

Hong Kong company registration

Healy Consultants



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Since 2003, Healy Consultants has been helping Clients setup new businesses in Hong Kong. We provide the full business setup package including **i)** company registration, **ii)** corporate bank account services, **iii)** employee recruitment, **iv)** virtual office/office rental services, **v)** resident director services and **vi)** visa strategies.

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Best uses for a Hong Kong company



There are three best uses for a Hong Kong company: **i)** as a holding company/regional headquarters, **ii)** as a gateway to China, and **iii)** as a gateway to Asia.

As a regional headquarters

- Hong Kong is Asia's 6th most liveable city. It has a growing multinational population and has well-developed infrastructure for business, banking, tourism and accommodation;
- There is no shortage of skilled labour in Hong Kong which boasts a literacy rate of 96% and computer literacy rate of 95%;
- Most employees are bilingual in English and Cantonese/Mandarin. This makes it easy for multinationals to operate in Hong Kong;
- Local employees will understand the corporate culture in mainland China and as such, doing business with China will be easy;
- By setting up a company in Hong Kong, businesses can take advantage of legal tax exemption while being able to extract funds from their regional subsidiaries. This can be done in the form of dividends, management fees and royalties paid to the business.

As a gateway to China

- As a Special Administrative Region of China, Hong Kong boasts a special relationship with one of the world's largest economies. Hong Kong has access to almost 450 million customers across China, making it an optimum gateway to the mainland Chinese market;

- Hong Kong is one of the largest sources of investment in China;
- There is excellent infrastructure set up to connect Hong Kong and the southern provinces of China, including air, rail and road links;
- Hong Kong and China have signed the Closer Economic Partnership Agreement (CEPA). This is a free trade agreement to provide Hong Kong's manufacturers and suppliers preferential access to the Chinese market.

As a gateway to Asia

- Hong Kong boasts the world's 2nd best infrastructure in the form of a natural deep sea port, a busy cargo airport and well-developed rail and road systems. As such, Hong Kong is often the top choice for product distribution within Asia;
- Hong Kong's location gives companies easy access to mainland China, and the Indian and Australian consumer markets;
- Many international trading companies and banks are based here, thus providing excellent financial facilities to companies looking to set up here;
- In the 2015 Business of Cities report released by Jones Lang Lasalle, Hong Kong is listed as the world's 2nd most business friendly city;
- Hong Kong will have a free trade agreement with ASEAN in 2016 which will make it easier for Hong Kong companies to trade with ASEAN nations without tariffs.

Why set up a company in Hong Kong

TOP 10 REASONS TO INVEST IN

HONG KONG

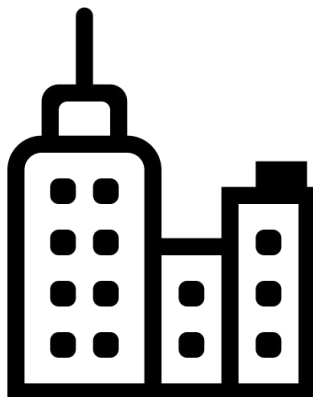
QUICK INCORPORATION

FAMILIAR LEGAL SYSTEM

MINIMAL REQUIREMENTS

REGISTERED ADDRESS

TAX EXEMPTION



LOW CORPORATE TAX

NO LANGUAGE RESTRICTION

STRONG FDI INFLOW

34 DOUBLE TAX TREATIES

EASY BANK CREDIT

Short incorporation time

A Hong Kong company can be registered in one week with a minimum share capital of HK\$1.

Legal system

Hong Kong's legal system and laws are based on English common law, making it easy for foreigners to conduct business as they are familiar with the legal practices.

Minimal requirements

Only 1 director and 1 shareholder are required to set up a company in Hong Kong. Neither needs to be a resident of Hong Kong and there is no reason for these individuals to travel to set up the company.

Registered address

A Hong Kong company can be set up with a registered address. There is no requirement for a physical office space in Hong Kong.

Tax exemption

If your Hong Kong company has no local base or income from Hong Kong, it will be legally tax exempt – a key advantage of setting up in Hong Kong.

Low corporate tax rate

For resident companies, corporate tax rate is 16.5%. This is among the lowest tax rates in Asia.

No language restriction

The official business language in Hong Kong is English and all corporate documents are written in Chinese and English. This makes it easy for foreigners to conduct business in Hong Kong.

Foreign investment

Resident companies can invest in any industry without government restrictions regardless of the nationalities of their owners. This is a key benefit for foreigners looking to enter the Hong Kong market.

Double tax treaties

Hong Kong has 34 double tax treaties signed, which allows withholding taxes on payments from abroad to be minimised.

Obtaining bank credit

Obtaining bank credit is relatively easy in Hong Kong. The city is ranked as the 4th best place in the world to get bank credit.

Business entity types in Hong Kong

When setting up a new company, it is important to identify the right company type for your business. Below is a summary of the key company types in Hong Kong.

Limited company

- Limited companies are unrestricted in the activities that they perform, thus it is a popular option for most companies looking to set up in Hong Kong;
- Limited companies in Hong Kong will benefit from tax exemption on income from overseas operations. Thus, Hong Kong is the ideal location to set up a holding company or company headquarters;
- There are minimal requirements to set up a company in Hong Kong including **i)** only one director (of any nationality), **ii)** only one shareholder (of any nationality), and **iii)** a resident secretary;
- Hong Kong limited companies are based on English limited companies;
- Limited companies are separate legal entities and can carry out activities distinct from their owners;
- Corporate shareholders are common, but corporate directors are not allowed under Hong Kong company law;
- All active companies in Hong Kong must submit audited accounts with tax returns at their annual general meetings;
- There are no minimum share capital requirements and no government approval is required to incorporate a limited company in Hong Kong;
- Hong Kong allows a company's shared capital to be denominated in any currency including USD, GBP, EUR and HKD, making Hong Kong an ideal location for multinationals looking to expand.

Branch office

- Branch offices are considered extensions of their parent company. As such, a branch office does not have a separate legal identity;
- Positive or negative financial impact for a branch company will be attributed to the parent company;
- Hong Kong branch offices can conduct trade

within the scope set by the parent company but can only carry out business in Hong Kong with appropriate licenses;

- A branch office in Hong Kong can start operations up to a month before registering with the Hong Kong Companies Registry. Foreign companies setting up branch companies in Hong Kong will need to register as a "Registered Non-Hong Kong Company" within one month of setting up;
- Branch offices in Hong Kong are permitted to invoice local customers, sign local sales contracts and receive income from local customers;
- A branch office is ideal for companies that need to start business immediately or companies with small operations selling only in Hong Kong;
- There is no requirement for a branch office in Hong Kong to submit audited accounts with their annual returns and tax filings.

Representative office

- A representative office is not permitted to make direct sales in Hong Kong;
- Activities for representative offices in Hong Kong are limited to **i)** promoting the parent company's business, and **ii)** carrying out market research;
- If a company only has a representative office in Hong Kong, it is required to appoint a local agent or distributor to sell goods and provide services to local customers;
- A representative office is ideal for companies looking to enter Hong Kong to carry out market research and explore business opportunities due to the limitation in business activities.



Table of comparison between Hong Kong business entities

	LLC	Branch office	Representative office
Operations and logistics			
Do you need to visit Hong Kong for company setup?	No	No	No
Bank signatory must travel	Yes	Yes	Yes
Is doing business in Hong Kong permitted?	Yes	Yes	No
Allowed to sign sales contracts with local Clients	Yes	Yes	No
Allowed to invoice local Clients	Yes	Yes	No
Can rent local office premises	Yes	Yes	Yes
Tenancy agreement required before incorporation?	No	No	Yes
Allowed to import raw materials?	Yes	Yes	No
Allowed to export goods?	Yes	Yes	No
Accounting and tax			
Corporate tax payable	16.5%	16.5%	0%
Statutory audit required	Yes	Yes	No
Annual tax return to be submitted	Yes	Yes	Yes
Access to double taxation treaties	Yes	Yes	Yes
Company law			
Issued share capital required	US\$1	US\$0	US\$0
Resident director required?	No	No	No
Resident shareholder required?	No	No	No
Minimum number of directors	1	0	0
Minimum number of shareholders	1	0	0
Resident company secretary	Yes	Yes	Yes
Individual shareholders allowed	Yes	No	No
Corporate directors allowed	Yes	No	No
Corporate shareholders allowed	Yes	Yes	Yes
Public register of shareholders and directors	Yes	Yes	Yes
Immigration			
Can the entity hire expatriate staff?	Yes	Yes	Yes
Employment visa fees	US\$7,950	US\$7,950	US\$7,950
How long to get work permit approved	3 months	3 months	3 months
Fees and timelines			
How long to set the company up?	1 week	2 weeks	2 weeks
How long to open corporate bank account?	4 weeks	4 weeks	4 weeks
Estimate of engagement costs	US\$8,910	US\$8,750	US\$9,450

Hong Kong offshore company

Why set up an offshore company in Hong Kong

- Setting up an offshore company in Hong Kong is an excellent way to house a company's global corporate profits while minimizing taxes. If there is no trade conducted within Hong Kong, companies will be legally tax exempt;
- An offshore company can be quickly set up in Hong Kong. Incorporation takes 1 week and there is only 1 director and 1 shareholder required. Both can be of any nationality;
- Hong Kong's banking system is considered one of the most secure in the world and the government has strong Client confidentiality guidelines;
- Setting up an offshore company in Hong Kong is not considered a tax avoidance strategy and as such it is easy to open corporate bank accounts.

Key differences between a Hong Kong LLC and offshore company

- An offshore company is unable to conduct business within Hong Kong;
- An offshore company pays no taxes on earnings from outside of Hong Kong. Hong Kong LLCs pay a 16.5% corporate tax rate for all income from trade within the city;
- An offshore company cannot buy or rent local property and office premises;
- Offshore companies in Hong Kong cannot apply for immigration visas or hire staff.

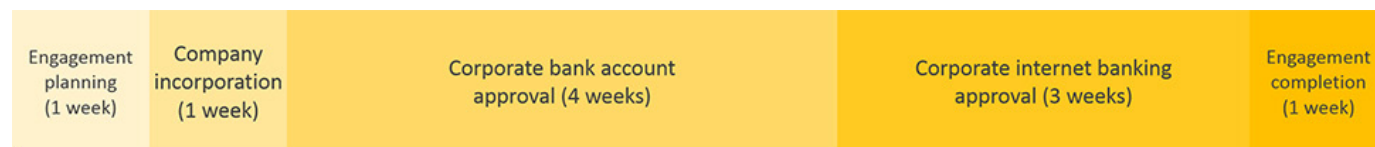


Steps to incorporate in Hong Kong

10 STEPS TO SETTING UP A BUSINESS IN HONG KONG



Hong Kong company incorporation timeline



Total engagement period: 10 weeks

Business in Hong Kong and Singapore

Similarities between Hong Kong and Singapore

- Incorporation period is only 1 week;
- Time taken to open a company bank account is 4 weeks;
- Minimum issued share capital is US\$1;
- Tenancy agreement is not required before incorporation;
- Clients do not need to visit the country for company incorporation;
- The minimum requirement of 1 shareholder can be fulfilled with someone of any nationality;
- Sales contracts can be signed with local Clients;
- Local Clients can be invoiced;
- Office premises can be rented;
- The entity is allowed to import raw materials and export goods;
- Expatriate staff can be hired;
- Annual tax returns need to be submitted.

Differences between Hong Kong and Singapore

- A resident director is required for a Singapore company whereas the director for a Hong Kong company can be of any nationality;
- Corporate tax payable is 16.5% in Hong Kong, and 17% in Singapore;
- Statutory audit is required for Hong Kong companies, but not for companies in Singapore;
- Companies in Hong Kong have access to only 34 double tax treaties whereas those in Singapore have access to 69;
- Hong Kong companies have a 0% sales tax (GST) whereas Singapore has 7% GST;
- The level of conversational in English in Hong Kong is relatively poor compared to Singapore and other investment hotspots such as Malaysia, Dubai and Indonesia;
- At least one of the directors of a Hong Kong company must be a natural person. Once this requirement is fulfilled, other corporate directors can also be appointed.

Offshore companies in Hong Kong and Singapore

- Corporate tax rate on trade conducted outside the country is 0% for both Hong Kong and Singapore;
- An offshore company in Singapore cannot open a local corporate bank account whereas a Hong Kong offshore company can;
- Offshore companies in both countries cannot sign sales agreements with local clients;
- Office premises cannot be rented by an offshore company in both countries;
- Offshore companies in Hong Kong and Singapore are unable to import raw materials and export goods;
- Expatriate staff cannot be hired by offshore companies in both countries;
- A resident secretary is required for offshore companies in both countries.

Fast solutions for Hong Kong

For Clients looking to quickly enter Hong Kong to close a deal, Healy Consultants provides shelf company solutions. With this service, within 2 weeks, we can provide our clients with **i)** a Hong Kong company name and number, **ii)** a Hong Kong company address, **iii)** a local corporate bank account number and **iv)** a Hong Kong tax number.

There is a 50% chance that the new bank signatory for this shelf company will need to travel to Hong Kong in order to complete the transfer. This can be

delayed till the Client is ready so there will be no delay in the company's business activities.

While the name of the corporate bank account will be of the existing company, it is acceptable to change the company name and business activity while maintaining the same bank account number. Therefore, Clients can purchase these readymade companies and change the names to match their requirements.

Steps to purchase a shelf company in Hong Kong

1	Once the client confirms the planned corporate structure and company name, Healy Consultants will help to reserve the name with the Hong Kong company registry;
2	Healy Consultants will provide Clients with i) a Hong Kong company name and number, ii) a Hong Kong company address, iii) a corporate bank account number, iv) a Hong Kong tax number;
3	The existing shelf company's director signs i) legal share allotment and share transfer documents, and ii) change of company address. These documents are then submitted to the Hong Kong registry;
4	Once approved, Healy Consultants emails our Clients i) the certificate of incorporation, and ii) the new Memorandum and Articles of Association with the new shareholders and directors;
5	There is a 50% chance that our Client will need to travel to meet the bank in Hong Kong in order to change the bank signatory. If you are already a customer of the bank, there is a 75% probability that you will be exempted from travelling. The following documents will need to be submitted for this step i) signed appointment of bank signatory forms, ii) Client's passport copy and proof of address, iii) Hong Kong company kit, and iv) proof of business with due diligence.



Summary

Despite the few drawbacks of setting up a company in Hong Kong such as the need to travel to Hong Kong to open a corporate bank account, rising expat packages, and the low quality of conversational English, Hong Kong is still one of the key investment locations for businesses looking to enter the Asian market.

There are many key benefits that Hong Kong provides companies including a stable infrastructure, and easy access to one of the world's largest Asian markets: China.

If you are looking to expand your business to Hong Kong, it is beneficial to have someone who understands the full business setup process. With experience since 2003 in registering businesses in Hong Kong, Healy Consultants can provide Clients with the knowledge and expertise to ease the process of entering the market. Healy Consultants also provides a wide range of support services for your business including corporate banking services, employment and resident visa applications, virtual office services and trust formation services in Hong Kong.

Please visit <http://www.healyconsultants.com/hong-kong-company-registration/> for more information.

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For further information on setting up a business in Hong Kong, please email us at email@healyconsultants.com. Alternatively, you can call us at (65) 6735 0120.

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