

HONG KONG S.A.R. - FACT SHEET

1. GENERAL ASPECTS

Hong Kong is an autonomous territory on the southern coast of China at the Pearl River Estuary and the South China Sea. It has an area of 1,104 kilometers, sharing its northern border with the Guangdong Province of mainland China. It is home to around 7.5 million people and is one of the world's most densely populated metropolises. Until 1997, Hong Kong was under British administration; however, because of negotiations between China and Britain, Hong Kong was transferred to the People's Republic of China to become a special administrative region of China with a high degree of autonomy under the principle of one country, two systems. As a result, the territory has developed into a central global trade hub and financial center and is regarded as a world city. Hong Kong ranks within the top 50 largest economies globally and the top 20 in GDP (PPP) per capita.

2. POLITICAL STRUCTURE

As a Special Administrative Region of the People's Republic of China, Hong Kong implements the Basic Law. The Basic Law is the constitutional document of the Hong Kong Special Administrative Region. It enshrines the essential concepts of "one country, two systems"; "Hong Kong people administering Hong Kong" and a high degree of autonomy within a legal document. According to the Basic Law, Hong Kong's political system and way of life remain unchanged for 50 years. The rights and freedoms of people in Hong Kong are based on the impartial rule of law and an independent judiciary.

3. TAXATION

Hong Kong's tax system is one of the most business-friendly in the world. Corporate profits are taxed at 8.25% on the first HK\$2 million (US\$255,000), after which the prevailing rate of 16.5%, and there is unlimited carry-over of losses. Salaries tax is capped at 15%. There is no inheritance tax, no capital gains tax, and no GST or VAT in Hong Kong. Furthermore, there is no withholding tax on dividends and interest.

Another salient feature of the Hong Kong tax system is its reliance on the territorial concept of taxation. Only income sourced in Hong Kong is taxable. There is no global taxation, and no restriction on capital flows into or out of Hong Kong.

4. OFFSHORE STATUS

A Hong Kong Limited Company will be liable for tax if:

- its premises are in Hong Kong and employs staff,
- it is partly or wholly managed on Hong Kong territory,
- its client base is in Hong Kong,

- its suppliers are in Hong Kong, or
- material destined for sale is stocked in Hong Kong.

If none of those mentioned above conditions apply, we will file an application to the Hong Kong authorities for an offshore claim when the client requests it. Once the tax department agrees to the claim, it will be valid for three to four years. As Hong Kong is a special administrative area, it is permissible to conduct business with China without being subject to tax.

5. DOUBLE TAXATION AVOIDANCE AGREEMENTS

Hong Kong has 53 Double Taxation Treaties, being the first one enacted since 2004. Moreover, Hong Kong has a Double Taxation Arrangement, which is, in essence, a double tax agreement on profits and personal income only.

6. INFRASTRUCTURE AND ECONOMY

Hong Kong was the chairman of the FATF for the years 2001-2. Hong Kong is located between the time zones of major markets in North America and Europe. It is also a regional transport hub providing easy access to North America, Europe, Asia, and the Pacific.

Hong Kong is the world's freest economy. It is one of the most service-oriented economies globally, with services sectors accounting for 93.4% of the GDP in 2019. According to *World Trade Organization (WTO)*, Hong Kong is the world's 6th largest exporter of merchandise trade in 2020, up by two places over 2019. According to the *UNCTAD World Investment Report 2021*, global FDI inflows to Hong Kong amounted to US\$119.2 billion in 2020, ranked 3rd globally, behind the United States (US\$156.3 billion) and Mainland China (US\$149.3 billion). In terms of FDI outflows, Hong Kong ranked 4th globally with US\$102.2 billion, after Mainland China (US\$132.9 billion), Luxembourg (US\$127.1 billion), and Japan (US\$115.7 billion). Hong Kong is an important banking and financial centre in the Asia Pacific. Hong Kong is the 4th leading global financial centre, according to the *Global Financial Centre Index*.

7. LANGUAGE

The official languages are Cantonese, Mandarin, and English, with English being used in the commercial and political context and Chinese used widely in industry and domestic trade.

8. OUR FEES

A fee schedule is available upon request.

▪ GENERAL CORPORATE INFORMATION

Company type	Limited Company
Type of Law	Common
Principal Corporate Legislation	Companies Ordinance (Cap 622)
The time frame for company formation	1 to 7 workings day
Shelf company availability	Yes

▪ SHARE CAPITAL

Standard Currency	Hong Kong Dollar
Permitted Currency	Any
Minimum paid-up share	1
Standard authorized capital	Not applicable
Class of shares permitted	Ordinary shares, preference shares, redeemable shares, and shares with or without voting rights, subject to the Articles of Association

▪ DIRECTORS, SHAREHOLDERS, AND COMPANY OFFICERS

Minimum number of Directors	1
Minimum number of Shareholders	1
Locally-based requirement	No
Requirement to appoint Company Secretary	Yes

▪ ACCOUNTING REQUIREMENTS

Requirement to prepare accounts	Yes
Requirement to appoint an auditor	Yes
Requirement to file accounts	Yes
Publicly accessible accounts	No
Need to file an annual return	Yes

▪ BASIC DOCUMENT REQUIREMENTS

- Certified copy of valid passport (or national identity card).
- Certified copy of proof of address (issued within the last three months) in English.

▪ **OTHERS**

Registered office required	Yes, it must be maintained in Hong Kong.
Name approval required	It is not possible to reserve a name. Therefore, it is essential to check that there is no similar or identical name on the register, which would prevent the company from being incorporated.
Name Restrictions	<ul style="list-style-type: none"> - Any name that is the same as an existing company. - Any name that would constitute a criminal offense or is offensive or otherwise contrary to the public interest. - Any name that would likely give the impression that the company relates to the Central People's Government, or the Government of the HKSAR, or any department of either government such as Department, Government, Commission, Bureau, Federation, Council, Authority.
Names Requiring Consent or a License	Building Society, Chamber of Commerce, Co-operative, Kaifong, Mass Transit, Municipal, Savings, Tourist Association, Trust, Trustee, Underground Railway, Bank, Insurance, Assurance, Reinsurance, among others.
Business Registration Fee	HK\$2,250 to be paid on the date of incorporation and then annually on the anniversary of the incorporation.

