



**Chandrawat
& Partners**

**DOING
BUSINESS IN
HONG KONG**
2024

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WELCOME TO HONG KONG

Being the world's leading destination for Initial Public Offerings (IPOs) of companies, Hong Kong process a highly international and business-friendly environment, an open and level playing field, as well as a well-developed financial infrastructure with a first-class transport and telecommunications infrastructure network.

To ensure a fair and accessible business environment, Hong Kong has comprehensive policies and legislation to protect intellectual property rights.

Adopting a straightforward, transparent, and competitive tax systems, Hong Kong's tax advantage lies in the fact that there are only three direct taxes and a tax exemption system which allows a reduced tax burden for businesses.

Located at the heart of the Asia-Pacific region, Hong Kong shares an identical time zone with the other pivotal financial markets which enables to maintain its significant economic presence through the inherent strategic and competitive advantages.

KEY FACTS OF HONG KONG MARKET



HONG KONG: THE GREAT INVESTMENT DESTINATION

Hong Kong is the city that offers a secure, dynamic environment for business, an exciting cosmopolitan lifestyle and direct access to the Mainland China economy.

Core business advantages include a prime geographical location, international aviation hub, level playing field for local and overseas companies, low and simple tax system, advanced soft and hard infrastructure as well as free flows of talent, capital and information.

Hong Kong is consistently rated as one of the easiest places in the world to do business, and has a deep and broad pool of professional services providers to assist you in areas such as legal, financial, logistics, innovation and technology, transportation services, etc.

Hong Kong is one of the most competitive economies in the world. In the World Competitiveness Yearbook 2023, the International Institute for Management Development (IMD) has voted Hong Kong as the 7th most competitive among 64 economies.

To ensure a fair and accessible business environment, Hong Kong has comprehensive policies and legislation to protect intellectual property rights. Nevertheless, with a strong reputation for capital raising, Hong Kong is the world's largest offshore renminbi business center.



SETTING UP A BUSINESS IN HONG KONG



ESTABLISHING AN ENTITY

There are four basic ways of establishing a business in the Hong Kong Special Administrative Region (HKSAR):

1

SOLE PROPRIETORSHIP

Other than ensuring that business registration requirements are complied with, there are little restrictions on the way in which an owner runs the business (provided it is legal).

However, a sole proprietorship gives rise to unlimited liability for the owner, and therefore it is not normally recommended.



2

PARTNERSHIP

General and unlimited partnerships are formed under the Partnership Ordinance. In a general partnership, all partners are jointly and individually liable without limit for the debts and obligations of the partnership.

Each partner is also personally liable, without limitation, for all the debts and obligations of the partnership not satisfied by the partnership assets.

3

LIMITED COMPANY

Limited companies may be either private or public companies limited by shares or a guarantee company without share capital and the operation of which is subject to the provisions of the Companies Ordinance.

The liability of members of a company for the company's debts is limited to the issued share capital, or in the case of a company limited by guarantee, to the amount of the guarantee.

4

BRANCH OR REPRESENTATIVE OFFICE

Any overseas company that establishes a place of business in the HKSAR is required to register pursuant to the Companies Ordinance.

A background image of the Hong Kong skyline, featuring numerous skyscrapers and a harbor with a boat. The image is partially obscured by a white and yellow geometric overlay.

FOREIGN BUSINESS RESTRICTIONS

Essentially, there is no restriction on foreign business setting up in Hong Kong nor is there any foreign exchange control. There is also no Hong Kong residential requirement for shareholders and directors of an entity in the HKSAR.

Investment incentives

There are few incentives to promote business investments since its low tax rates, excellent financial infrastructure and favorable investment climate are considered as sufficient to attract investments in Hong Kong.

In recent years, Hong Kong introduced tax incentives to certain targeted industries/sectors such as the asset and wealth management industry, insurance and insurance brokerage businesses, corporate treasury centres and aircraft and ship leasing.



ESTABLISHING A REPRESENTATIVE OFFICE IN HONG KONG

A non-Hong Kong company that wishes to establish an office in Hong Kong for the purpose of promoting its business carried on elsewhere and liaising with customers and potential customers in Hong Kong can set up a representative office. This involves obtaining a business registration certificate in a similar manner to that as described above for a non-Hong Kong company establishing a Hong Kong branch.

Registration of a representative office with the Registrar is not necessary as a representative office is not meant to carry on business in Hong Kong. If the foreign corporation is going to carry on business beyond the scope of a representative office in Hong Kong, registration of its establishment in Hong Kong as a branch with the Companies Registry will be necessary.

In the case of a representative office, the application for a business registration certificate should state that the business carried on in Hong Kong is that of a "representative/liaison office".

IMMIGRATION



In conjunction with the establishment of a branch, subsidiary, or representative office in Hong Kong, a non- Hong Kong company generally wishes to post one or more of its senior employees to Hong Kong to oversee the operations here. To be authorised to work in Hong Kong, individuals must obtain a Hong Kong employment visa unless they have the Right of Abode or unconditional stay status in Hong Kong by virtue of either being born in Hong Kong or have otherwise resided in Hong Kong for a substantial period of time.

Working in Hong Kong is defined as discharging one's normal duties of employment in Hong Kong regardless of the actual length of stay in Hong Kong, regardless of whether the employment is based in Hong Kong or overseas, and regardless of whether one is paid in Hong Kong. Having a Hong Kong branch or representative office allows a company to sponsor foreign national employees for Hong Kong employment visas. In the case of a subsidiary, the Hong Kong company normally acts as the sponsor.

As the application process for a Hong Kong employment visa can take up to six weeks, consideration should be given to an early lodgment.

We will be pleased to provide further advice on the necessary procedures and required documentation.



TAXES



Every company carrying on business in Hong Kong is subject to profits tax on its Hong Kong sourced profits. A two-tiered profits tax rates regime applies in Hong Kong, whereby the first HKD 2 million of assessable profits of a company is taxed at 8.25% and any assessable profits in excess of that is taxed at 16.5%.

However, this two- tiered regime does not apply to any company that is part of a group of companies where another group entity has been nominated to enjoy the two-tiered regime or the company is already enjoying a concessionary tax rate for other reasons.



The tax position of branches and subsidiaries is generally the same. The reporting position of branches has been described above. The starting point with respect to a Hong Kong company is the company's audited profit and loss statement, adjusted to reflect Hong Kong's tax rules.

To be subject to profits tax, the company must both:

- (i) carry on business in Hong Kong; and
- (ii) earn profits from that business which are sourced in Hong Kong.





To determine where profits are sourced, the broad guiding principle is that one looks to see what the taxpayer has done to earn the profit in question, and where it has done it. If the profit-generating activities are in Hong Kong, then the resulting profits are taxable even if not received in Hong Kong. Broadly, different tests apply to determine the source of different types of income.

With regard to profits from trading transactions, the primary test in determining where such profits arise is where the taxpayer's contracts of purchase and sale are "effected". There is no authoritative view as to the exact meaning of "effected". The Commissioner's published view is that it includes the actual steps leading to the existence of the contracts, including the negotiation and "in substance, conclusion" of the relevant contracts.

If the subsidiary or branch of a non-Hong Kong company engages in activities which give rise to services income, such income will generally be viewed as arising where the activities which generated such income were performed. The fact that the commissions or service fees are paid as a result of a sale producing foreign sourced profits does not in itself mean that the commissions or fees themselves are sourced outside Hong Kong.



To the extent that the relevant activities are performed outside Hong Kong, however, the subsidiary or branch of the non-Hong Kong company should not be liable to Hong Kong profits tax. There is no tax in Hong Kong on accumulated earnings and profits, and there is no requirement that dividends be paid. Dividends received from a corporation carrying on a business in Hong Kong are expressly excluded from the profits tax charge, and Hong Kong also does not impose any withholding taxes on dividends and interest payment. There is also no capital gains tax.

Certain types of foreign sourced income, namely dividend income, interest income, income derived from intellectual property and disposal gains (whether capital or revenue in nature), will be deemed to be Hong Kong sourced income, so as to be taxable in Hong Kong, if it is received in Hong Kong by a multinational enterprise entity carrying on a trade, profession, or business in Hong Kong, unless either the economic substance requirement is met (where applicable) or another exemption applies. Losses can be carried forward indefinitely and set off against future profits.

There are no "grouping" provisions to enable tax losses to be transferred to other entities. Apart from profits tax, there are also salaries tax (on employees, with associated reporting obligations imposed on employers) and property tax (i.e. tax on property rental income) in Hong Kong, both of which could have implications for companies wishing to do business in Hong Kong

LEASING

We can advise on all aspects of leasing retail spaces, offices and residential accommodations in Hong Kong and can put you in touch with local property agents to assist with your search for suitable premises.

Landlords frequently ask prospective tenants to sign a contractually binding offer or booking form for the premises before the lease itself is negotiated.

It is generally advisable to take advice before signing any preliminary agreement, particularly in relation to commercial premises.



HOW WE CAN HELP?

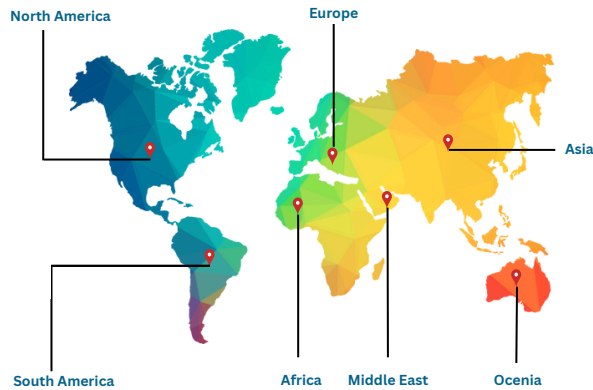


- We are a premier provider of corporate services and business advisory in Hong Kong and the Asia-Pacific.
- We help businesses establish their first office or expand operations, offering services such as company incorporation, accounting, taxation and payroll management.
- Our team is dedicated to providing the guidance and support needed to streamline operations and allowing to concentrate on business expansion.
- We offer comprehensive support for incorporating business in Hong Kong, ensuring a smooth and efficient process.
- We provide expert advice on the intricacies of the tax system, ensuring businesses and individuals understand the territorial nature and the implications of various taxes such as Profits Tax, Salaries Tax, and Property Tax.



- With our full array of services and deep understanding of the Hong Kong business landscape, we are uniquely positioned to deliver exceptional value and support for companies setting up in Hong Kong.
- Our goal is to help businesses thrive in this dynamic and business-friendly environment, making the incorporation process seamless and efficient.
- We offer exclusive services to overseas companies to help them make an informed choice, set up and expand their business in Hong Kong.
- We assist in identifying and minimizing tax risks, ensuring that businesses take advantage of tax-saving opportunities effectively.

SERVING CLIENTS WORLDWIDE



The information contained herein is of a general nature. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. The information is not offered as an advice on any matter, and no one should act or fail to act based on such information without appropriate legal advice after a thorough examination of the particular situation. The information does not make us responsible or liable for any errors and/or omissions, whether it is now or in the future. We do not assume any responsibility and/or liability for any consequences.

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