

# About Hong Kong

## Welcome

Hong Kong – Asia’s World City - is a leading global financial centre and trading hub. Thanks to its productive workforce, stable economic environment, attractive tax regime, transparent business environment, world-class infrastructure, strong legal framework and a highly sophisticated banking infrastructure, Hong Kong is considered one of the best cities in the world to establish and run a business. Moreover, its strategic location, flanking the mouth of the Pearl River Delta (PRD), makes Hong Kong the natural gateway to China.

## Advantages

Hong Kong companies are flexible, easy to manage entities, suitable for trading, investment and holding activities, in particular when it involves the Far East. Hong Kong has distinct advantages as a hub for:

### Trading companies

- Financial centre with major international banks established here
- The world’s leading offshore RMB centre
- Free port with no import tariffs
- Simple and low tax system with a territorial basis of taxation, meaning that only profits that are derived in and sourced from Hong Kong are subject to corporate income tax.

### Regional head-offices

- Asia’s key markets are less than four hours’ flight away and half the world’s population is within five hours’ flight time
- Hong Kong’s laws and regulations are based on the British Common Law with all its unique aspects
- Expanding double tax treaty network
- Offers easy access to Asian supply chain and key stakeholders as well as customers

### Regional sales-offices

- In addition to a population of 7 million people, 60 million affluent shoppers, largely from Mainland China, visit the territory every year, which makes Hong Kong a perfect testing ground for your products prior to entering other Asian markets such as China or Japan.
- World class infrastructure: telecommunication, airport, public transport, container port
- Strategic geographic location
- English and Chinese are both official languages

### Regional holding companies

- Expanding double tax treaty network
- Tax-efficient jurisdiction to hold intellectual property
- Given its sound infrastructure, its expanding network of treaties, and the existence of tax on local source income, Hong Kong is compliant with international standards for tax transparency

### Companies wanting to enter the Chinese market

- Beneficial and well tested double tax treaty between Hong Kong and China
- Closer Economic Partnership Agreement (“CEPA”) – a free trade agreement giving Hong Kong companies and residents preferential access to the Chinese market
- Using Hong Kong as a holding jurisdiction for your Chinese investment provides a firewall for overseas assets
- Hong Kong provides flexibility for additional investors to be added to the company as well as to exit the Chinese market by selling at the Hong Kong level.
- Hong Kong as a testing ground before offering your products to the Mainland Chinese market

## Simple tax regime

Hong Kong adopts a territorial system of taxation with only income derived in Hong Kong being subject to tax. This means companies carrying on business with no actual Hong Kong source profit can structure their transactions in such a way that a tax exemption may possibly be granted.

When a company does derive Hong Kong source profits, the corporate tax rate is only 16.5%. This makes Hong Kong an ideal location for any company active in trade or related services.

Furthermore there are several other tax advantages that make Hong Kong a very favourable jurisdiction to set up a structure, some of which include:

- No tax on dividends, whether incoming (received) or outgoing (paid out)
- No tax on interest (except when part of a business activity)
- No capital gain tax
- No GST/VAT
- No withholding tax (except on royalties)
- No inheritance tax
- No estate duty
- No debt to equity rules

Furthermore, Hong Kong has been expanding its network of comprehensive double tax treaties which gives greater certainty and transparency for international businesses.

## Hong Kong Companies

Hong Kong Law offers various legal structures. The most appropriate type of entity will depend on the intended activities, financial aspects, willingness to take on ongoing obligations, tax issues, and other factors. To establish in Hong Kong, a representative office, a branch, or a subsidiary (limited liability company) can be considered in this respect.

### A Limited Liability Company:

Most investors incorporate a limited liability company. The basic corporate requirements are as follows:

- Minimum of one shareholder, which can be a corporate entity or an individual and nominee shareholders are allowed
- Minimum of one individual director (additional corporate directors are allowed)
- No residency or nationality requirements for director(s) or shareholder(s)
- A registered office address in Hong Kong, which cannot be a PO box

On an annual basis a Hong Kong company needs to renew its Business Registration Certificate, prepare accounts and undertake an audit and file a tax return.

### A branch:

A branch is a legal entity registered with the Companies Registry. A branch is however treated as an extension of the parent company and as such the parent company is responsible for all the debts and liabilities of the branch.

### A representative office:

A representative office is not required to register with the Hong Kong Companies Registry (only with the Inland Revenue Department for issuance of a Business Registration Certificate) and is allowed to participate in promotional or liaison activities of any kind as long as they are not profit-yielding in nature.

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