

Setting up a business in Hong Kong



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Hong Kong's extensive tax, trade and legal benefits, have made it a popular business choice for foreign investors who want to set up a local company. As a Special Administrative Region of China, Hong Kong is also the best gateway for doing business in Mainland China. Thanks to its territorial tax system, "offshore profits" derived by locally incorporated companies are tax exempted.

There are two options to set up a new company in Hong Kong:

-  Incorporate a **new company** under the Companies Ordinance, the most common type being a private company limited by shares. Formalities for company incorporation are kept to a minimum in Hong Kong, the incorporating process can be completed within one working day.
-  Purchase a company that has already been incorporated (a **shelf company**) and start business almost immediately, with the possibility of changing the name, amending its constitutional documents or increasing the issued capital at any time.

Key requirements to set up a Private Limited Company

-  **Company name**
A company must be incorporated with a name in English, in Chinese or in both languages. The company name must end with the word "Limited".
-  **Share capital**
Min. issued / paid-up capital is 1 in any currency. The concept of authorised capital and nominal or par value has been abolished. Shares can be freely transferred but bearer shares are not permitted.
-  **Articles of Association**
The Articles of Association are the governing documents of the company and set out what the company can and cannot do. They are usually very widely drawn and enable the company to carry out virtually any form of business activity.
-  **Directors**
Min. 1 director (individual) of any nationality. No limit on the number of additional local or foreign directors.
-  **Shareholders**
Min. 1 – Max. 50 shareholders (individual or corporation). 100% local or foreign shareholding is allowed. Shareholder and director can be the same person.
-  **Company secretary**
It is mandatory to have a local resident company secretary (individual or corporation).
-  **Registered address**
A company must have a physical registered office in Hong Kong.
-  **Significant Controllers Register**
The Companies Ordinance has been amended to require a company incorporated in Hong Kong to identify persons and legal entities who/which have significant control over the company ("significant controllers") and to maintain a significant controllers register ("SCR") to be accessible by law enforcement officers upon demand. The SCR must be kept either in the registered office or a prescribed place in Hong Kong.

Hong Kong companies are also required to designate, at least one representative* to assist law enforcement officers in relation to the SCR.

The **designated representative must be i) a natural person resident in Hong Kong and a director, employee or member of the company, or ii) a Trust or Company Services Provider Licensee (TCSP), an accounting professional or a legal professional as defined in the Anti-Money Laundering and Counter Terrorist Financing Ordinance.*
-  **Accounting Reference Date**
In Hong Kong companies are given freedom to choose their financial year-end date though they would usually align it with the government's fiscal year that runs from 1 April to 31 March.
-  **Public information**
Records of directors and shareholders are publicly accessible and available by downloading the annual return. The SCR is not publicly available.

The information contained in this brochure is of a general nature only. It is not meant to be comprehensive and does not constitute legal or tax advice.



Compliance

Accounts must be audited annually by Certified Public Accountants in Hong Kong. The audited accounts together with the tax return must be filed annually with the Inland Revenue Department. But if the company is defined as small company with less than HKD2M turnover, filed audited accounts are exempted - Annual Return must be filed with the Companies Registry - An Annual General Meeting (AGM) should be held annually.



Licensing requirements

Certain business activities, including restaurants, fund managers or travel agencies, are regulated in Hong Kong. In this case, a company must obtain the necessary licences and permits from the relevant authorities before business operations.

Corporate taxes

Corporate taxes	Rate
Corporate on assessable profits	8.25% (up to HK\$2 million) 16.5% (above HK\$2 million)
Capital gains by company	0%
Dividends to shareholders	0%
Foreign sourced income	0%

Other taxes	Rate
Withholding tax**	0 to 4.95%
Goods & Services Tax (GST)	0%
Property tax	15%

** For certain types of payments made to non-resident companies/individuals. But **no** with holding taxes on dividends.

Tax incentives & exemptions



Foreign investment incentives

There are no specific incentives for foreign investment, except that offshore funds may be exempt from profits tax under certain circumstances.



Offshore profits

Pursuant the territorial concept, only those profits which arise in or are derived from Hong Kong are liable to profits tax in this country. Therefore if a company's business activities take place entirely outside of Hong Kong (i.e. the decision maker is located outside of Hong Kong, the contracts are signed out of Hong Kong, and there is no virtual business office in Hong Kong) the company's profits may be treated as offshore sourced income and thus qualified for application of offshore tax claim. A claim for offshore tax exemption needs to be lodged for approval with the submission of the tax return to the Inland Revenue Department.

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