

Hong Kong

General	
Type of entity	Private Limited
Type of law	Common
Shelf company availability	Yes
Our time to establish a new company	1 – 7 days
Minimum government fees (excluding taxation)	US \$295
Corporate Taxation	Nil on Foreign Profits
Double taxation treaty access	Yes
Share Capital or Equivalent	
Standard currency	HK \$
Permitted currencies	Any
Minimum paid up share	1
Usual authorised	Not applicable
Directors or Managers	
Minimum number	One
Local required	No, but at least 1 natural person
Publicly accessible records	Yes
Location of meetings	Anywhere
Members	
Minimum number	One
Publicly accessible records	Yes
Location of meetings	Anywhere
Company Secretary	
Required	Yes
Local or qualified	Local
Accounts	
Requirement to prepare	Yes
Audit requirements	Yes
Requirement to file accounts	Yes
Publicly accessible accounts	No
Other	
Requirement to file annual return	Yes
Change in domicile permitted	No

GENERAL INFORMATION

Introduction

Hong Kong is on the south east coast of China and consists of a large number of islands and a part of the mainland totalling approximately 1,064 sq km. On 1 July 1997 all of Hong Kong reverted from British Control back to China and became a Special Administration Region "SAR" within the People's Republic of China (PRC).

Population

Approximately 7 million.

Political Structure

Hong Kong elects its own legislature and maintains its own court structure.

The Future of Hong Kong

Under the "one country - two systems" philosophy, the SAR has executive, legislative and independent judicial power. The capitalist system, legal structure and lifestyle remain unchanged. Hong Kong remains a free port with a free flow of capital and a freely convertible Hong Kong dollar.

With China pushing forward with the modernisation of its own economy, the PRC has expressed the wish that Hong Kong should assist in this endeavour. It has stated that its future development will be based on market led reforms with socialist characteristics and this has led to the opening up of its economy to foreign investments. It is widely recognised that Hong Kong is and will continue to be a significant gateway to China.

Operating from 2004, Hong Kong and Mainland China has been developing the Closer Economic Partnership Arrangement (CEPA). The Arrangement is to ensure Hong Kong is "economically interlocked" with the Mainland and that CEPA has offer lower entry thresholds for smaller players (capital/trading history requirements) in Hong Kong and 100% ownership of many China ventures. It makes Hong Kong the simplest, most profitable route into/out of Mainland China. CEPA offers preferential access to China's markets, commitments made by China under WTO. It adds to the long list of reasons why international businesses choose Hong Kong as a base for their China and Asia operations nowadays.

Infrastructure and Economy

Hong Kong has excellent communication facilities. From 2001 to 2012, Hong Kong International Airport achieved the top 3 and it continues to be highly regarded among passengers in annual survey by Skytrax, a London-based air transport research organization, as one of the World's Best Airports.

Hong Kong has been ranked first in terms of economic freedom for 19 consecutive years (1995 – 2013) by the Heritage Foundation of its Economic Freedom study. Solid external net assets held by banks and deposit-taking institutions, making Hong Kong one of the largest banking centres in the world.

Language

The official languages are English and Chinese, with English being used in the commercial and political context and Cantonese Chinese used widely in industry and domestic trade.

Currency

The Hong Kong Dollar, which is officially pegged to the US Dollar. (Approx: US\$1 = HK\$ 7.68 to HK\$ 7.82)

Exchange Control

None.

Type of Law

Common Law based on English Common Law.

Principal Corporate Legislation

Companies Ordinance (Cap 622).

COMPANY INFORMATION

Type of Company for International Trade and Investment

Private Company limited by Shares is the most common type of entity.

Procedure to Incorporate



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Submission of Articles of Association and a prescribed form with the Hong Kong Companies Registry by Founder Member of the Company with details of the corporate structure information.

Restrictions on Trading

Cannot undertake banking or insurance activities or solicit funds from or sell its shares to the Public.

Powers of Company

A Hong Kong Company has all the powers of a natural person.

Language of Legislation and Corporate Documents

Chinese and English.

Registered Office Required

Yes, must be maintained in Hong Kong.

Name Approval Required

It is not possible to reserve a name. It is essential to check that there is no similar or identical name on the register, which would prevent the company being incorporated.

Shelf Companies Available

Yes.

Time to Incorporate

Within 1 to 7 working days from the submission of documentation.

Name Restrictions

Any name is the same of existed companies. Any name would constitute a criminal offence or is offensive or otherwise contrary to the public interest. Any name would be likely to give the impression that the company is connected in any way with the Central People's Government or the Government of the HKSAR or any department of either government such as Department, Government, Commission, Bureau, Federation, Council, Authority.

Names Requiring Consent or a Licence

Building society, Chamber of Commerce, co-operative, Kaifong, mass transit, municipal, savings, tourist association, trust, trustee, underground railway, bank, insurance, assurance, reinsurance, etc.

Suffixes to Denote Limited Liability

Limited.

Disclosure of Beneficial Ownership to Authorities

No.

COMPLIANCE

Authorised and Issued Share Capital

The concept of authorised share capital was abolished effective March 2014 and the minimum number of issued share is 1.

Classes of Shares Permitted

Ordinary shares, preference shares, redeemable shares and shares with or without voting rights, subject to the Articles of Association.

Taxation

Hong Kong is one of the few jurisdictions in the world that tax on a territorial basis. Many countries levy tax on a different basis and they tax the world-wide profits of a business, including profits derived from an offshore source. Hong Kong profits tax is ONLY charged on profits derived from a trade, profession or business carried on in Hong Kong. Consequently, this means that a company which carries on a business in Hong Kong, but derives profits from another place, is not required to pay tax in Hong Kong on those profits. Hong Kong sourced profits is currently subject to a rate of taxation of 16.5 per cent. There is no tax in Hong Kong on capital gains, dividends and interest earned.

The principle of Hong Kong profits tax is that it is a tax on profits that has its source in Hong Kong rather than a tax based on residence. Income sourced elsewhere, even remitted to Hong Kong, is not subject to Hong Kong profits tax at all. Consequently, if a Hong Kong company's trading or business activities are based outside Hong Kong no taxation will be



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levied.

A factor that determines the locality of profits from trading in goods and commodities is generally the place where the contracts for purchase or sale are effected. "Effected" does not only mean that the contracts are legally executed. It also covers the negotiation, conclusion and execution of the terms of the contracts.

If a business earns commission by securing buyers for products or by securing suppliers of products required by customers, the activity which gives rise to the commission income is the arrangement of the business to be transacted between the principals. The source of the income is the place where the activities of the commission agent are performed. If such activities are performed through an office in Hong Kong, the income has a source in Hong Kong.

Certain sums, like royalties, paid or payable to non-resident persons for use of or right to use certain intellectual property are subject to withholding tax. The payer who claims deduction for the use of the intellectual property against its assessable income is required to withhold a prescribed percentage from the payment while that recipient is not subject to Hong Kong profits tax. The prescribed percentage is 4.95% on the gross payment if the payer and the recipient are not related, but 16.5% if the payer and recipient are related. The recipients of the royalties may enjoy different treaty rates under double taxation agreements.

Double Taxation Agreements

Hong Kong has comprehensive double tax agreements with Austria, Belgium, Brunei, Czech Republic, France, Hungary, Indonesia, Ireland, Japan, Liechtenstein, Luxembourg, Malaysia, Malta Netherlands, New Zealand, Portugal, Switzerland, Spain, Thailand, United Kingdom, Vietnam and the Mainland China respectively to relieve taxation on income, for instance, dividends, interest income and royalties. The Hong Kong Inland Revenue Department allows a deduction for foreign tax paid on a turnover basis in respect of income which is also subject to tax in Hong Kong. Therefore, businesses operating in Hong Kong do not generally have problems with double taxation of income.

The respective comprehensive double tax agreements with Canada, Jersey, Kuwait, Mexico and Qatar will become effective from 1st April 2014 to relieve the applicable double taxation on various incomes.

Licence Fees

The Business Registration Fee of HK\$2,250 on the date of incorporation and then annually on the anniversary of the incorporation. (Special tax concession arrangement by the HKSAR is granted until 31 March 2014; the Business Registration fee of each company is HK\$250).

Financial Statements Required

A Hong Kong company must keep accounting records for at least 7 years, which may be kept at the registered office address or elsewhere at the discretion of the directors. Every company must appoint an auditor who must be a member of the Hong Kong Institute of Certified Public Accountants and hold a practicing certificate. Although there is no requirement to file accounts with the Registrar, there is a requirement to file accounts with the Hong Kong Inland Revenue Department.

Directors

The minimum number of directors is one, who may be a natural person or a body corporate, but at least one of them must be natural person. Directors can be of any nationality, and need not be resident in Hong Kong.

Company Secretary

A Hong Kong company must appoint a resident company secretary, who may be a natural person or a body corporate.

Shareholders

Minimum number of shareholders is one.

Company records

Company records such as members' resolutions, register of members, register of directors and register of debenture holders, other than accounting records, would generally require to be kept at least 10 years.

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