

Building better businesses

Doing Business in Hong Kong



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Agenda

- ▶ **1. Types of Business Structure in Hong Kong**
- ▶ **2. Overview of taxes and tax treatment of business profit**
- ▶ **3. Practical Issues for businesses**
- ▶ **4. People Issues, Work permits and admin**
- ▶ **5. Grants**
- ▶ **6. Business Environment**
- ▶ **7. Case Study/Examples**
- ▶ **8. Questions**

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1. Types of Business Structure

- Limited Liability Company
 - ▶ The most common business vehicle
- Branch / Representative Office
- Also have Sole Proprietorship
- or Partnership



2. Overview of Tax and tax treatment of business profit

- Company profits tax rates system
 - ▶ Incorporation : 8.25% - 16.5%
- Withholding tax
 - ▶ Not on dividend and bank interest
 - ▶ Royalties : 30% deemed profit x 4.95% or 16.5%
- ▶ No Double Tax Agreement Australia – Hong Kong

2. Overview of Tax and tax treatment of business profit

- Salaries tax 2% - 17%,
 - no PAYE system
- Property tax 15%
- No payroll, turnover, sales, value-added, dividends and capital gains taxes.
- Stamp duty at various rates

3. Practical Issues for businesses

- Director
 - ▶ At least one natural person
 - ▶ No need for HK resident
- Bank Account Opening
 - ▶ to apply in person
 - ▶ Passport needed and address proof

3. Practical Issues for businesses

- Annual Compliance
 - ▶ Annual return for company's office
 - ▶ Tax return,
 - ▶ Audit – not needed if sales under \$2M, but desired by tax office
 - ▶ Company secretary – separate person or entity, resident in HK
- Financial year
 - ▶ Choose your own FYE

4. People Issues, Work permits and admin

- Transportation – Asian markets < 4 hours
- Workforce – skilled, educated, hard-working
- Infrastructure – Internet, airport, utilities
- Lifestyle – safety, networking, friends, food

4. People Issues, Work permits and admin (Cont.)

- Working visa, Investment visa, Training visa, Dependent visa
- Mandatory Provident Fund – like a pension fund
 - 5% contribution paid by employer and 5% by employee (total 10%).

5. Grants

▶ Innovation and Technology Fund

- ▶ The Innovation and Technology Support Program (ITSP)
- ▶ The University-Industry Collaboration Program(UICP)
- ▶ Enterprise Support Scheme (ESS)
- ▶ Research and Development Cash Rebate Scheme (CRS)
- ▶ Midstream Research Program for Universities (MRP)

6. Business Environment

- ▶ English contracts except where contracting with China
- ▶ Easily understood – trilingual
- ▶ RMB offshore center
- ▶ Business-focused government
- ▶ Easy access to major markets
- ▶ Simple and low tax structure
- ▶ Ease of hiring
- ▶ Trust in the government and public services

7. Case Study 1

A Trading Company in Hong Kong as a Platform for Buying in China & Asia

Your Current Structure

- ▶ Buy directly from suppliers in China
- ▶ Direct shipment from suppliers in China to your company

How your International Import Program Works

- ▶ Your Existing Company or Your Customers Worldwide buy from YOUR NEW HONG KONG COMPANY
- ▶ YOUR NEW HONG KONG COMPANY buy from suppliers in China
- ▶ Direct shipment from suppliers in China to your company or Your Customers Worldwide
- ▶ Profits now build up in Hong Kong at arm's length to be subject to 8.25 up to 16.5% tax

7. Case Study 2

- ▶ Australian Parent Company holds your new Hong Kong Company
- ▶ Your new Hong Kong Company holds a Subsidiary in China
- ▶ The Hong Kong Holding Company has the full liability for the company in China and frees the Parent company from any liability.
- ▶ Lower withholding taxes.

7. Case Study 3

- ▶ Your Parent Company / Customers buy from New HK Trading Coy.
- ▶ New HK Coy starts a Representative Office in China
- ▶ New HK Coy buys from suppliers in China
- ▶ The Representative Office in China carries out Sourcing and Quality Control
- ▶ Direct shipment from suppliers in China to your Australian Parent company / Customers

7. Case Study 3 (cont.)

► Advantages:

- Low Capital Investment
- Less Risk
- Tax Advantages
- Well developed Trading Structure
- No liability for the Parent Company
- Cost effective

Questions?



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