https://www.oecd.org/tax/tax-policy/oecd-taxation-and-philanthropy.pdf>

96 CAPS. (2022). *Doing Good Index 2022*, https://wordpress.caps.org/wp-content/uploads/2022/07/Doing-Good-Index_2022_Final_online_0704.pdf

In **Hong Kong**, a donation of money made to approved charitable organisations is eligible for tax deductions under the IRO.⁹⁷ The tax deductions aim to incentivise individuals and corporations to support charitable causes. For individual taxpayers, the total amount of tax deductions for charitable donations is capped at 35% of the individual's reduced assessable income (i.e., total income minus allowable deductions) or the actual amount donated, whichever is lower.⁹⁸ Similarly, for corporations, the tax deduction for charitable donations is capped at 35% of the corporation's adjusted assessable profits (i.e., total profits minus allowable deductions and allowances) or the actual amount donated, whichever is lower. Nevertheless, any excessive charitable donations in a year are not eligible to be carried forward for tax deduction in subsequent years in Hong Kong, which is allowed in jurisdictions such as Mainland China, France, Singapore and the US.

Despite the difference in the level of tax deductions for charitable donations, tax incentives are available in many countries in the region to encourage charitable activities.

Charitable donations in **Mainland China** can also be deducted for corporate tax purposes, with a maximum deduction limit of 12% of the annual accounting profit. If the donation amount exceeds the deductible limit in a given year, the excess can be carried forward and deducted in the following three years.⁹⁹ For individuals, if they make charitable donations to eligible domestic non-profit organisations, those contributions are typically deductible up to 30% of the individual's reported taxable income. This deduction applies to all types of income.¹⁰⁰ The Central Government has been progressively enhancing its tax incentives for charitable donations in recent years in an attempt to promote philanthropy and bolster support for social causes.

In **Singapore**, the government offers tax deductions for donations made to registered charities which have been approved as an Institution of Public Character (IPC). The tax deduction scheme for charities in Singapore is administered by the Inland Revenue Authority of Singapore (IRAS). Individuals and corporations can claim tax deductions of 2.5 times the qualifying donation made to any approved charity with IPC status in Singapore for the period from 1 January 2016 to 31 December 2026 that are registered with the Commissioner of Charities and which have been granted tax-exempt status by IRAS.¹⁰¹ It is also worth noting that tax deductible donations include non-cash donations, such as donations of shares, artefacts, land and building, etc.¹⁰²

Looking beyond Asia, the **United Kingdom** has a relatively mature ecosystem for the charity sector. Tax relief at the basic rate is available for donations to UK and selected European Union charities through approved payroll deduction programmes. It is also available for outright monetary gifts and charitable payments made through deeds of covenant or the gift aid scheme.¹⁰³ For illustration purposes, if a UK taxpayer donates £1 to a charity, the charity can reclaim the basic rate of tax already paid on the donation, making a £1 donation worth £1.25 to the charity. Higher-rate taxpayers can also claim back the difference between the higher and basic rate tax on the value of their donation. For a 40% rate taxpayer, this means that for every £1 donated, they can claim back 25p in tax relief.¹⁰⁴

In the **United States**, corporations can obtain tax deductions for allowable charitable contributions, but the deductions are limited to a maximum of 10% of their taxable income. Deductions for contributions so limited may be carried over to the five succeeding years, subject to the 10% limitation annually. Carryovers of qualified conservation contributions may be carried over for 15 years.¹⁰⁵ Individuals can claim deductions for charitable contributions they make to eligible charities recognised by the Internal Revenue Service. These deductions are subject to a limit of 60% of their adjusted gross income, while 20% or 30% limitations apply in some cases.¹⁰⁶

97 Inland Revenue Department, (n.d.). *Approved Charitable Donations, Donation eligible for tax deduction*, <https://www.ird.gov.hk/eng/faq/acd.htm>

98 Inland Revenue Department, (n.d.). *Cap. 112 Inland Revenue Ordinance – Section 16D Approved Charitable Donations*, <https://www.elegislation.gov.hk/hk/cap112>

99 PwC. (2023, June 28). *Worldwide Tax Summaries, China, People's Republic of, Corporate – Deductions*.

<https://taxsummaries.pwc.com/peoples-republic-of-china/corporate/deductions>

100 PwC. (2023, June 28). *Worldwide Tax Summaries, China, People's Republic of, Individual – Deductions*.

<https://taxsummaries.pwc.com/peoples-republic-of-china/individual/deductions>

101 Inland Revenue Authority of Singapore, (n.d.). *Donations & tax deductions*. Retrieved 31 October 2023.

<https://www.iras.gov.sg/taxes/other-taxes/charities/donations-tax-deductions>

102 Ibid

103 Gov. UK, (n.d.). *Tax relief when you donate to a charity*, <https://www.gov.uk/donating-to-charity>

104 Charities Aid Foundation, (n.d.). *Give more with Gift Aid*, <https://www.cafonline.org/my-personal-giving/plan-your-giving/tax-effective-giving>

105 PwC. (2023, June 28). *Worldwide Tax Summaries, United States, Corporate – Deductions*. Retrieved 31 October 2023.

<https://taxsummaries.pwc.com/united-states/corporate/deductions>

106 Internal Revenue Services. (2023, June). *Charitable Contribution Deductions*. Retrieved 31 October 2023.

<https://www.irs.gov/charities-non-profits/charitable-organizations/charitable-contribution-deductions>

The taxation policies related to philanthropic giving can impact the level and scale of donations. The comparison with jurisdictions boasting higher rankings in the World Giving Index 2022 highlights the effectiveness of more flexible and generous tax incentives in stimulating a dynamic culture of philanthropy. It underlines the need for a review of the current tax policies and consideration of more incentivising structures to catalyse philanthropic activities. The Government may want to explore mobilising private capital to help certain social sectors via the design of proper tax treatments.

ii. Regulation and registration of charities in Hong Kong

a) Lack of regulatory clarity

In response to the increasing number of organisations involved in fundraising for philanthropic or similar causes, the Charities Sub-committee of the Law Reform Commission of Hong Kong released a consultation paper in June 2011.¹⁰⁷ Subsequently, in 2013, the Law Reform Commission of Hong Kong issued a final report.¹⁰⁸ This paper put forward a comprehensive regulatory framework for charities as a way of tackling industry challenges at the time. Despite being almost a decade old, the challenges and proposals highlighted in the report remain substantially relevant today. The following points are made in reference to the 2013 report.

Definition of charitable organisations



Although section 88 of the IRO stipulated that any charitable institution or trust of a public character, subject to certain conditions to be fulfilled in relation to any trade or business carried on by the institution or trust concerned, shall be exempt from tax, there is no general statutory definition of “charity” according to Hong Kong law, leading to potential ambiguities and inconsistencies.

According to the Tax Guide for Charitable Institutions and Trusts of a Public Character (Tax Guide) published by the IRD for an institution or trust to be considered a “charity”, it must be established for purposes that are exclusively charitable according to law,¹⁰⁹ i.e., referring specifically to Lord Macnaghten’s “four principal divisions” of charitable purposes.¹¹⁰ Although a comprehensive tax guide was published, the lack of a statutory definition of a charity would mean that the definition of “charity” is confined to specific purposes. In addition, the IRD is obliged to refer to the common law in determining whether an organisation serves “charitable purposes”.

It is also worth noting that the requirement of a charity being subject to its governing instrument may place restrictions such that is unable to capture the evolving needs and opportunities in the social sector in modern times.

¹⁰⁷ The Law Reform Commission of Hong Kong, (2011, June). *Consultation Paper – Charities*. https://www.hkreform.gov.hk/en/docs/charities_e.pdf

¹⁰⁸ The Law Reform Commission of Hong Kong, (2013, December). *Report – Charities*. https://www.hkreform.gov.hk/en/docs/rcharities_e.pdf

¹⁰⁹ Inland Revenue Department, (n.d.). *Tax Guide for Charitable Institutions and Trusts of a Public Character*, https://www.ird.gov.hk/eng/pdf/tax_guide_for_charities.pdf

¹¹⁰ Special Commissioners of Income (n.d.). *Tax v Pemsel [1891] Vol 3 Tax Cases 53, at 96, per Lord Macnaghten*

Outdated definition of charitable purposes



The meaning of “charitable purposes” interpreted in accordance with the common law is viewed by both the Law Reform Commission of Hong Kong in 2013¹¹¹ and by market practitioners nowadays as outdated and with little relevance to the current world.¹¹² Such restrictive interpretation was not considered an objective representation of the evolving needs of charitable organisations, as well as the on-going dynamic philanthropic activities in Hong Kong in recent years.

As mentioned, the definition of “charitable purpose” is based on Lord Macnaghten’s 1891 statement of “four principal divisions” (categories) of charitable purposes:¹¹³ (a) the relief of poverty; (b) the advancement of education; (c) the advancement of religion; and (d) other purposes of a charitable nature beneficial to the community not falling under any of the preceding heads. Such a categorisation implies that many of the current and emerging philanthropic trends and themes, including environmental protection and sustainability, ageing, diversity and inclusion, etc., all fall into the last category of “charitable purpose”.

The current criteria for what constitutes a charitable purpose stem from antiquated laws and judicial precedents set in the 19th century. These archaic sources of information are difficult for most people to comprehend and offer little clarity. It would be preferable and beneficial to have a transparent and accessible statutory definition based on contemporary societal norms. An easy reference could be made to the Sustainable Development Goals (SDGs). A clear and understandable standard would benefit both the public who support charities and the charitable organisations themselves.

b) Registration of charities

Hong Kong currently operates without an official registration system for charitable organisations, and there is no dedicated government authority responsible for overseeing the establishment and functioning of charities. The List of Tax-Exempt Charitable Institutions maintained by the IRD does not necessarily include all the charities operating in Hong Kong because some charitable organisations operate in the city without applying for the tax-exempt status. Therefore, the current list is neither comprehensive nor definitive.

Based on previous engagement with the Hong Kong Council of Social Services (HKCSS), the absence of a centralised registry for charitable organisations in Hong Kong poses obstacles to donations and contributions from family offices and foundations. Trust and credibility play crucial roles in philanthropic endeavours, and many donors therefore rely on the List of Tax-Exempt Charitable Institutions published by the IRD as the sole “official” list provided by a government entity.

The List of Tax-Exempt Charitable Institutions, which includes nearly 10,000 tax-exempt charitable organisations, offers a substantial array of options for donors, such as family offices and foundations, looking to contribute to reputable entities in Hong Kong. While it serves as a good reference point for donors to carry out due diligence, it is important to note that many social enterprises that either have not pursued or do not qualify for the “tax-exempt” status, are not included in the list. Since the tax deduction for

111 The Law Reform Commission of Hong Kong, (2013, December). *Report – Charities*. https://www.hkreform.gov.hk/en/docs/rcharities_e.pdf

112 LC Lawyers, (2021, March 4). *Common issues in operating a Hong Kong Charity*.

https://www.eylaw.com.hk/en_hk/publications/our-latest-thinking/2021/march/common-issues-in-operating-a-hong-kong-charity

113 The Law Reform Commission of Hong Kong, (2013, December). *Report – Charities*. https://www.hkreform.gov.hk/en/docs/rcharities_e.pdf

approved charitable donations is only applicable to organisations with “tax-exempt” status, donors primarily collaborate with institutions on the List of Tax-Exempt Charitable Institutions. As a result, many non-tax-exempt SDOs lack visibility and might not be able to gain access to funding or even donors who are not driven by tax incentive. Acknowledging that provision of the List of Tax-Exempt Charitable Institution is not intended to facilitate any interested parties to gain access to the information of any charities, the absence of a comprehensive public list of charities, in general, restricts the options and scope of donations, leading to an imbalanced distribution of funding within the sector.

The establishment of an official registrar for charitable organisations in Hong Kong would enhance transparency for both charitable organisations and donors. It would create a more transparent and credible environment where charitable organisations can operate, and donors can contribute with confidence. Additionally, the registrar could differentiate between the concepts of “tax-exempt” status and being recognised as a “charitable institution”. This differentiation would allow organisations to be acknowledged as charitable institutions without being obligated to meet the requirements imposed by the IRO for tax exemption recognition.

iii. Cumbersome administrative process

The regulatory frameworks governing Asia’s social sectors have undergone significant changes in recent years. Nevertheless, the administrative process that charitable organisations are required to go through continues to be condemned. The demands of administrative tasks are viewed as one of the biggest challenges facing social workers and those working in the social sector.¹¹⁴

Unlike the services sector in Hong Kong, the social sector and its relevant philanthropic activities are not regulated or under the purview of one centralised stakeholder. On the one hand, the IRD is in charge of approving applications for and reviewing recognition of tax exemption for charitable institutions under the IRO. On the other hand, it is not responsible for registration of charities, nor does it have any statutory power to regulate or monitor charities. As the city’s sole administrator of tax laws in Hong Kong, the IRD has a broad spectrum of responsibilities beyond charity-related tax matters. However, the burden of approving a high volume of tax exemption applications by organisations seeking charity status falls solely on the IRD. Moreover, the actual time taken by the IRD from the receipt of an application for recognition of tax exemption status to the issue of a formal “approval” varies from case to case, depending on factors including the completeness of the information and documents submitted by the organisation concerned. According to CAPS, the number of days for organisations to acquire a clearance from the Government (i.e., the IRD) is higher than the average of 124 days in Asia.¹¹⁵ While the recently announced enhanced application procedure on applications for recognition of the tax-exempt status of charities by the IRD aims to streamline the administrative process, it continues to exhibit the complexity of the administrative process, the volume of applications, and limited manpower resources.

114 BASW, (2021). *The BASW Annual Survey of Social Workers and Social Work: 2021 – A summary report, 2021*, https://www.basw.co.uk/system/files/resources/basw_annual_survey_summary_report_2021.pdf

115 CAPS, (2023, February). *Hong Kong as a Philanthropy Hub*. https://caps.org/work/our-research_hong-kong-as-a-philanthropy-hub

The following comparison of charity regulatory bodies and their functions in the UK, Canada, Singapore and New Zealand is made with the aim of exploring potential strategies for streamlining the process and reducing the timeline, to better support the thriving social sector in Hong Kong (Figure 7).

Figure 7: Comparison of charity regulatory bodies and their functions in the UK, Canada, Singapore and New Zealand

Jurisdictions	UK ¹¹⁶	Canada ¹¹⁷	Singapore ^{118, 119}	New Zealand ¹²⁰
Name of regulator	Charity Commission	Charities Directorate of the Canada Revenue Agency (CRA)	The Office of Commissioner of Charities	Charities Services
Governing law	Charities Act 2011	Canadian Income Tax Act	Charities Act 1994	Charities Act 2005
Functions/Responsibilities				
Regulatory	<ul style="list-style-type: none"> - register eligible organisations in England and Wales which are established for only charitable purposes - take enforcement action when there is malpractice or misconduct - ensure charities meet their legal requirements, including providing information on their activities each year 	<p>At the federal level, the Canada Revenue Agency (CRA) administers a system to register charities under the Income Tax Act. As the regulator of charities, the CRA's responsibilities include:</p> <ul style="list-style-type: none"> - processing applications for registration; - offering technical advice on operating a charity; - handling audit and compliance activities; and - providing general information to the public. <p>Registration provides charities with exemption from income tax. Registration also authorizes charities to issue official donation receipts for income tax purposes, meaning that donors can claim gifts made to registered charities to reduce their income tax.</p>	<p>The general functions of the Commissioner are —</p> <ul style="list-style-type: none"> (a) to determine whether institutions are or are not charities; (b) to encourage and facilitate the better administration of charities; (c) to identify and investigate apparent misconduct or mismanagement in the administration of charities; (d) to take remedial or protective action in connection with misconduct or mismanagement in the administration of charities; (e) to obtain, evaluate and disseminate information in connection with the performance of any of the Commissioner's functions or meeting any of the Commissioner's objectives; (f) to give information or advice, or make proposals, to the Minister on matters relating to any of the Commissioner's functions or meeting any of the Commissioner's objectives; and (g) to perform any other functions that the Minister may determine. <p>The Commissioner must, as soon as possible after the end of every year, submit to the Minister a report on the Commissioner's operations during that year, and the Minister must present a copy of the report to Parliament.</p>	<ul style="list-style-type: none"> - maintain and monitor a register of charities - receive annual returns and monitor the activities of charities - encourage best practice in governance and use of resources
Non-regulatory	<ul style="list-style-type: none"> - provide guidance to help charities run as effectively as possible - provide online services for charities 			<ul style="list-style-type: none"> - stimulate and promote research about the charitable sector - provide advice on matters relating to charities - promote public trust in charitable organisations - provide education and assistance to the charitable sector

116 Charity Commission for England and Wales, (2018, December). *Appendix 1: Schedule 1, Charities Act 2011*.

<https://www.gov.uk/government/publications/charity-commission-governance-framework/appendix-i-schedule-1-charities-act-2011>

117 Government of Canada, (2016). *What role does the federal government play in the regulation of charities?*. <https://www.canada.ca/en/revenue-agency/services/charities-giving/giving-charity-information-donors/about-registered-charities/what-role-does-federal-government-play-regulation-charities.html>

118 The Legislative Division, Singapore Government. (2020). *Charities Act 1994*. <https://sso.agc.gov.sg/Act/CA1994>

119 Charity Portal. (n.d.). *Commissioner of Charities*. Retrieved October 11, 2023. <https://www.charities.gov.sg/Pages/AboutUs/Commissioner-of-Charities.aspx>

120 Charities Services. (n.d.). *The role of Charities Services*. <https://www.charities.govt.nz/about-charities-services/the-role-of-charities-services/>

iv. Cross-boundary donations

Cross-boundary donations to Mainland China present a unique set of challenges due to the country's foreign exchange controls and regulatory environment. While Mainland China is among the top markets receiving cross-boundary giving, the country was rated as highly restrictive regarding regulations facilitating cross-boundary outbound giving and in terms of obtaining approval for inbound remittance of charitable funds.¹²¹ One of the primary challenges is navigating the stringent regulations governing foreign donations.

The Overseas NGO (ONGO) Law

China implemented its first-ever Charity Law in 2016, followed by the enactment of ONGO in 2017.¹²² This legislation signifies the Chinese government's commitment to fostering the development of charitable organisations within the country. However, it is important to note that these regulations also introduced stricter control and supervision over foreign NGOs operating in Mainland China.

The Charity Law aimed at creating a favourable climate for charitable endeavours by providing a legal framework for the registration and operation of charitable organisations. It emphasised transparency, accountability, and the prevention of fraud in fundraising and donation management. The law also granted tax benefits and incentives to individuals and organisations engaged in charitable activities. These are positive changes which supported the growth and development of the domestic philanthropic ecosystem.

Conversely, the ONGO placed additional difficulties on foreign NGOs operating in Mainland China. It introduced registration requirements and imposed stricter regulations on their activities in an attempt to ensure that these organisations aligned with the Chinese government's priorities and policies.

The ONGO provides only two legal channels for foreign foundations and NGOs to carry out activities in Mainland China. They may register a representative office – or, if they do not wish to set up an office but want only to carry out activities, may file a record to carry out so-called “temporary activities”.¹²³ The law states that “foreign not-for-profit organisations (NPOs) that do neither of these two options are not allowed to conduct activities either openly or covertly, or to authorise, fund, or covertly authorise any Chinese work unit or individual to carry out activities”.¹²⁴

As of 31 December, 2021, 631 representative offices of overseas NGOs had been registered in Mainland China, and 4,018 temporary activities had been recorded. About 62% of organisations with representative offices were established by NGOs based in Hong Kong, Japan, South Korea, the UK, or the US. 68% of registered representative offices were in Beijing, Shanghai, Guangdong, Yunnan, or Sichuan.¹²⁵

The Central Government imposes strict controls on cross-border funding to ensure transparency and prevent any potential political interference. Organisations and individuals looking to donate to Mainland China must comply with complex registration and reporting requirements, and failure to do so can result in legal consequences and restrictions on future activities.

This regulatory landscape can be daunting for international donors as it requires them to invest significant time, resources, and expertise to ensure compliance. Industry practitioners have voiced the difficulties associated with cross-boundary giving, speaking of the intensive procedures required and the time-consuming negotiations with Mainland authorities. They also highlighted the variance in requirements among the different provinces, adding another layer of complexity to the process.

121 Give2Asia. (2022, June). *Unlocking Cross-border Philanthropy in Asia*.

<https://give2asia.org/wp-content/uploads/2022/06/Cross-Border-Philanthropy-Report-2022-06-08.pdf>

122 China File. (2016). *Law of the People's Republic of China on Administration of Activities of Overseas Nongovernmental Organisations in the Mainland of China*, <https://www.chinafile.com/ngo/laws-regulations/law-of-peoples-republic-of-china-administration-of-activities-of-overseas>

123 The People's Republic of China, (2016). *Article 9, Law on the Management of the Activities of Overseas NGOs within Mainland China*, https://www.gov.cn/xinwen/2016-04/29/content_5069003.htm

124 The People's Republic of China, (2016). *Article 32, Law on the Management of the Activities of Overseas NGOs within Mainland China*, https://www.gov.cn/xinwen/2016-04/29/content_5069003.htm

125 International Center for Not-for-profit Law, (2023, May). *China Philanthropy Law Report*, <https://www.icnl.org/wp-content/uploads/China-PLR-June-2023.pdf>

Policy Recommendations

Policy Recommendations

The philanthropy ecosystem in Hong Kong holds immense potential for addressing social challenges and promoting community well-being. It is also a key area in which families and family foundations are highly involved. To enhance the impact and effectiveness of philanthropic initiatives, it is crucial to create a supportive environment that encourages charitable giving, strengthens transparency and accountability, fosters cross-sector collaboration, and continues the vibrant growth and development of the philanthropic sector. Moving away from the analysis of the preceding sections, this section of the paper attempts to identify ways to address the challenges, thereby unlocking the full potential of philanthropy in Hong Kong's dynamic landscape.

i. Giving momentum: further tax incentives for philanthropic activities

Tax incentives play a significant role in encouraging charitable donations and supporting charitable organisations. Attractive tax incentives for philanthropic activities bring many benefits to the ecosystem overall.

- **Encouraging charitable giving:** Tax incentives provide individuals and corporations with a financial incentive to donate to charitable causes. By offering tax deductions or exemptions for donations, governments motivate individuals and businesses to contribute a portion of their income or profits to non-profits and charitable organisations.¹²⁶ By providing tangible benefits for philanthropic actions, tax policies send a strong message that supporting charitable causes is valued and encouraged.
- **Expanding the pool of funding available for charitable purposes:** Tax incentives can attract new donors who may not have otherwise considered making charitable contributions. The financial benefit of tax deductions or exemptions makes donating more appealing and affordable for individuals and corporations across various income levels. This broadens the base of donors, increasing the potential resources available to charitable organisations.
- **Supporting charitable organisations:** Tax incentives also play a crucial role in supporting the sustainability and growth of charitable organisations. Donations received through tax-incentivised giving contribute to the financial stability of charitable organisations, enabling them to carry out their vital work in addressing societal needs. This includes funding programmes and services, conducting research, advocating for policy changes, and implementing initiatives that benefit communities.

Although the effectiveness of tax incentives cannot be solely gauged by their financial value in comparison to other factors, extensive research has provided compelling evidence supporting the effectiveness of tax incentives for philanthropy. These studies demonstrate that as the relative cost of giving decreases, individuals are more inclined to donate, indicating an increase in the propensity to give.¹²⁷ Thus, more tax incentives could be suitably provided by the following:

a) Remove/adjust the 35% ceiling on income eligible for tax deduction for charitable donations

Under section 26C of the IRO, a deduction in respect of the aggregate amount of the approved charitable donations made by a person chargeable to salaries tax shall be allowable to the person for that year of assessment, if in any case, such aggregate amount is not less than HK\$100.¹²⁸ Similarly, section 16D of the IRO also allows deductions for approved charitable donations to be made by a taxpayer who is subject to profits tax.¹²⁹ Deductions under both sections are subject to a current 35% ceiling of the assessable income or profits. The chart below sets out figures provided by the IRD for the total amount of approved charitable donations allowed as tax deductions in Hong Kong from 2011/12 to 2021/22.¹³⁰

¹²⁶ The Policy and Strategy area of Inland Revenue, New Zealand, (2006). *Tax incentives for giving to charities and other non-profit organisations: a government discussion document*, <https://www.taxpolicy.ird.govt.nz/-/media/project/ir/tp/publications/2006/2006-dd-charitable-giving/2006-dd-charitable-giving-pdf.pdf>

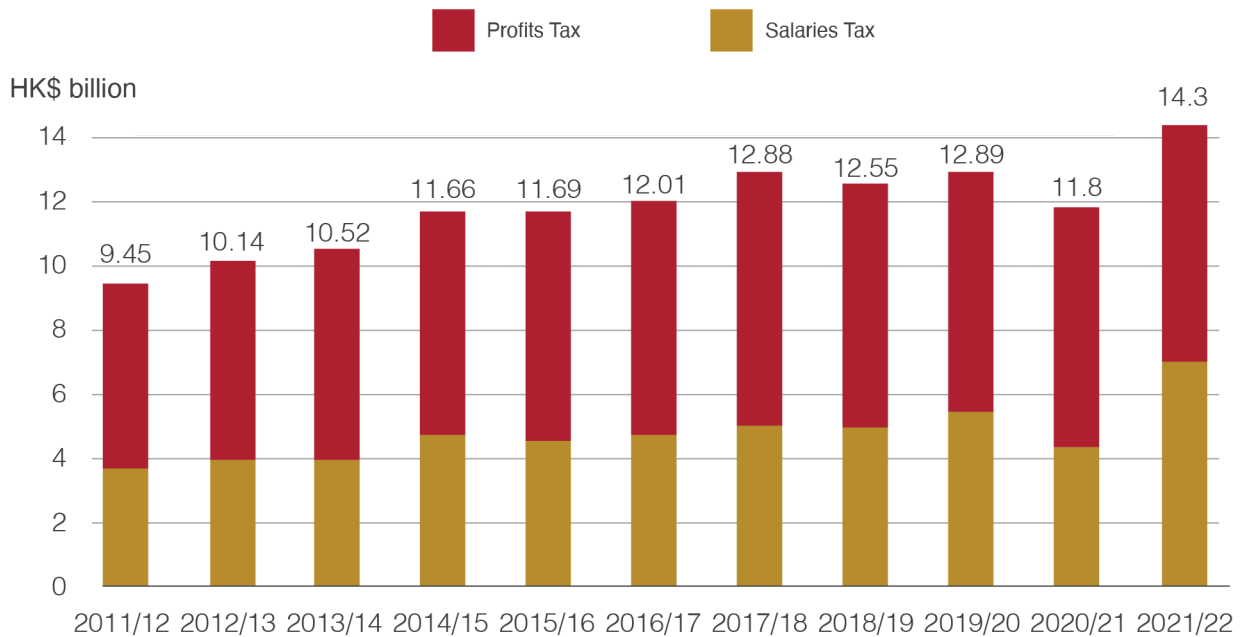
¹²⁷ Charities Aid Foundation, (2016, May). *Donation States – An international comparison of the tax treatment of donations*, <https://www.cafonline.org/docs/default-source/about-us-publications/fwg4-donation-states>

¹²⁸ Inland Revenue Department. (n.d.). *Inland Revenue Ordinance (Cap 112), Section 26C (1)*, <https://www.elegislation.gov.hk/hk/cap112!en>

¹²⁹ Inland Revenue Department. (n.d.). *Inland Revenue Ordinance (Cap 112), Section 16D*, <https://www.elegislation.gov.hk/hk/cap112!en>

¹³⁰ Inland Revenue Department, (n.d.). *Annual Report*, <https://www.ird.gov.hk/eng/ppr/are.htm>

Figure 8. The amounts of approved charitable donations allowed under profits and salaries tax



During the assessment year of 2020/21, the aggregate revenue generated from salaries tax and profits tax amounted to HK\$75.03 billion and HK\$135.54 billion, respectively. In other words, the reduction of tax revenue collected (approximately HK\$1.8 billion) as a result of approved charitable donations permitted under profits tax and salaries tax only represented approximately 0.87% of the total revenue collected.¹³¹

Considering the increasingly competitive philanthropic landscape in various jurisdictions worldwide, the limits imposed by this 35% cap on assessable income after allowable deductions for the assessment year warrant a review. Some jurisdictions have demonstrated that removing fiscal limitations on tax deductions or imposing a higher limit (e.g. 250% in Singapore, up to 31 December 2026) for charitable donations can stimulate philanthropy and create a fairer and more equitable environment for charitable organisations (e.g. tax deduction of 2.5 times the qualifying charitable donations in Singapore, tax relief for donations by individuals to charities or community amateur sports clubs in the UK, and tax deduction up to 50% of the adjusted gross income in the US, although 20% and 30% limitations apply in some cases). These jurisdictions have embraced the idea that philanthropy should not be constrained by a cap, allowing individuals and corporations to fully express their generosity. However, Hong Kong's policy may inadvertently limit the growth of philanthropy in the region by discouraging larger donations.

In addition, where a deduction limit is imposed, Hong Kong currently does not allow any excessive donation over the allowable limit to be carried forward to subsequent years for tax deduction purposes. Hong Kong might want to consider examples such as Mainland China, France or Singapore which allow carrying forward of excessive donations into subsequent years. This can encourage more significant charitable donations by ensuring that donors receive full recognition for their contributions over time.

¹³¹ Inland Revenue Department, (2021). *Tax by the Law, Service from the Heart, Annual Report 2020-21*, https://www.ird.gov.hk/dar/2020-21/table/en/ar_2021.pdf

b) *Expand coverage of “approved charitable donations” to non-monetary donations*

Charitable donations may encompass a range of contributions, both monetary and non-monetary. Currently, Hong Kong only allows tax deductions for monetary donations (i.e., in cash and not in-kind) made to charitable organisations only.

While monetary donations are crucial for funding philanthropic initiatives, non-monetary donations hold equal importance. Non-monetary contributions, such as goods, artefacts, land and buildings, etc, directly address immediate needs, allow individuals to contribute based on their unique skills, foster community engagement, and provide cost savings for charitable organisations. The impact of in-kind donations was exemplified during the COVID-19 pandemic. Recognising the value of non-monetary donations is vital for creating a well-rounded and inclusive philanthropic sector that maximises its impact on society.

The implications of revising Hong Kong’s tax incentive to acknowledge non-monetary charitable contributions can be profound. Such a move would not only validate the diverse forms of philanthropy but also stimulate a more resourceful ways of giving. By establishing tax incentives for in-kind donations, the Government would signal its commitment to a holistic appreciation of philanthropic contributions, potentially spurring increased participation from both individuals and corporations.

Expanding the tax deduction eligibility for non-monetary donations, such as furniture and office space, would diversify the philanthropic landscape. It allows for a more inclusive spectrum of charitable acts, reflecting a range of donor capabilities and available resources. Moreover, this broadened support could more accurately address the specific needs of charitable organisations, enhancing the sector’s efficiency and impact.

The economic benefits of this expansion could be substantial. Encouraging non-monetary donations via tax deductions could relieve financial pressures on non-profits by supplementing or replacing cash donations with equally valuable goods and services. This, in turn, could free up monetary donations for use in other critical areas, maximizing the impact of each dollar donated. This policy change would align with the evolving landscape of philanthropy and encourage a culture of generosity and social responsibility in Hong Kong, with a spirit of community, sustainability and circularity.

However, the transition towards including non-monetary donations within the tax deduction framework is not without its challenges. Valuation concerns for in-kind contributions needs to be resolved. Establishing a robust and transparent valuation process will be crucial for the policy’s success.

If Hong Kong can effectively navigate these challenges, the expansion of tax deductions to non-monetary donations has the potential to fortify the philanthropic infrastructure, foster innovative collaboration, and make a marked contribution to the city’s social fabric and economic vitality. This can complement the Government’s efforts in developing Hong Kong as a philanthropic centre as a crucial part of its family office strategy.¹³²

ii. **Doing good made easy: providing regulatory clarity and certainty**

While tax incentives motivate foundations, charitable organisations, and corporations to conduct philanthropic activities, providing regulatory certainty and hassle-free administrative procedures for charitable organisations to operate works in tandem to cultivate a comprehensive philanthropy ecosystem.

As mentioned in previous sections, the social sector is heavily burdened by administrative work and it remains a major challenge for organisations to operate efficiently. Many NGOs, tax-exempt or not, operate with a small number of staff. Thus, key measures to provide guidance and support on the set up and operations of charities are much needed to build capacity, enhance transparency and build trust in the sector. These may include providing more guidance and clarity on acceptable or recognised scope of charitable activities or objects, establishing a registrar for charitable organisations in Hong Kong and streamlining existing administrative processes.

¹³² Financial Services and the Treasury Bureau. (2023). *Policy Statement on Developing Family Office Businesses in Hong Kong*. https://gia.info.gov.hk/general/202303/24/P2023032300717_415645_1_1679627481405.pdf

a) Providing regulatory certainty and clarification of various philanthropic concepts

Charitable organisations and their constituents

In our earlier discussion on what constitutes a charitable organisation in Hong Kong, the rationale behind the determination requires an interpretation of an archaic case law dating back to the 19th century. Although Lord Macnaghten's "four principal divisions" of charitable purposes form the foundation of the interpretation of charity for many jurisdictions around the world, certain countries have expanded these core divisions to cover a wider variety of charitable purposes, making them more appropriate to contemporary society.

For example, the UK's Charities Act and Singapore's Charities Act,^{133, 134} both list 13 descriptions of charity purposes, retaining Lord Macnaghten's four principal divisions and expanding them to include categories such as the advancement of citizenship or community development, art, amateur sports, human rights, environmental issues, animal welfare, relief for those in need, and the promotion of the efficiency of the armed forces of the Crown, and of the efficiency of the police, fire and rescue, or ambulance services.¹³⁵ The expanded descriptions provide a higher degree of clarity and guidance to charitable organisations while taking into account the ever-evolving development of the sector. It also provides flexibility for organisations by allowing them to choose from more options of charitable purposes.

Enhancing the description of charitable purposes in a more comprehensive manner can foster greater trust between the government and the philanthropy sector. The Law Reform Commission conducted an in-depth study in this regard and made relevant recommendations on the expanded definition of charitable purposes. The FSDC believes that such proposed definitions are relevant to date.



The aforementioned categories are adapted from the Law Reform Committee report. However, it is worth noting that other indicators or benchmarks, such as the Sustainable Development Goals, which cover a wide range of elements including quality education, climate action, gender equality, etc, can be considered to further enhance the description of charitable purposes.

¹³³ The Legislative Division, Singapore Government. (2020). *Charities Act 1994*, <https://sso.agc.gov.sg/Act/CA1994>

¹³⁴ Charity Portal, (n.d.). *Criteria for Registration as a Charity*,

<https://www.charities.gov.sg/Pages/Charities-and-IPCs/Register-as-a-Charity/Criteria-for-Registration-as-Charity.aspx#>

¹³⁵ UK Public General Acts, (n.d.). *Charities Act 2011*, <https://www.legislation.gov.uk/ukpga/2011/25/section/3>

The expansion of definition of charitable purpose may require a change in legislation, should it be considered appropriate as currently such interpretation is assessable via the guidance notes issued by the IRD. Given the intricacies associated with potential legislative changes, as an interim solution to provide more clarity and certainty to the industry, the relevant Government department (e.g. the IRD) may offer additional guidance on the interpretation of the “four principal divisions” in the Tax Guide for Charitable Institutions and Trusts of a Public Character (Tax Guide) published by the IRD. Recognising that certain “expanded categories” found in the charitable acts of other jurisdictions have already been incorporated within Hong Kong’s fourth category, namely, “other purposes of a charitable nature beneficial to the community not falling under any of the preceding heads”, providing further guidance to the industry will facilitate efficiency for both the relevant government bureaux and charitable organisations alike.

b) Establishing a centralised directory/registry of charities

A centralised registry as a directory of charitable organisations to provide a comprehensive picture of the overall philanthropic landscape other than only tax-exempt charities is crucial for the effective oversight and regulation of the charitable sector. A charities directory is essential to the sustainable development of the ecosystem in terms of ensuring transparency and credibility and facilitating the vibrant development of the industry.

A charity registrar ensures **transparency and accountability** within the charitable sector. By maintaining a register of charities, the registrar provides the public with access to information about charitable organisations, including their missions, activities, and financial records. As transparency improves, the establishment of such a directory then helps prevent fraud, mismanagement and abuse within the charitable sector. Donors and beneficiaries can verify the validity and legitimacy of the organisations with which they are dealing. This transparency builds trust and confidence among donors, beneficiaries, and the general public.

Currently in Hong Kong, the only available list of charities is the List of Tax-Exempt Charitable Institutions published by the IRD. As mentioned earlier, such a list tied solely to the “tax-exempt” status is not viewed by the industry as comprehensive. Information about projects or organisations is also not easily accessible. Case in point, for a FO or foundation to look for charitable organisations to approach regarding partnerships, one might need to search through separate portals or lists compiled by different NGOs, such as the Hong Kong Charities Portal¹³⁶ and the Social Enterprise Directory¹³⁷ and that of the IRD. **The establishment of a centralised directory would facilitate all stakeholders in the industry in terms of operations, as well as create checks and balances, within the industry.**

The Government might also consider expanding the tax incentive for individual and corporate donors by referencing this charity register which may include some (lower) level of tax deduction to charities that may not necessarily seek recognition of tax exemption status.

c) Promoting a balance between transparency and efficiency in administrative and reporting processes facilitated by technology

For transparency, Hong Kong can consider streamlining its application process in terms of setting up a charitable organisation and applying for tax exemption recognition. Indeed, we applaud the IRD’s dedicated efforts in facilitating the development of the industry. In June 2023,¹³⁸ the IRD announced an enhanced application procedure for recognising the tax-exempt status of charities and provided a new set of guidelines entitled “Guidance on Writing Charitable Purposes in the Governing Instrument”.¹³⁹ The enhanced procedure intends to support the IRD Charitable Donation Section by streamlining the application process, given the application forms are correctly filled out. It is essential that the new approach is effectively communicated and understood. To this end, the IRD has taken efforts to make known the public the enhanced procedures and publication of the new guidance. In general, more tailored guidance or training, feedback loops, including consultations with the industry, could be beneficial.

136 Hong Kong Charities Portal. (n.d.). *Hong Kong Charities Portal*. Retrieved 31 October 2023 from <https://app.hongkongcharities.com/>

137 Social Enterprise Business Centre, (n.d.). *Social Enterprise Directory*, <https://socialenterprise.org.hk/en/sedb>

138 PwC. (2023, June 20). *IRD enhances processing of applications for tax exemption status of charities*, <https://www.pwchk.com/en/hk-tax-news/2023q2/hongkongtax-news-jun2023-11.pdf>

139 Inland Revenue Department, (n.d.). *Guidance on writing charitable purposes in the governing instrument*, https://www.ird.gov.hk/eng/pdf/Guidance_on_writing_charitable_purposes.pdf

From our discussion with relevant stakeholders, while an additional compliance burden on reporting for NGOs should be avoided, it was generally perceived that a higher degree of transparency would improve the credibility of charitable organisations. Some practitioners also questioned whether the current reporting and auditing frequency was sufficient for building a transparent ecosystem.

To reduce transaction costs between donors and donation-receiving entities while noting that annual reporting is already technically required for these tax-exempt organisations to maintain their status, relevant stakeholders should consider measures to enhance charitable organisations' disclosure of information such as financials and a list of charitable activities. As a start, this can apply to tax-exempt charitable organisations on the List of Charitable Tax-Exempt Institutions. A slightly modified version of this suggestion is establishing a threshold, mandating organisations that receive a certain amount of philanthropic donations to conduct proper periodical reporting.

Currently, from time to time, the IRD asks for accounts, annual reports or other documents for the purpose of conducting a review of the exemption status of a particular organisation to ensure that the organisation is still charitable, and its activities are compatible with its objectives. It is also the responsibility of said tax-exempt charities to notify the IRD of any changes in circumstances which may have a bearing on their exemption status.

It is important to understand that while good governance ensures accountability and trust, the burden of reporting requirements could impede the efficiency of the industry. Therefore, striking a balance between the two is essential. As such, in order to improve the administrative process in a balanced way, reference can be drawn from the ESG reporting guidelines and the phased adoption approach designed by the HKEX. By taking a comply-or-explain approach, reporting can be conducted in a relatively standardised manner while allowing flexibility to tax-exempt organisations to provide further explanation and proof.

Moreover, while we acknowledge that the auditing and reporting frequency be increased, such a procedure might add an extra burden to the IRD. The role of the IRD with respect to reviewing the accounts of tax-exempt charities is important to ensure that only charities which carry out activities in compliance with their objectives should continue to be recognised their tax-exempt status. Given the increasing number of tax-exempt charitable organisations in Hong Kong, it is equally important to allocate more resources to the IRD to enable it to accelerate the application process and conduct more frequent reviews. An absence of a predictable timeline for the application process can result in uncertainty and frustration for the organisations seeking to apply, which could, in turn, lead to a loss of confidence in Hong Kong's philanthropic system.

Apart from government-imposed administrative procedures, charitable and non-profit organisations often face the additional requirement of submitting various reports and proposals to funders during the grant application process. However, technology has the potential to address this issue. The implementation of a centralised online platform providing certain key information on the charities or beneficiary organisations could alleviate the reporting burden on non-profit organisations while providing funders with easier access to monitor the progress of their beneficiaries. Hence, the workload for funders and grantmakers in terms of data management could be minimised. This, in turn, would enhance accountability and transparency throughout society, fostering trust among funders and beneficiaries, and which could be the foundation for developing further platforms and tools with capacity building and scale of philanthropic giving. To this end, the Government could consider collaborating with funders and leading practitioners in the field to develop such a platform. This platform should be made accessible to non-affiliated operators, allowing them to utilise its resources. Additionally, leading grantmakers and service providers, such as the HKJC and HKCSS, could also facilitate knowledge and information-sharing by showcasing some successful cases and examples for the industry's reference. Grantmakers and service providers could also take the initiative to mentor smaller-scale projects and NGOs.

iii. Coordinated philanthropy: the feasibility of establishing a cross-sectoral committee and a one-stop shop for the charity industry

a) *Establishing a cross-sectoral steering committee for better policy design, support and coordination*

To optimise the impact and efficacy of Hong Kong's philanthropy ecosystem, it is crucial to provide comprehensive policy guidance and support that sets a clear direction for its development. Given the interconnected nature of the philanthropy industry, characterised by cross-sector collaborations and networks, establishing a cross-sectoral steering committee would be beneficial. Noting that the Home and Youth Affairs Bureau has been tasked to co-ordinate inputs on the recommendation by the Law Reform Committee on overall regulation and monitoring of the operation of charities,¹⁴⁰ the establishment of this steering committee aligns with the goal of positioning Hong Kong as a philanthropy hub¹⁴¹ facilitates open discussions and empowers policy design and coordination to enhance the sustainability of the philanthropy sector and foster trust among stakeholders within the ecosystem.

Mirroring experiences such as those of the Green and Sustainable Finance Cross-Agency Steering Group,¹⁴² the steering committee should comprise relevant government bureaux, leading and notable non-profit organisations/charities, small to medium-sized charitable organisations, leading foundations of varying sizes, academia and representatives from the private sector. Reference can be made to the ecosystem model mentioned in previous section titled *Overview of the Philanthropic Landscape in the World, Asia, and Hong Kong* of this paper. With each member bringing unique expertise, experiences, and viewpoints to the steering committee, this diversity of perspectives ensures that philanthropy policies consider multiple angles and take into account the needs and concerns of different stakeholders.

The committee would formulate a strategic direction and roadmap for the philanthropic sector, providing capacity building and talent development strategy for the industry, and monitoring the sector's development progress and achievements. Furthermore, the committee should spearhead efforts to deepen collaboration with Mainland China to facilitate cross-boundary giving.

Philanthropy is a complex and multi-faceted field that intersects with various sectors, (e.g., the social sector, financial industry, and professional services), and covers numerous issues (e.g., education, healthcare, poverty alleviation, and environmental conservation). A cross-sectoral steering committee can take a holistic approach to philanthropy policies by considering the interconnections and synergy among different sectors. In addition, by strengthening exchanges with Mainland China on cross-boundary giving, the committee can effectively identify opportunities and navigate challenges. The FSDC believes that this approach will help create comprehensive, long-term and integrated policies which effectively address broader societal challenges.

b) *Setting-up a one-stop shop under the steering committee to facilitate operations of charitable organisations and enhance trust and quality of reporting within the sector, which may also help coordinate with counterparts on the Mainland*

Although there is no consensus among stakeholders interviewed by the FSDC, including the Working Group and other organisations and experts in the field, but drawing on from from experiences in other markets regarding setting up a charity-related "one-stop shop", the steering committee may evaluate the feasibility of establishing a similar body to oversee the philanthropy industry.

It is worth mentioning that, as the number of organisations collecting funds from the public for philanthropic or similar causes has increased, the consultation paper published by the Charities Sub-Committee of the Law Reform Commission of Hong Kong in June 2011 suggested the implementation of a comprehensive regulatory framework for charities and the establishment of a regulatory body to oversee such organisations. However, the consultation encountered significant concerns and diverging opinions from stakeholders. In December 2013, the Law Reform Commission reported that it would be prudent to refrain from recommending the establishment of a charity commission at that time due to the lack of a consensus among the public on

140 Legislative Council. (2023). *The Government Minute in response to the Report of The Public Accounts Committee No.79 of February 2023*. <https://www.legco.gov.hk/yr2023/english/counmtg/papers/cm20230524-sp043-e.pdf>

141 Financial Services and the Treasury Bureau. (2023). *Policy Statement on Developing Family Office Businesses in Hong Kong*. https://gia.info.gov.hk/general/202303/24/P2023032300717_415645_1_1679627481405.pdf

142 Green and Sustainable Finance Cross-Agency Steering Group. (n.d.). *Hong Kong World's Sustainable Finance Hub*. Retrieved 31 October 2023 from <https://sustainablefinance.org.hk/en/>

the issue.¹⁴³ While this paper proposed that relevant public stakeholders revisit and evaluate the need for such an establishment, it is worth noting that a “one-stop shop” does *not* necessarily warrant a regulatory function. Instead, it could be set up in the form of a service centre to facilitate the operation of charitable organisations in Hong Kong as well as enhance trust within the sector.

Similar to the establishment of FamilyOfficeHK by InvestHK for the family office industry, a “one-stop shop” set up by the Government to coordinate efforts in the philanthropy industry, especially among different various government bodies is proposed. With such a setup, both donors and charitable organisations would be given a designated contact point for relevant matters, instead of having to approach various bureaux and organisations.

Some of the proposed objectives and relevant responsibilities of the one-stop shop can include: -

- i.** Facilitating the carrying out of various administrative functions, such as the reporting requirements proposed earlier;
- ii.** Registration of charitable organisations in Hong Kong as well as maintenance of a centralised directory;
- iii.** Provision of guidance to the public on setting up new charitable organisations in Hong Kong and educating the public on understanding the charitable and philanthropic sector, similar to investor education;
- iv.** Monitor and analyse Hong Kong’s philanthropic landscape to identify areas in need of resources, and facilitate impactful collaborations between donors and beneficiaries in addressing pressing societal needs;
- v.** Communicate with relevant authorities in Mainland China to foster collaboration and establish mutual access mechanisms that facilitate cross-border donation flow.

As explored in in previous section titled *Challenges Faced by Philanthropic Organisations and Foundations* on the Cross-boundary donations, despite the close links between Hong Kong and Mainland China in various sectors, such as finance, technology, and education, the philanthropic synergy between the two regions remains fragmented. Nonetheless, Hong Kong’s proximity to Mainland China and its global financial centre status position is paramount as a potential philanthropic gateway, particularly for family offices and wealthy families. To elevate its status and stand out from other emerging hubs in the region, Hong Kong should focus on facilitating cross-boundary giving.

The “one-stop shop”, with or without regulatory function, may be the designated office to facilitate communications regarding smoother cross-boundary philanthropic donation flows into Mainland China. Acknowledging that there are no standardised practices on cross-boundary giving across jurisdictions around the world and that every jurisdiction has its concerns over inbound and outbound donations and their own prioritised social goals, the office can facilitate coordination and dialogue with relevant counterparts on the Mainland regarding cross-boundary giving to maximise the impact of philanthropic capital on the society. This effort can involve developing a mutual access mechanism to streamline the donation process between Mainland China and Hong Kong, while supporting the development of a transparent and thriving philanthropic ecosystem in the market. This approach promises a transparent and credible framework that could enhance the attractiveness of cross-boundary philanthropy and potentially position Hong Kong as a global exemplar in philanthropic leadership.

143 The Law Reform Commission of Hong Kong, (2013, December). *Report – Charities*, https://www.hkreform.gov.hk/en/docs/rcharities_e.pdf

Conclusion

Conclusion

The interplay between family offices and philanthropy is a critical dynamic that shapes the landscape of wealth management and societal impact. Family offices are private wealth management entities that cater to the financial needs and objectives of high-net-worth families.

Philanthropy, on the other hand, involves the voluntary act of giving resources, such as time, money, or expertise, to support charitable causes and make a positive impact on society. Many affluent families view philanthropy as a core component of their wealth management strategy, allowing them to give back to their communities and contribute to causes that resonate with their values and passions.

With an enhanced and more coherent philanthropy ecosystem, not only do charitable organisations have a better environment in which to operate and achieve their aims, but the relationships between donors and beneficiaries could be strengthened. By operating within such an ecosystem, family offices can bolster their credibility, align their philanthropic activities with client values, collaborate effectively, access valuable resources, navigate regulatory requirements, and demonstrate their social outcomes, ultimately driving positive social change while meeting their families' wealth management objectives.

Besides, community investment which encompasses philanthropic giving has been and will continue to be an important part of corporate social responsibility. Hong Kong's position as a strong and effective international philanthropy hub would be well-aligned with its position as a global sustainable finance hub, providing strategic opportunities for impact investing and corporations that align corporate purpose and values with charitable efforts.

Annex

Annex I: Comparison of charitable purposes in the UK, Canada, Singapore and New Zealand

Jurisdictions	Governing regulation/ Guidance	Description of charitable purposes		
		Lord Macnaghten listed “four principal divisions” of charitable purposes	Purposes in addition to the “four principal divisions”	
HK ¹⁴⁴	Tax Guide for Charitable Institutions and Trusts of a Public Character	✓	N/A	
UK ¹⁴⁵	Charities Act	✓	✓	<ol style="list-style-type: none"> 1. The advancement of health or the saving of lives 2. The advancement of citizenship or community development 3. The advancement of the arts, culture, heritage or science 4. The advancement of amateur sport 5. The advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity 6. The advancement of environmental protection or improvement 7. The relief of those in need, by reason of youth, age, ill-health, disability, financial hardship or other disadvantage 8. The advancement of animal welfare 9. The promotion of the efficiency of the armed forces of the Crown, or of the efficiency of the police, fire and rescue services or ambulance services 10. Any other purposes currently recognised as charitable or which can be recognised as charitable by analogy to, or within the spirit of, purposes falling within 1-9 or any other purpose recognised as charitable under the law of England and Wales
Canada ¹⁴⁶	Canadian Income Tax Act	✓	N/A	
Singapore ¹⁴⁷	Charities Act 1994	✓	✓	<p>Other purposes beneficial to the community, which include commonly recognised ones such as:</p> <ul style="list-style-type: none"> - Promotion of health; - Advancement of citizenship or community development; - Advancement of arts, heritage or science; - Advancement of environmental protection or improvement; - Relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantages; - Advancement of animal welfare; and - Advancement of sport, where the sport promotes health through physical skill and exertion.

144 Inland Revenue Department, (n.d.). *Tax Guide for Charitable Institutions and Trusts of a Public Character*, https://www.ird.gov.hk/eng/pdf/tax_guide_for_charities.pdf

145 U.K. Government. (n.d.). *Charities Act 2011*. <https://www.legislation.gov.uk/ukpga/2011/25/section/2>

146 Government of Canada. (n.d.). *Income Tax Act*. <https://laws-lois.justice.gc.ca/eng/acts/I-3.3/page-1.html#h-2>

147 The Legislative Division, Singapore Government. (2020). *Charities Act 1994*. <https://sso.agc.gov.sg/Act/CA1994>

<p>New Zealand 148 149 150</p>	<p>The Charities Act 2005</p>	<p>✓</p>	<p>N/A</p>	<p>The Charities Services provide explanation and further guidance on each principal divisions of charitable purposes:</p> <ol style="list-style-type: none"> 1. Relieving poverty To be charitable under this category, your organisation's purpose must: <ul style="list-style-type: none"> - be directed at people who are poor, in need, aged, or suffering genuine hardship - provide relief. 2. Advancing education To be charitable under this category, your organisation's purpose must: <ul style="list-style-type: none"> - provide some form of education - ensure learning is passed on to others. 3. Advancing religion To be charitable under this category, your organisation's purpose must: <ul style="list-style-type: none"> - advance a set of beliefs that constitute a religion - aim to pass on the religious beliefs to others. 4. Other purposes beneficial to the community To be charitable under this category, the organisation's purpose must: <ul style="list-style-type: none"> - Be very similar to the spirit and intent of those purposes listed in the Preamble to the Statute of Elizabeth (see below) or very similar to a charitable purpose as decided by the courts - Be beneficial to the community.
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148 Poirier, D. (2013, June). *Charity Law in New Zealand*. <https://www.charities.govt.nz/assets/Uploads/Resources/Charity-Law-in-New-Zealand.pdf>
149 Charities Services, New Zealand Government. (n.d.). *The Charities Act 2005*. <https://www.charities.govt.nz/charities-in-new-zealand/the-charities-act-2005/>
150 Charities Services, New Zealand Government. (n.d.). *Charitable purpose*. <https://www.charities.govt.nz/ready-to-register/need-to-know-to-register/charitable-purpose/>

Annex II: Tax incentives for charitable donations

Jurisdiction	Tax incentives for charitable organisations	
	Tax exemption?	Conditions
Hong Kong	Yes - Tax exemption is available to charitable institutions and trusts of a public character under section 88 of the Inland Revenue Ordinance.	<p>Generally, a tax-exempt charity must be established exclusively for charitable purposes, which are classified into four heads: (a) the relief of poverty; (b) the advancement of education; (c) the advancement of religion; and (d) other purposes of a charitable nature beneficial to the community not falling under any of the preceding heads and for public benefit.</p> <p>While the purposes under the first three heads (i.e. poverty, education and religion) may be in relation to activities carried on in any part of the world, those under head (d) will only be regarded as charitable if they are of benefit to the Hong Kong community.</p>
Singapore	Yes - "Registered charities" enjoy automatic income tax exemption under section 13(1)(zm) of the Income Tax Act.	<p>A "registered charity" is an organisation set up for charitable purposes and registered with the Commissioner of Charities under the Charities Act 1994. To be registered as a charity, the organisation's purposes must be exclusively charitable. The following are recognised as charitable purpose as defined under the common law: (a) Relief of poverty; (b) Advancement of education; (c) Advancement of religion; or (d) Other purposes beneficial to the community.</p> <p>Institution of a Public Character (IPC) is a status accorded to a registered charity or an exempt charity for a period of time. In addition to the income tax and property tax benefits enjoyed by registered charities, IPCs are authorised to issue tax deduction receipts for qualifying donations received. This means donors are given tax deduction for donations made to approved IPCs. Not all registered charities are approved IPCs. IPCs are required to conduct activities that exclusively benefit the local community and are not confined to sectional interests or groups of persons based on race, belief or religion unless waiver is granted by Minister to allow otherwise. This means that IPCs are not allowed to conduct overseas activities that benefit the overseas community.</p>
PRC	Yes - CIT exemption applies to the income derived by qualified non-profit-making organisations engaging in non-profit-making activities, under Item (4) of Article 26 of the Corporate Income Tax Law.	<p>"Qualified non-profit-making organisations" as stated in Item (4) of Article 26 of the Corporate Income Tax Law shall refer to organisations which fulfil the following conditions:</p> <p>It has legally performed registration procedures as a non-profit-making organisation; It is engaged in charitable and non-profit-making activities; - Apart from using it for reasonable and relevant expenditures of such organisation, all income derived is used for the charitable or non-profit-making undertakings as approved in registration or prescribed in its by-law; - Assets and interest derived from these assets shall not be used for distribution; - As approved in registration or prescribed in its by-law, after the organisation is deregistered, the remaining assets shall be used for charitable or non-profit-making purposes or donated through the registration and administration authorities to other organisations that have the same nature and principle as those of the deregistered organisation, and the same shall be announced to the general public; - The donors shall not retain or enjoy any right of the assets donated to the organisation; - Expenditures on salaries and welfare for staff shall be controlled within the prescribed percentage. The organisation shall not distribute its assets in any disguised form.</p> <p>The tax regulations have not explicitly stated whether there is any geographical limitation for charitable activities.</p>
France	Yes - Charitable organisations benefit from corporate taxes exemptions (CIT, VAT and CET) pursuant art. 261, 7-1° d; 206, 1bis; and 1478, IV of the FTC	<p>The organisation is set up in accordance with the 1901 Law. In order to benefit from the tax exemption, it must be set up for charitable purposes : - its management must be disinterested (the entity may have a lucrative activity as long as it is accessory. The non lucrative part must be significantly higher than the lucrative activity. The lucrative activity would be subject to CIT) ; - its activity must not compete with the commercial sector or, if there is competition, must be carried out under conditions different from those of the commercial sector (this means competition with a commercial company in the same geographical sector and for the same public); - the organisation must not maintain privileged relationships with companies.</p> <p>When it receives a donation, the organisation must fill in Form n°2040-MEC-SD.</p>
UAE	Yes - a "Qualifying Public Benefit Entity" ("QPBE") is an Exempt Person for UAE CT purposes.	<p>A QPBE is established and operated for any of the following: (1) exclusively for religious, charitable, scientific, artistic, cultural, athletic, educational, healthcare, environmental, humanitarian, animal protection or other similar purposes; or (2) as a professional entity, chamber of commerce, or a similar entity operated exclusively for the promotion of social welfare or public benefit.</p> <p>No specific provisions limiting the operating locations of a QPBE are noted.</p>

Jurisdiction	Tax deduction for donors				
	For individuals		For corporations		Remarks
	Deductible amount	Limit	Deductible amount	Limit	
Hong Kong	100%	35% of assessable income	100%	35% of assessable profits	<p>“An approved charitable donation” means a donation of money to any charitable institution or trust of a public character, which is exempt from tax under section 88 of the IRO, or to the Government, for charitable purposes.</p> <p>Approved charitable donations are limited to cash donations only.</p>
Singapore	250%	100% of assessable income	250%	100% of assessable income	<ul style="list-style-type: none"> - Cash donations made to an approved Institution of a Public Character (IPC) for causes that benefit the local community, or the Singapore Government are tax deductible donations (applies to both corporate and individual donors). - Donations of public shares listed on the Singapore Exchange (SGX) or of units in unit trusts traded in Singapore to approved IPCs are tax deductible (applicable to individual donors only). - Donations of land or buildings to approved IPCs are tax deductible donations (applies to both corporate and individual donors). - Other tax-deductible donations include artefact donations, donations under the public art tax incentive scheme (PATIS) and naming donations. - When the tax deduction for the donation is more than the income for the year, the qualifying donor (i.e. individuals, companies, trusts, and bodies of persons) may carry forward the unutilised deductions for a maximum of five years.
PRC	100%	30% of taxable income	100%	12% of annual accounting profit	Corporate donors: Any excess amount in the current year can be carried forward and deductible in the following three years
France	66% For 2023, a special additional reduction is possible when the donation is made to organisations which provide free meals or shelter to people in need. Tax deduction is 75%	Based on the net taxable income of the tax household limited to 20% of assessable income The special reduction is limited to EUR 1,000	60% / 40% for payments exceeding EUR 2m	EUR 20,000 or 5% of turnover, whichever is higher	<p>Tax exemption is available for entities which pay corporate income tax if they are donations to public utility and general interest organisations (art. 200 and art 238 bis of the FTC)</p> <p>Corporate donors: The tax reduction on charitable donation can be offset against the CIT liability payable by the taxpayer with respect to the financial year during which the donations were granted. Any excess reduction can be offset against the tax liability of the taxpayer during the next five financial years. The organisation must provide the company with a proof of receipt “reçu fiscal”. All the donations must be reported on the tax statement n° 2069-RCI-SD.</p> <p>Individual donors: Charitable contributions (including amounts expressly renounced) made to qualified philanthropic, educational, scientific, social, religious, political, or cultural, and non-profit making organisations recognised as being of public benefit (d'utilité publique). The organisation must provide the donor with a proof of receipt.</p> <p>Taxpayers who operate an industrial, commercial, artisanal, agricultural or non-commercial business have the choice between the tax reduction for donations to organisations of general interest or public utility that for donations provided by corporations.</p>
UAE	N/A	N/A	100%	N/A	<p>The Federal UAE CT Law has been effective from the financial years beginning on or after 1 June 2023. Taxpayers making donations, grants or gifts to a QPBE will be able to deduct such expenses for UAE CT purposes under Article 33 of the Corporate Tax Law.</p> <p>As there is currently no personal income tax in the UAE, tax deductions are not applicable.</p>

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About the FSDC

The FSDC was established in 2013 by the Hong Kong Special Administrative Region Government as a high-level, cross-sectoral advisory body to engage the industry in formulating proposals to promote the further development of the financial services industry of Hong Kong and to map out the strategic direction for the development.

The FSDC has been incorporated as a company limited by guarantee with effect from September 2018 to allow it to better discharge its functions through research, market promotion and human capital development with more flexibility.

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