

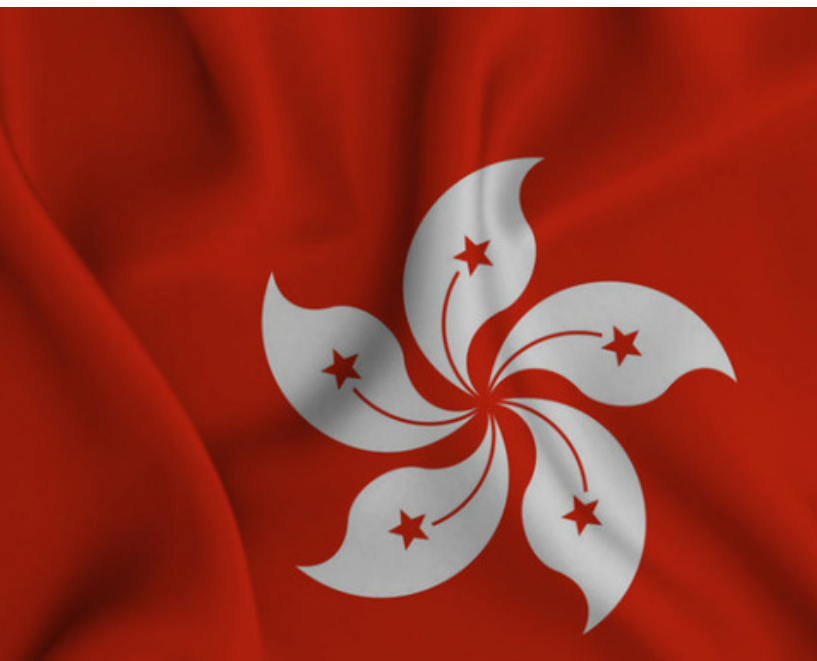
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# HONG KONG INDIA TRADE RELATIONS

# Background

Relations between Hong Kong and India date back to the 1840s when both countries were British colonies. Trade relations between Hong Kong and India were established shortly after the British gained control of Hong Kong in 1841. The Commission for India in Hong Kong was opened in 1951. The mission was renamed as the Consulate General of India on 15 October 1996, in preparation for the transfer of sovereignty over Hong Kong from the United Kingdom to China on 1 July 1997. Since 1999, the consulate is also concurrently accredited to Macau.

Hong Kong and India signed an agreement on reciprocal enforcement of judgements in 1968. The Indian Government re-notified the agreement in July 2012, to account for changes in the nomenclature of Hong Kong courts following the transfer of sovereignty. The two countries signed an Air Services Agreement in 1996, and an MoU on air services agreements in February 2012. Hong Kong and India signed a customs co-operation agreement and an agreement on surrender of fugitive Offenders in 1997, an agreement on Mutual Legal Assistance in Criminal Matters in September 2009, an agreement on transfer of sentenced persons on 20 January 2015.



# Economic Relations

The Hong Kong Monetary Authority (HKMA) and Reserve Bank of India (RBI) signed an MoU on Supervisory Cooperation and Exchange of Information on 17 July 2014.

The Chairman of the India Trade Promotion Organisation (ITPO) visited Hong Kong on 4 October 2016. During the visit, an MoU to boost bilateral trade and commerce (particularly for small and medium enterprises) was signed between the ITPO and the Hong Kong Trade Development Council (HKTDC).

Confederation of Indian Industry (CII) President Naushad Forbes led a CII delegation to Hong Kong in November 2016. Several Hong Kong and Indian companies operate in each other's countries.



# Political Relations

The Commission for India, founded in 1951, was renamed Consulate General of India on October 15, 1996, just before China took control of Hong Kong on July 1, 1997.

Donald Tsang, the then-Chief Executive of Hong Kong, and the Governor of Guangdong province led a company delegation to India in October 2010. During his visit, he met with Maharashtra's Governor, Minister of State for External Affairs, and Finance Minister.

The then-CEO of Hong Kong, CY Leung, paid an official visit to India from February 2-5, 2016, at the invitation of the Chief Minister of Maharashtra, in order to increase the level of economic ties between India and Hong Kong and to boost business, investment, and individuals links.

He led a multi-sectoral business delegation of 40 people, the largest accompanying the Chief Executive on any of his official overseas visits. During his visit, CE met with the Prime Minister, Finance Minister, and External Affairs Minister.

In November 2016, a business delegation from the Confederation of Indian Industry (CII) led by President Dr. Naushad Forbes visited Hong Kong. This was a follow-up to the business delegation that accompanied Hong Kong Chief Executive CY Leung (CE) on his February visit to India. CE met with the delegation to discuss ways to strengthen business and commercial ties between India and Hong Kong.

The Hong Kong government has made Pre-Arrival Registration mandatory for all Indian nationals who wish to visit Hong Kong visa-free for 14 days as of January 23, 2017.

# Commercial Relations



Hong Kong is home to a large number of Indian professionals working in banking, information technology, and shipping. India currently has eleven public sector banks and three private sector banks operating in Hong Kong. Many global financial institutions, investment institutions, and fund managers with operations in India have regional headquarters in Hong Kong. Hong Kong is also a major sourcing hub for Indian businesses. It has established itself as a major re-exporter of items imported from India to Mainland China. Air India's regional headquarters are in Hong Kong.

Hong Kong is a major exhibition and conference centre. Trade fairs in Hong Kong are an important opportunity because they bring together and interact buyers and sellers from all over the world. Hong Kong hosts more than 60 fairs each year. India, primarily through export promotion councils and sectoral promotion boards, also participates in many of these exhibitions to promote its strengths. The Hong Kong Trade and Development Council (HKTDC) has designated India as its focal point for promoting business and trade links, and it organises regular field trips to various parts of the country.

# Indian Community

Indian traders and defence personnel were with the British when they occupied Hong Kong in 1841. Indians in Hong Kong have traditionally been drawn from the trading community, with strong cultural and social links to India.

The Indian community has actively contributed to Hong Kong's emergence as a hub of global finance and trade. Members of the Indian community helped establish well known institutions in Hong Kong, like the Hong Kong University, the Ruttonji Hospital and the Star Ferry.

Increasingly, a large number of Indian professionals started coming to Hong Kong, working in the service industry, banking and finance, information technology, shipping, etc. Sindhis, Gujaratis and Punjabis (Sikh) form the largest component of the community.



# Bilateral Agreements

## Agreements concluded with Hong Kong include:

- Agreement on Reciprocal Enforcement of Judgements (1968), [which was re-notified by Government of India in July 2012 due to a change in the nomenclature of Hong Kong courts following handover of sovereignty to China in 1997],
  - Agreement Constituted by Exchange of Letters Between the PRC and India on matters related to the Consular Convention (December 1991),
  - Air Services Agreement (1996), and an MoU on Air Services Agreements pursuant to the Air Services Agreement (February 2012),
  - Customs Cooperation Agreement (1997),
  - Surrender of Fugitive Offenders (1997), and
  - Agreement on Mutual Legal Assistance in Criminal Matters (September 2009).
- Agreement for Mutual Recognition Arrangement in respect of Authorized Economic Operation (AEO) programs between Central Board of Excise and Customs (CBEC) of Government of India and the Customs and Excise Department of the HKSAR Government (November 2013).

# Bilateral Agreements

## MoU between Hong Kong and India

- MoU between Hong Kong Monetary Authority (HKMA) and Reserve bank of India (RBI) on Supervisory Cooperation and Exchange of Information signed on July 17, 2014.
- Agreement on Transfer of Sentenced Persons was signed on January 20, 2015 and has since come into effect.
- India Trade Promotion Organisation (ITPO) signed an MoU with Hong Kong Trade Development Council (HKTDC) to strengthen the economic partnership and increase bilateral commerce between India and Hong Kong, especially for small and mediumsized enterprises in 2016.
- National Research Development Council (NRDC) signed an MoA for establishing Bilateral Strategic Business Partnership between NRDC and Hong Kong Trade Development Council (HKTDC) on 07.12.2018



# Hong Kong - India Double Taxation Avoidance Agreement

Hong Kong acts as an important entrepot to trade between India and Mainland China. India and Ho have signed various agreements among which one of the most important is the India-Hong Kong Double Tax Avoidance Agreement (DTAA) which was signed on March 19, 2018 and effectively applicable from 1st April 2019.

Hong Kong - India DTAA hold important tax implications for international businesses operating in both countries. The agreement also benefits trading companies that do not have a permanent presence in India but serve an India-based entity.

DTAA between India and Hong Kong accelerates the flow of investment, technology and personnel from both jurisdiction and help curb fiscal evasion with respect to taxes on income. It grants protection from double taxation to more than 1,500 Indian businesses located in Hong Kong as well as to Hong Kong-based companies in India.



# What makes Hong Kong attractive to Indian clients?

Hong Kong is an attractive destination to Indian companies and it is recognized as a successful business center because of its stable political environment, productive legal system, and a pro-business setup that offers plenty of lucrative opportunities for businesses and productive workforce.

In addition to this, the strategic location of the jurisdiction, attractive tax regime, and high-end infrastructure combined to interest Indian clients in setting up business in Hong Kong.

1. Opening a business in Hong Kong is easy and inexpensive.
2. A foreigner is permitted to own 100% of a Hong Kong company, and they are able to be the sole director and shareholder in a Hong Kong company. There are no requirements to be local resident or a specific nationality.
3. Hong Kong is commonly seen as the best route to begin doing business in China for Western countries.
4. In comparison to the surrounding countries, Hong Kong provides stability and worldwide recognition.
5. Companies in Hong Kong are permitted to open multi-currency bank accounts.
6. In Hong Kong, English common law is prevalent and the legal system is separate from that of Mainland China.
7. A physical address is unnecessary for Hong Kong. A holding address is adequate.
8. Hong Kong uses the territorial source principle of taxation, in which profits made outside of Hong Kong are tax-free.
9. Hong Kong has held the record for 17 years in a row as the world's freest economy.

# Hong Kong's unique advantages to Indian exporters

- Hong Kong has long been regarded as the gateway to Asia because of its business-friendly policies, strategic location and historical ties to the West. Hong Kong has a large port and is a major trading centre in Asia.
- Hong Kong also has strategic road and rail links to the 'Greater Bay Area' and beyond, including the newly-built High Speed Rail connecting Hong Kong to Mainland China's national high-speed rail network. This gives direct access to 58 Mainland stations without interchange.

Hong Kong's emphasis on new technologies has seen it provide

- widescale fiber-based broadband infrastructure.
- International internet connectivity continues to grow, driven by Hong Kong's status as an international financial hub.
- Hong Kong is host to a large number of Indian companies and professionals in banking, IT and shipping.
- Numerous global financial majors, investment institutions and fund managers operating in India have their regional headquarters in Hong Kong.
- Hong Kong has emerged as a major re-exporter of items it imports from India to Mainland China.
- Trade freedom, monetary freedom, low taxes, minimal tariffs, and limited government interference in business matters all contributed to Hong Kong's position at the top of the list.

# The Greater Bay Area and its exciting new trade and investment opportunities

- 1.The Guangdong-Hong Kong-Macao Greater Bay Area (GBA) continues to be one of China's most prominent economic development initiatives.
- 2.Dealmaking in the GBA region reached record levels in equity markets and IPO issuance.
- 3.Not only is it China's most productive geographical area, the GBA is also home to the most Fortune 500 companies in the world (135).
- 4.The GBA comprises Hong Kong's open financial markets with Guangdong's industrial advantages and Shenzhen's technological innovations among many additional attributes from the other cities.
- 5.Under the Outline Development Plan, the GBA aims to be a globally competitive mega-region by 2035.



## Advantages of locating Indian business in the Greater Bay Area

- 1.Connectivity in talent and infrastructure
- 2.The global hub for technology and innovation
- 3.The financial power house
- 4.Wealth management connect programme
- 5.End-to-end supply chain
- 6.Free trade zones at trade gate



# Sectors offering greatest potential to Indian companies in Hong Kong

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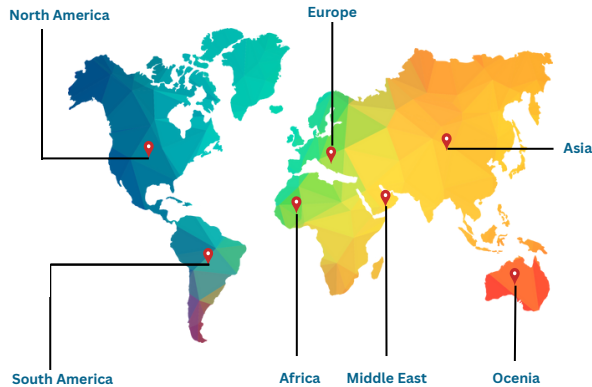
1.The potential sector for Indian companies to invest in order to tap China and Hong Kong, are tourism and hospitality, consumer products and logistics and industrial goods.

2.The key sectors for Indian investors are tourism and hospitality and its sub-sector food and beverage.

3.Indian companies which are food suppliers and traders can look at the possibility of setting up sales offices here not only to cater to local needs of Hong Kong consumers but also make use Hong Kong as hub to sell products in mainland China.

4.Indian companies are very strong in doing jewellery, diamond and other luxury trading business and they can also make Hong Kong as hub for the same.

## SERVING CLIENTS WORLDWIDE



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