

# Guide to Setting up in Hong Kong



## One Country, Two Systems

With the handover of the former British colony to the People's Republic of China in 1997, Beijing agreed to maintain Hong Kong's economic freedoms as stipulated under the Basic Law for the next fifty years.

Although belonging totally to China the Hong Kong Special Administrative Region (HKSAR) retains a high degree of autonomy. Hong Kong maintains an independent judiciary and is better placed than the Chinese mainland for protecting intellectual property.

Since 1995 Hong Kong has annually been voted the world's freest economy by the Heritage Foundation. There are no restrictions on ownership of property.

Hong Kong has the lowest tax rates in south-east Asia and the third lowest in the world. It raises taxes only on profits (16.5 per cent), salaries (max. 15 per cent) and property.

There are no sales or capital gains taxes, no withholding of taxes on dividends and no global income tax. Only income derived or arising in Hong Kong is taxable.

Hong Kong is a free port and signed a free trade agreement, the Closer Economic Partnership Agreement, with the mainland.

Both English and Chinese are official languages in Hong Kong.

## Establishing a Company in Hong Kong

There are several ways to establish a presence in Hong Kong. A representative office may be suitable to some organisations, yet this structure has only limited functions and cannot undertake trading activities. A branch office of a foreign parent company is not a separate legal entity and cannot take full advantage of Hong Kong's attractive taxation. As a result, most investors choose to form a private company limited by shares (minimum share capital HK\$ 1).

It is necessary to select a unique name. Check the website of the [Companies Registry](#) and ensure that your name has not already been taken.

A minimum of one director and one shareholder are required to form a limited company. They can be one and the same person and may also be a foreign passport holder of at least eighteen years of age.

On top of this, a company secretary also needs to be appointed. If an individual, then the person must ordinarily reside in Hong Kong; if a company, its registered office must be in Hong Kong.

A [One-stop Company and Business Registration Service](#) has been launched by the Companies Registry and the Inland Revenue Department. Applications for both incorporation and business registration may now be undertaken simultaneously.

Simply complete the [Incorporation Form NC1](#) and submit together with a copy of the company's Memorandum & Articles of Association and Notice to Business Registration Office (IRBR1) to:

Companies Registry  
14/F, Queensway Government Offices  
66 Queensway  
Hong Kong  
Enquiry hotline: +852 2234-9933  
Email: [creng@cr.gov.hk](mailto:creng@cr.gov.hk)

The company incorporation fee is HK\$ 1,720. The business registration levy is HK\$ 450 (HK\$ 2,000 fee waived for financial year 2012/13) for one year; total of HK\$ 4,550 for three years. Cheques are to be made payable to the "Companies Registry".

The process takes roughly four working days if submitting an application by post. If using the [eRegistry](#), online applications may be processed within an hour.

### **Opening a Bank Account**

Opening a personal bank account in Hong Kong is rarely a problem for foreigners. Usually a passport and proof (copies of last three months' utility bills) of the residential address in the home country suffice. The account, however, should be opened in person.

Foreign businesses are permitted to open accounts at most banks in Hong Kong. The following documents are required:

Certificate of Incorporation number  
Business Registration Certificate number  
Annual turnover of parent company  
Details of director(s), authorised signatories and principal (>10%) shareholders  
Contact telephone number of the company's representative

N.B. the director(s) of the company or at least the number required for a quorum normally need to be present in Hong Kong for the opening of the account.

### **Finding Premises**

Whereas Central is the main business district it can be very expensive. Other options include Admiralty, Wan Chai, Causeway Bay, Quarry Bay and Sheung Wan (all on Hong Kong Island) as well as Tsim Sha Tsui and Kowloon East.

For average rents see the website of the [Rating and Valuation Department](#).

Typically leases last for two-three years with an option for renewal. Companies new to Hong Kong may prefer to rent serviced office accommodation in the early days until they know how much space they are likely to require. Providers of such accommodation can also offer virtual offices.



## Visa Application

Unless people have the right of abode they require a visa to live, study and work in the HKSAR beyond the visa-free period. Depending upon the circumstances there are different visas:

### a) Investment Visa – for Business Owner

For those wishing to establish a business and live and work in Hong Kong it is necessary to nominate a sponsor before applying for an investment visa. The sponsor should be a Hong Kong entity who knows the applicant reasonably well. This could be:

- i) own limited company established in Hong Kong;
- ii) employee of the company resident in HKSAR; or
- iii) accounting/legal firm supporting the business

When evaluating the application the Immigration Department will assess the overall economic impact of the investment, the jobs likely to be created and the anticipated revenue of the business.

The key message, therefore, is to convey that this is a viable business contributing to the local economy.

To support the claim and prior to submitting the application it is advisable to have established the business already and identified office space.

The applicant should complete form [ID 999A](#); the sponsor [ID 999B](#). For further information please refer to the [Guidebook](#). Supporting documentation required:

#### The Applicant

Full curriculum vitae listing professional qualifications  
Full job description  
Provision of accommodation  
Reason for applicant's presence  
Actual financial investment within the company

#### The Company in Hong Kong

Business plan  
Potential for creating local employment  
Existing clients and business contacts in Hong Kong / China  
Certificate of Incorporation  
Business Registration Certificate  
Returns of directors and shareholders and allocation of shares  
Existing staff list

#### Parent Company

Proof of existence of parent company  
Bank statements and accounts (ideally audited)

#### b) Employment Visa – for Employee

The employee(s) of the company need to complete both forms [ID 990A](#) (applicant) and [ID 990B](#) (sponsor). Further details are available in the [Guidebook](#). The sponsor is the company.

#### c) Dependent Visa – less than eighteen years of age

The applicant should complete part B of form ID 990A. The sponsor of the visa is the principal visa applicant.

Visa applications should be submitted to the nearest Chinese diplomatic post in your home country or to the [Immigration Department](#) at the following address:

Immigration Department  
2/F, Immigration Tower  
7 Gloucester Road  
Wan Chai  
Hong Kong  
Enquiry hotline: +852 2824 6111  
Email: [enquiry@immd.gov.hk](mailto:enquiry@immd.gov.hk)

Four-six weeks are usually required for a visa application to be reviewed. A fee of HK\$ 160 must be paid upon collection of the approved visa.

### **Employing Staff**

The basic requirements and obligations of employers are stipulated in the [Employees' Compensation Ordinance](#). Among other matters this requires employers to formulate terms and conditions in written employment contracts. [Notes for preparing an employment contract](#).

Whether working full- or part-time an employer is required under section 40 of the Employees' Compensation Ordinance to take out a valid insurance policy to cover injuries at work.

Hong Kong residents have access to healthcare via Government-run (cover 97 per cent of costs) medical establishments. Adding private healthcare to a remuneration package is, however, quite common.

### **Mandatory Provident Fund (MPF)**

The [MPF](#) applies to all members of the workforce between eighteen and sixty-five. Both employers and employees are required to contribute five per cent of the employee's relevant income into a registered MPF scheme, up to a maximum of HK\$ 1,000 per month. Employees may contribute more if they wish.