

FAQ - Company Formation In Hong Kong

Country – Hong Kong

Point

1. Advantage of Business set up in Hong Kong
2. Preferred Business Destination
3. Type of Business Entity & Structure
4. Advantage of having Limited Company in Hong Kong
5. Minimum requirements for registration of a Hong Kong company
6. Foreign Company Registration Options
7. Business trade License & Banking
8. Income Tax, Dividend and other Benefits
9. Documents Required For Company Incorporation
10. Company registration procedure and timeline

1. Advantage of Business Set in Hong Kong

- Well planned and developed economy
- Part of fast growing economy of China
- Strong and well balance country with business growth
- Well developed banking and financial hub
- Secured and safe business environment
- Basic business rule and policy in line with international business standard
- Well developed infrastructure, port, transport facility
- Liberal Immigration policy
- Well cultured and educated work force
- Well connected with American, Europe, Far East and Asian Market
- Major hub for MNCs and Investment banker

2. Preferred Business Destination

As per the business study and Government data, major businesses in Hong Kong are:

- Trading hub – Electronic, Electrical, Computer and accessories & FMCG products
- Investment banker, Assets Management Companies & Private Equity Funds
- International banking and financial Hub
- Shipper and Forwarding Agent
- Gems and Jewelry, Diamond studded ornaments
- Tourism, FMCG, Food Grain and Toys & Games
- Major Trade with China, Taiwan and Korea Market

3. Type of Business entity

- Limited Liability Company - Private Limited Company \ Limited Company
- Limited Liability Partnership Firm - LLP

Limited Company

We generally recommend the Private limited \ Limited Company considering the nature of business plan in Hong Kong. It is also commonly known as Private Limited Company and having separate legal entity. According to Hong Kong Companies Act, any person (foreign or local) above the age of 18 can register a Hong Kong company. It is also consider as offshore company.

The Companies Registry (“the Registry”) administers and enforces most parts of the Companies Ordinance. The Registry registers local and non-Hong Kong companies and statutory returns, de-registers defunct solvent companies and provides the public with services and facilities for inspecting

and obtaining company information kept by the Registry. The new Companies Ordinance provides a modernized legal framework for the incorporation and operation of companies in Hong Kong and reinforces Hong Kong's position as an international financial and commercial centre.

Major benefits of Limited Company

- It has separate Legal entity in law
- Shareholders are not liable for company's debts beyond the own share capital

The Companies Registry controls the registration of business firms and incorporation of companies. However, the nature of the actual business activity could be subjected to control and regulation by other Government authorities.

Partnership Firm - LLC

This business unit is like Proprietorship firm in term of liability and risk. When two or more persons joined to carry out specific business, they form partnership firm. Generally the firm is form for limited business activity, advisory, consultancy, service and profession. We recommend LLC firm to incorporate in Hong Kong.

Limited Liability Partnership Firm

This nature of business unit is having advantage of partnership firm and private limited company. A LLP is primarily meant for carrying a **profession** like accountants, lawyers, architects, etc. where two or more professionals would like to start and build a joint practice in a common field. The partners enter into detailed agreements about share of responsibility, share of profit and management responsibilities.

4. Advantage of having Limited Company in Hong Kong

- 100 % ownership allowed in Limited Company by Foreigners.
- Any individual or corporate body (local or overseas) may incorporate a Hong Kong company.
- Easy to form and run the business without visiting Hong Kong \ Resident Visa.
- Minimum One director required to form company and can be more if required
- No Local Shareholder & Director required to form and manage the company
- No major restrictions on the type of business activities that a company can engage in.
- No special approvals are required by foreigner means they are at par with locals.
- No Restriction or obligation for local employment of work force.
- Minimum paid up capital requirement for a Hong Kong company. The usual authorized share capital is HK\$10,000. The minimum issued capital can be one share of par value.
- Company can issue Ordinary shares, preference shares, redeemable shares and shares with or without voting rights.
- Local Registered office and company secretary required – shall be provided by us.

To Form the company in Hong Kong, you need to appoint professional firm for assistance and complete the formalities of formation of company. We shall offer all the services for the same.

5. Minimum requirements for registration of a Hong Kong company

- **One Shareholder either individuals \ Limited entity**
 - Know-Your-Client - KYC Norms For individual: Copy of passport, overseas residential address proof, KYC information such as personal and business profile, etc.
 - If the shareholder is a corporate entity: Copy of registration documents such as Certificate of Incorporation and Memorandum & Articles of Association and Board Resolution.
- **One Director either individual \ Limited entity**
 - The minimum number of directors is one, who may be a natural person or a body corporate. Directors may be of any nationality, and need not be resident in Hong Kong.
 - Corporate directors are permitted.
- **Local Director \ shareholder – Optional**
 - Hong Kong company does not required to have local Hong Kong resident director & shareholder. It is optional.
- **Registered office in Hong Kong**

Company need to have registered office in Hong Kong. We shall provide the registered office address. Post Box No. is not allowed to utilize as registered office.
- **Qualified Company Secretary**

Company need to appoint company secretary to keep and update the secretarial records and minutes of the meeting. It also requires to submit the necessary documents with Registrar of Companies on yearly basis. We shall provide the company secretary.

Upon receipt of the signed incorporation and supporting documents from you, we will proceed to incorporate the company in Hong Kong.

6. Foreign Company Registration Options

Foreign company plans to have a presence in Hong Kong, have the choice of setting up business unit as branch office, subsidiary, or representative office in Hong Kong.

- **Private Limited Company** - A separate company formed by shareholder and director of the company. It shall have independent identity in company law. Foreign company shall become shareholder and control it.
- **Subsidiary Company.** A subsidiary company is a private limited company incorporated in Hong Kong with the parent company as its majority shareholder. For small to mid-size foreign businesses, a subsidiary company is the most preferred choice of registration in Hong Kong.

- **Branch Office.** A branch office is registered in Hong Kong as an extension of its parent company and not as a separately incorporated entity. The liabilities of a branch office extend to its parent company.
- **Representative Office.** A representative office is registered in Hong Kong as a temporary arrangement for conducting marketing research activities. A representative office does not have any legal status and cannot be engaged in any profit yielding activities.

7. Business trade License & Banking

A Hong Kong Company has all the powers of a natural person. We shall provide Business Registration Certificate \ License to carry the business. It is valid for one year and will be renewed on yearly basis. With this license company can do business in export \ import, trading, consultancy, investment, marketing and liaison work, commission agent, sourcing agent and other major business as permissible under law.

The nature of the actual business activity could be subject to control and regulation by other Government authorities. Cannot undertake banking or insurance or real estate activities or solicit funds from or sell its shares to the Public.

Depending on your company's business activities, you may need to obtain one or more business licenses after you have incorporated your company but before you can commence your business operations. Fortunately, very few business activities require such a license.

Bank account opening & its operation

After successful registration of your Hong Kong Company, you can open a corporate bank account in any of the major banks in Hong Kong such as HSBC, Standard Chartered, Citibank, Hang Sang Bank, Bank of China etc. Many of the banks in Hong Kong these days require physical presence of the company Director as part of the account opening procedure.

While visit to Hong Kong, you have a wider choice of banks to choose from. In this case, you can explore the features and facilities provided by different banks and decide on the bank that best suits your needs.

While opening the bank account, clients should bring the following documents

- Original Passport & residence address proof of director & share holder
- Original Hong Kong company formation documents
- Business profile of director & shareholder
- Proposed Business plan of the company
- Bank Reference letter \ statement from existing banker of director – optional

8. Income Tax, Dividend and other Benefits

Hong Kong is one of the few jurisdictions in the world that tax on a territorial basis. Hong Kong tax department ONLY charged income tax 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. Whereas in 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 has arrangement with a number of jurisdictions for double taxation relief of shipping or airline income. It has also comprehensive double tax avoidance agreements (DTAA) with Belgium, Thailand, and Luxembourg respectively to relieve taxation on income, for instance, dividends, interest 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.

Income Tax

Zero Income Tax if profits derived from a trade, profession or business carried out of Hong Kong jurisdictions.

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.

Other Income

Capital Gain

Hong Kong capital gains tax or withholding tax: No capital gains tax

Dividend

- Hong Kong does not levy a withholding tax on dividends.
- Dividends paid by a Hong Kong Private Limited Company are tax exempt

For More detail please visit website of Inland Revenue Department of Hong Kong. www.ird.gov.hk

Other Information

Annual filing requirements for Hong Kong companies

Once your Hong Kong Company has been incorporated, the Companies Law dictates certain annual filing requirements and formalities.

The company law requires that each company formed in Hong Kong must file its audited accounts with the Tax Authority & Company Registry of Hong Kong on an annual basis. Filing is mandatory even the company has not done any business. We shall provide such services and assistance.

For More detail please visit website of Companies Registry of Hong Kong. www.cr.gov.hk

9. Documents Required For Company Incorporation

Director and shareholder – When Individual

- Copy of passport; and
- Copy of residential address proof such as a recent utility bill, phone bill & Driving License

Director and shareholder – When Corporate Bodies & Nominee Director

- Copy of registration documents such as Certificate of Incorporation and Memorandum & Articles of Association of parent company and
- Board Resolution for investment with proposed business plan

Please note the following:

- All documents must be in English or officially translated in English;
- All copies of documents must be certified true copies by a notary public or self certifying or you must bring the originals to Hong Kong office for sighting;
- You can email us the scanned copies of documents so we can proceed with preparing the necessary incorporation documents. However we must receive the certified true copies before we can incorporate the company.
- Our compliance department may ask for additional information if necessary.
- Duly filled Company Formation Request Form

10. Company registration procedure and timeline

Company registration procedure in Hong Kong is fully computerized by the Hong Kong Companies Registry. As a result, the incorporation process is quick and efficient. Under normal circumstance, the company can be incorporated in 3 working days.

There are two distinct steps involved in the Hong Kong company setup procedure: a) Company Name Approval and; b) Company Registration. Both steps can be accomplished on the same day assuming there are no delays caused by Company Registrar.

Further the Business Registration Certificate shall be obtained under the Business Registration Ordinance from Government Authority. The said license is valid for one year and renewed thereafter.

Public information by The Companies Registry

Directors and shareholders information is public information in Hong Kong. Company information is available on The Companies Registry & extract available by payment to them. Nominee shareholder and directors facility is available in Hong Kong.