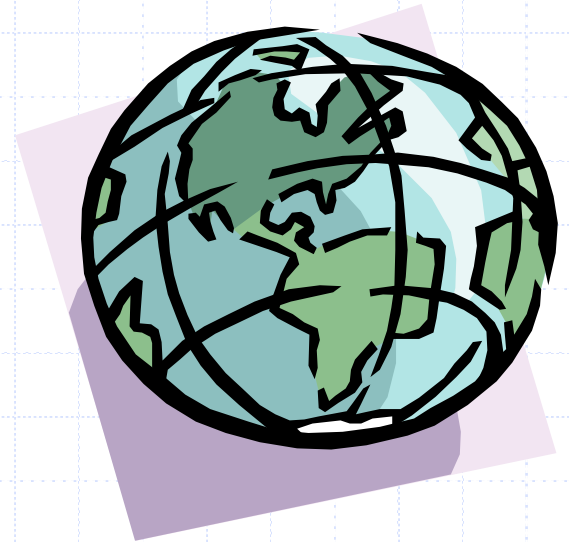


Doing Business in/through Hong Kong

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Reasons for doing business in/through Hong Kong

- ◆ English as the Second Language
- ◆ Cultural Diversity
- ◆ Simple tax system
- ◆ Twenty-nine tax treaties signed with other countries
- ◆ Flow of products free of tax
- ◆ International financial centre with all kinds of currencies trading
- ◆ Good system of law to protect individual properties with good protection of patents and intellectual properties
- ◆ Welcome foreign investments as gateway from east to west and vice versa



Language

- ◆ Official: English, Mandarin, and Cantonese
- ◆ Most public facilities have bilingual system (such as Train ticket machine)
- ◆ Easy to find professional companies for translation services

Cultural Diversity



- ◆ People with different races and countries are working together
- ◆ No discrimination against minority

Simple tax system

- ◆ Territorial
- ◆ Types of income earned in Hong Kong:
 - (1) Salaries
 - (2) Rental from properties
 - (3) Trading profits from businesses
 - (4) Capital gain vs Revenue gain
 - (5) Dividend
 - (6) Interest

Twenty-nine tax treaties signed with other countries

- ◆ Belgium
- ◆ Thailand
- ◆ PRC
- ◆ Luxembourg
- ◆ Vietnam
- ◆ Brunei Darussalam
- ◆ Netherlands
- ◆ Indonesia
- ◆ Hungary
- ◆ Kuwait
- ◆ Austria
- ◆ United Kingdom
- ◆ Ireland
- ◆ Liechtenstein
- ◆ France
- ◆ Japan
- ◆ New Zealand
- ◆ Switzerland
- ◆ Portugal
- ◆ Spain
- ◆ Czech Republic
- ◆ Republic of Malta
- ◆ Jersey
- ◆ Malaysia
- ◆ Mexico
- ◆ Canada
- ◆ Italy
- ◆ Guernsey
- ◆ Qatar



Flow of products free of tax

- ◆ No Goods and Services tax (GST)
- ◆ No Import tax except for luxury items such as tobacco and liquor
- ◆ No re-export tax

International financial centre with all kinds of currency trading

HKD	Hong Kong dollar
USD	United States dollar
JPY	Japanese Yen
TWD	Taiwan dollar
CNY	Chinese Yuan
EUR	Euro dollar
GBP	Great Britain Pound
CHF	Swiss Franc (Confoederatio Helvetica Franc)
CAD	Canadian dollar
AUD	Australian dollar

NZD	New Zealand dollar
MYR	Malaysia Ringgit
SGD	Singapore dollar
BND	Brunei dollar
IDR	Indonesian Rupiah
INR	Indian Rupee
KRW	South Korean Won
PHP	Phillippines Peso
THB	Thai Baht
PKR	Pakistan Rupee



Good system of law to protect individual properties with good protection of patents and intellectual properties

- ◆ Land Registry: Land Titles Ordinance
- ◆ Company Registry: New Companies Ordinance
 - Abolition of Par Value of Shares
 - Restricting Corporate Directorship in Private Companies
 - Headcount Test
 - Offences relating to contents of auditor's reports
 - Enhancement of Auditor's rights
 - Restricted Disclosure of Residential Addresses and Identification Numbers
 - Abolition of Memorandum of Association and Matters relating to Company Articles
 - Annual Returns of Local Companies

Good system of law to protect individual properties with good protection of patents and intellectual properties

- ◆ Ordinances for trademarks, registered designs, patents, and copyright:
 - (1) Trademarks: Trademarks Ordinance
 - (2) Registered designs: Registered Designs Ordinance
 - (3) Patents: Patents Ordinance
 - (4) Copyright: Copyright Ordinance

Welcome foreign investment as gateway from east to west and vice versa

- ◆ Approximately 100 embassies in Hong Kong to protect their citizens in doing business; such as Malaysia, Philippines, Cambodia, and Laos
(Source from: <http://www.hk.embassyinformation.com>)
- ◆ Over 150 Banks have offices in Hong Kong; such as the Bank of India, the Malayan Banking Berhad, and the Philippine National Bank
(Source from: <http://www.hkab.org.hk>)
- ◆ Stable political environment
- ◆ Easy transportation
- ◆ High standard of living



Types of investment products in Hong Kong

- ◆ Properties
- ◆ Financial instruments such as bonds, shares, funds, insurance products
- ◆ Active businesses



Legal entities to do business in Hong Kong

- ◆ Individual name **vs** sole proprietorship
- ◆ Joint names **vs** partnerships
- ◆ Local **vs** overseas incorporated companies

Inter-relationship of Properties, Shares Investment, and Business Trading

			Individual	Sole proprietor	Partnership	Joint names
Properties	Rental		Property tax	N/A	N/A	Property tax
	Gain	Trading	Profits tax	N/A	N/A	Profits tax
		Capital	NIL	N/A	N/A	NIL
Shares Investments	Dividend		NIL	N/A	N/A	NIL
	Gain	Trading	Profits tax	N/A	N/A	Profits tax
		Capital	NIL	N/A	N/A	NIL
Business Trading	Salaries		Salaries tax	Add back	Add back	Add back
	Profits		Profits tax	Profits tax	Profits tax	Profits tax

Inter-relationship of Properties, Shares Investment, and Business Trading

			HK Ltd Company	Overseas Ltd Company
Properties	Rental		Property tax/ Profits tax	Property tax/ Profits tax
	Gain	Trading	Profits tax	Profits tax
		Capital	NIL	NIL
Shares Investments	Dividend		NIL	NIL
	Gain	Trading	Profits tax	Profits tax
		Capital	NIL	NIL
Business Trading	Salaries		N/A	N/A
	Profits		Profits tax	Profits tax

Tax Rates

2013/14	
Property tax	15%
Profits tax (Note 1)	
Corporation	16.5%
Unincorporated business	15%
Note 1: The rate of deeming assessable profits for certain payments such as royalties is 30%.	

Tax Rates

Salaries Tax & Personal Assessment (Note 2)

(a) Standard rate 15%

(b) Progressive rate on net assessable income (after allowances and deductible expenses)

2013/14

\$0 - 40,000

2%

\$40,001 - 80,000

7%

\$80,001 - 120,000

12%

Above \$120,000

17%

Note 2: Tax payment is limited to a maximum of the standard rate on the total assessable income before allowances.

Stamp Duty on Sale or Transfer of Immovable Property

From 01 April 2010 – 22 February 2013

Amount or value of the consideration		Rate
Exceeds	Does not exceed	
	\$2,000,000	\$100
\$2,000,000	\$2,351,760	\$100 + 10% of excess over \$2,000,000
\$2,351,760	\$3,000,000	1.50%
\$3,000,000	\$3,290,320	\$45,000 + 10% of excess over \$3,000,000
\$3,290,320	\$4,000,000	2.25%
\$4,000,000	\$4,428,570	\$90,000 + 10% of excess over \$4,000,000
\$4,428,570	\$6,000,000	3%
\$6,000,000	\$6,720,000	\$180,000 + 10% of excess over \$6,000,000
\$6,720,000	\$20,000,000	3.75%
\$20,000,000	\$21,739,120	\$750,000 + 10% of excess over \$20,000,000
\$21,739,120		4.25%

Effect from 23 February 2013

Amount or value of the consideration		Rate
Exceeds	Does not exceed	
	\$2,000,000	1.50%
\$2,000,000	\$2,176,470	\$30,000 + 20% of excess over \$2,000,000
\$2,176,470	\$3,000,000	3%
\$3,000,000	\$3,290,330	\$90,000 + 20% of excess over \$3,000,000
\$3,290,330	\$4,000,000	4.50%
\$4,000,000	\$4,428,580	\$180,000 + 20% of excess over \$4,000,000
\$4,428,580	\$6,000,000	6%
\$6,000,000	\$6,720,000	\$360,000 + 20% of excess over \$6,000,000
\$6,720,000	\$20,000,000	7.50%
\$20,000,000	\$21,739,130	\$1,500,000 + 20% of excess over \$20,000,000
\$21,739,130		8.50%

Special Stamp Duty on Sale or Transfer of Immovable Property

If the property was acquired between 20 November 2010 and 26 October 2012:

Holding period:	<u>Rate</u>
6 months or less	15%
More than 6 months but for 12 months or less	10%
More than 12 months but for 24 months or less	5%

If the property was acquired on or after 27 October 2012:

Holding period:	<u>Rate</u>
6 months or less	20%
More than 6 months but for 12 months or less	15%
More than 12 months but for 36 months or less	10%

Stamp Duty for Shares Transfer, Business Registration fee

2013/14

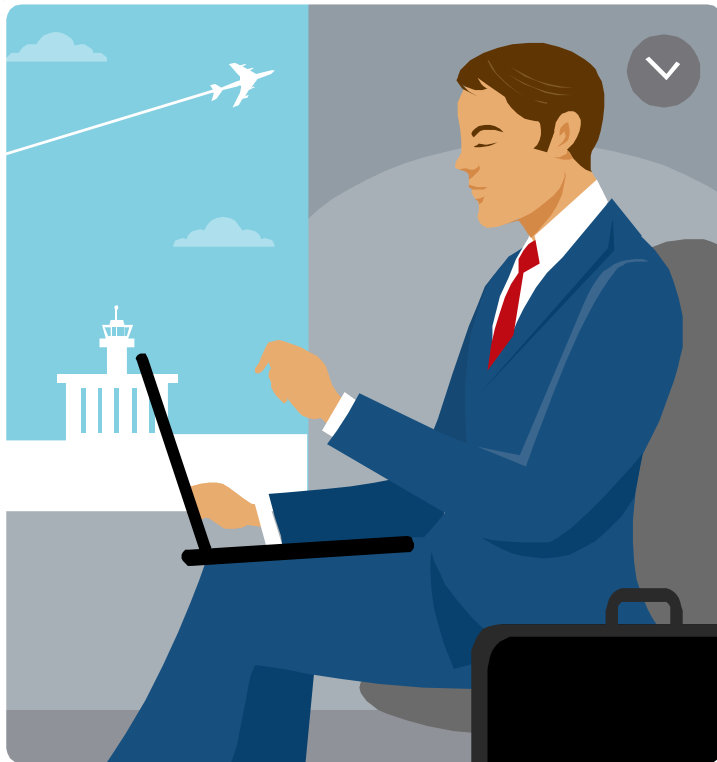
Rates of Stamp Duty on Share Transfer

The value of stock transferred

0.2%

Date	1-year Business Registration Certificate		
	Fee	Levy	Total
	\$	\$	\$
on or after 19 July 2013	-	250	250
01.04.2012-18.07.2013	-	450	450
01.08.2011-31.03.2012	2,000	450	2,450
01.08.2009-31.07.2011	-	450	450
01.04.2009-31.07.2009	2,000	450	2,450
01.04.2008-31.03.2009	-	450	450
14.03.2008-31.03.2008	2,000	450	2,450
01.04.2003-13.03.2008	2,000	600	2,600

Tips for special attention under financial planning



- ◆ Tax efficient planning
- ◆ Splitting of income, deferral of income, tax free income, locality of income to minimise tax
- ◆ No estate duty
- ◆ Immigration products, ie killing two birds with one stone
- ◆ Continuously watching updates re changes in tax rules and tax treaties

FAQ

Q1: What are the reasons to use Hong Kong as a centre of business?

- Hong Kong is an international business and financial centre. Many international companies have headquarters and offices here. Hong Kong can provide different forms of fund collections and business development channels to the enterprises such as bank loans and shares. Besides, Hong Kong is a place for the enterprises in Mainland China to enter the market for fund collection.
- The economy of Hong Kong is one of the freest and most outgoing economies in the world. Hong Kong is eager to join any international organizations. Furthermore, Hong Kong imposes no tariff and quota on goods and products. International exhibitions of different industries are held each year for promotion of brand which benefit the trading business.

FAQ

- Hong Kong has a simple and clear tax system. The maximum tax rates for profits tax and salaries tax are 16.5% and 15% respectively which are in the lowest tax rates group in the world. Hong Kong has no interest tax or sales tax, etc. No tariff shall be imposed on import of machineries and materials of the enterprises. No salaries tax if the income is earned outside Hong Kong.
- Hong Kong is an incorruptible city which provide fair competition among enterprises. Hong Kong has a complete and strict jurisdiction system and intellectual property law to ensure the intellectual property of the enterprises can be protected especially for the high-technology industry.
- Hong Kong and the Central Government have signed an agreement called “CEPA” to promote closer business relationship between the enterprises in Hong Kong and Mainland China. “CEPA” can give new business opportunities not only to the Hong Kong enterprises but also those in Mainland China and overseas companies. “CEPA” can also attract Hong Kong enterprises to invest in Mainland China.

FAQ

- Hong Kong has lots of skilled workers who can speak English, Cantonese, and Mandarin fluently and they understand both western and eastern cultures as well. In addition, Hong Kong has the busiest air freight port in the world and the most widely-spread electric cables and satellite network in Asia.



FAQ

Q2: What are the requirements for incorporation of a new company?

- The basic authorized capital is HK\$10,000;
- The minimum paid-up capital is HK\$1;
- Each company has at least one director and one member (shareholder) who can be a non-HK resident;
- A person or corporation can be a director and a member (shareholder) as well. In the case where the company has only one member who is the sole director, a reserve director (who is 18 years of age or over) may be nominated in general meeting and act in the place of the sole director in the event of his death. There is no restriction on shares owned by non-HK resident;
- Each company must have one company secretary who has to be a HK resident or a HK registered company; and
- The registered office of the company must be located in Hong Kong.

FAQ

Q3: What are the procedures for incorporating a new company?

- Check a proposed company name to see whether the name had been registered in the Companies Registry ("CR");
- After receiving all information from client, we will prepare the necessary registration documents and forms to founder member(s)/member(s) and director(s) for signature. (It will take approximately 2-3 working days for preparation);
- After receiving the duly signed registration documents, we will submit the registration documents to the CR for registration and then the Registrar of Companies will issue a Certificate of Incorporation ("CI") within 4-6 working days; and
- After receiving the CI, we will apply the Business Registration Certificate from the Inland Revenue Department and update all statutory records within two days. The whole process for establishing a new company is then finished.

FAQ

Q4: What are the requirements for incorporating a new company in BVI?

- The basic authorized capital is 50,000 shares with par value or without par value and the minimum paid-up capital is 1 share; and
- The minimum number of director and shareholder is one. A person or corporation can be a director and a shareholder as well.

Please note that every newly-incorporated company will be required to appoint first directors within 180 days from the date of incorporation and to maintain a copy of its Register of Directors at the Registered Office.

FAQ

Q5: What are the requirements of opening bank account for HK company in HK?

- Copy of the following documents from directors, authorized signatories, principal shareholders and beneficial owners:
 - 1) Identification document such as passport or HKID
 - 2) Residential address proof issued by public company such as gas, water, or phone company (latest 3 months)
- Proof of business such as business licence, audited financial statements, invoice, or contract (optional, subject to the bank's request)
- Bank reference (optional, subject to the bank's request)
- Director(s) of the company has/have to appear in person for opening of bank account

FAQ

Q6: What are the responsibilities of a Company Secretary?

- Maintain legal documents of the company such as Transfer of shares and Appointment/ Resignation of Directors; and
- File Annual Return or other relevant documents to the Companies Registry before deadlines.

Q7: Are nominee services for directors and shareholders common in Hong Kong?

- Yes. Since Hong Kong is an international financial centre, nominee directors and shareholders services are commonly provided by our secretarial company which the bankers accept.

Q8: What are the tax rates in Hong Kong and exemption on individual tax?

- See our firm's web site under most update tax details.
(<http://www.ckyaucpa.com/Eng/Index.htm>)

Other Questions

Q1: What is the Chinese way of greeting in business environment?

A1: Normally simple hand-shaking and a slight bow are enough.

Q2: Do I need to have a Chinese name to do business?

A2: A Chinese name is not necessary. However, a Chinese name is more friendly and easier to remember. Also it is recommended to have a Chinese version at the back of the business card.

Q3: At the beginning of a formal meeting, Chinese often chat and laugh without getting down to the business right away, why?

A3: Chinese believe that slight chatting can benefit to a better business relationship.

Other Questions

Q4: Do I have to learn Chinese to do business?

A4: It is definitely an advantage if you can master Chinese language (both reading and speaking). However, English is one of the official languages in HK, therefore most people in HK are able to speak and understand English quite well. It is not necessary to learn Chinese to do business.

Q5: Do I have to provide dormitory to the employees in HK?

A5: Normally there is no need to provide dormitory to the HK employees. Dormitory might be necessary if you hire people in Mainland China.

Useful daily phrases in Cantonese

- ◆ Thank you.
Do Ze / Ng Goi. (多謝 / 唔該)
- ◆ Hello, nice to meet you.
Nei Hou, Hou Gou Hing Ying Sik Nei. (你好, 好高興認識你)
- ◆ May I speak to (person), please?
Ng Goi Ngo Soeng Wan (person). (唔該我想搵 XXX)
- ◆ Could you give me a lower price?
Ho Ng Ho Yi Peng D Bei Ngo? (可唔可以平D比我?)
- ◆ Could you take me to (place)?
Ho Ng Ho Yi Ce Ngo Heoi (place)? (可唔可以車我去XXX?)
- ◆ Could you get me (something)?
Ho Ng Ho Yi Bong Ngo Ling (something)? (可唔可以幫我拎XXX?)

Useful daily phrases in Mandarin

- ◆ Thank you.
Xie Xie. (謝謝)
- ◆ Hello, nice to meet you.
Ni Hao, Hao Gao Xing Ren Shi Ni. (你好, 好高興認識你)
- ◆ May I speak to (person) please?
Wo Xiang Zhao Yi Xia (person). (我想找一下XXX)
- ◆ Could you give me a lower price?
Ke Bu Ke Yi Pian Yi Yi Dian? (可不可以便宜一點?)
- ◆ Could you take me to (place)?
Ke Bu Ke Yi Zai Wo Qu (place)? (可不可以載我去XXX?)
- ◆ Could you get me (something)?
Ke Bu Ke Yi Bang Wo Na (something)? (可不可以幫我拿XXX?)

Thank you The End

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