

The Sovereign logo is a black rectangle with a white border. Inside, the word "SOVEREIGN" is written in white, uppercase, sans-serif font, followed by a small trademark symbol (TM). A solid red horizontal bar is positioned directly below the black rectangle.

SOVEREIGN™

DOING BUSINESS IN HONG KONG

A CORPORATE SERVICES GUIDE

CONTENTS

ABOUT HONG KONG	3
COMPANY SET-UP IN HONG KONG	4
REGISTERED OFFICE AND COMPANY SECRETARIAL	5
PROVISION OF STANDARD DOCUMENTS	6
BANK ACCOUNT OPENING	7
ACCOUNTING AND BOOKKEEPING	8
PAYROLL AND HUMAN RESOURCES (HR)	9
IMMIGRATION AND VISA APPLICATIONS	10



ABOUT HONG KONG

As one of the most open economies in the world, Hong Kong is the ideal location for business set-up and company formation. Hong Kong is specifically geared to enable free enterprise to flourish with a minimum of bureaucracy and restriction.

Hong Kong combines a simple low-rate tax regime with free market principles. There are no restrictions on inbound or outbound investment and there are no nationality restrictions on ownership. Foreigners can invest in almost any business and own up to 100% of the equity.

The Hong Kong tax system is territorial. Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of qualifying corporations are taxed at 8.25%, while profits above HK\$2 million are taxed at 16.5%. However this applies only to Hong Kong-source income; foreign-source

income is not taxable even if remitted to Hong Kong. There is no capital gains tax, no sales tax, no withholding tax on dividends or interest and no inheritance tax.

In addition to being a major financial and commercial centre in its own right, Hong Kong serves as a regional headquarters and business hub for the Asia Pacific region. It also acts as a gateway for companies looking to do business in Mainland China and mainland enterprises seeking access to global markets.

Hong Kong's appeal is built on the rule of law, the free flow of information and the use of English as the language of business. It offers a strong pool of local well-qualified talent, while business-friendly immigration policies make it simple to recruit professionals from overseas.



COMPANY SET-UP IN HONG KONG

The most frequently used form of business entity in Hong Kong is the private limited company – either as a standalone business or as a subsidiary of a foreign company. Foreign companies can also setup in Hong Kong as a branch office or a representative office.

To be incorporated in Hong Kong, a new company must obtain a certificate of incorporation from the Companies Registry. All businesses engaged in activities in Hong Kong, whether or not incorporated locally, must also obtain a Business Registration Certificate from the Inland Revenue Department (IRD) within a month of commencing business.

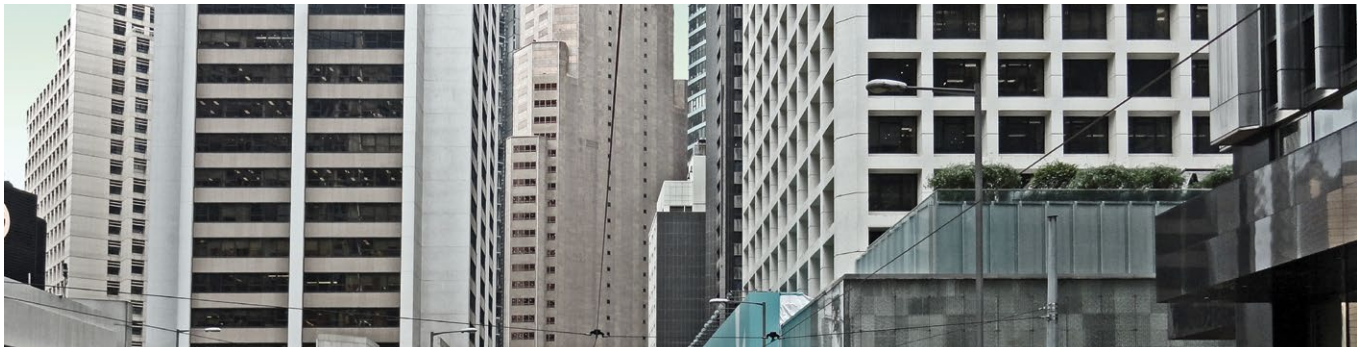
Registering a foreign company in Hong Kong can also offer significant advantages to incorporating a new Hong Kong company in certain circumstances. Hong Kong's territorial tax system does not distinguish between a Hong Kong Company and a non-Hong Kong Company. The definition of residence under Hong Kong's tax treaties includes both an entity incorporated in Hong Kong and an entity whose place of effective management is in Hong Kong. A foreign company that

is managed in Hong Kong can therefore access treaty benefits as readily as a Hong Kong-incorporated company.

Sovereign can help you to set up a Hong Kong company. With multiple options available, it is essential to have a full understanding of your requirements before selecting the best route to establish your company's presence in Hong Kong. Making the wrong choice could severely restrict the growth of your business in Hong Kong.

Hong Kong recently introduced a licensing regime for Trust or Company Service Providers (TCSPs). TCSP licence holders are required to apply for a licence from the Registrar of Companies and satisfy a 'fit-and-proper' test before they can provide trust or company services as a business in Hong Kong.

Sovereign Trust (Hong Kong) Ltd and its operating sister companies – Sovereign Fiduciaries (Hong Kong) Ltd, Sovereign Fiduciaries Services Ltd and Sovereign Trustees Ltd – were among the first Hong Kong-based firms to be formally licensed.



REGISTERED OFFICE AND COMPANY SECRETARIAL

A Hong Kong company – or a foreign company registered in Hong Kong – is required to have a registered office that is situated in Hong Kong. Both must also appoint a company secretary. A company secretary is the most senior administrative officer of a company. Their role is to ensure that the company complies with all standard financial and legal requirements in Hong Kong.

It is essential that your business in Hong Kong is in good standing, that decisions are accurately implemented and that necessary changes are made in a straightforward and timely manner. If the company secretary is a natural person, they must ordinarily reside in Hong Kong. If the company secretary is a corporate body, its registered office or place of business must be in Hong Kong.

Sovereign will provide both a registered office address and serve as company secretary as part of its start-up services package. As company secretary, Sovereign will take responsibility for:

- Maintaining the company's records
- Preparing and filing returns to the Hong Kong Companies Registry
- Issuing reminders of accounting deadlines
- Providing appropriate access to company records
- Documenting routine changes, such as a change in director.

In addition Sovereign can assist in respect of: taking records of board and committee meetings, scheduling meetings, setting of agendas and circulating papers, the arrangement and implementation of share transfers and changes in shareholding, or dividend distributions and capital contributions.



PROVISION OF STANDARD DOCUMENTS

Creating the right legal framework and ensuring that the business is protected at the outset is vital for a start-up to achieve its full potential in Hong Kong. Every business needs to make sure that it is operating on a sound legal footing and that it is able to protect its shareholders, staff and assets.

With our substantial experience in advising companies at all stages in the corporate life cycle, Sovereign understands the risks faced by start-ups and is also sensitive to the cost/benefit balance that they must maintain.

We are therefore happy to provide assistance and support to early stage start-ups by offering standard documentation as part of this package on a reduced, fixed-fee basis. Examples of standard documentation would typically include:

- Subscription and shareholders' agreements
- Intellectual property assignments
- Non-disclosure agreements
- Employment contracts
- Consultancy agreements
- Services agreements

If formal legal advice is required, particularly for more complex documents, Sovereign will be happy to recommend local law firms and obtain fee estimates if required.



BANK ACCOUNT OPENING

A company – be it resident or non-resident in Hong Kong – will require a bank account to undertake any kind of business. Opening a business bank account in Hong Kong used to be a relatively straightforward process but has recently become more difficult due to regulatory initiatives to combat tax evasion and money laundering.

Customer identification requirements vary depending upon the size and type of business. Banks will request information showing the legal existence of the entity, together with details about individuals with ownership or control over the account, including beneficial owners, signatories and guarantors. They will also request financial statements and references, as well as information on the purpose of an account, source of funds, anticipated volumes and the primary customers and suppliers.

Hong Kong banks are more likely to open an account for you if you have, or are planning to have, an office in Hong Kong, employ staff in Hong Kong, and have customers or suppliers or both in Hong Kong etc. In other words they are looking to see real substance in Hong Kong, both for new businesses being set up in Hong Kong, as well as for subsidiaries of foreign companies.

You may only get one chance to open a bank account in Hong Kong. As a professional services provider in Hong Kong, Sovereign has long standing relationships with a range of Hong Kong banks. We know the policies and criteria of different banks and can help to determine which will be the best fit for you. Before effecting an introduction, we can guide and assist with preparing an application and supporting documentation to maximise your chances of success.

There are also a number of international banks that will open accounts for Hong Kong and offshore companies. Such banks generally only work with qualified introducers, such as Sovereign. When you have generated at least six months of account activity with an offshore bank, a bank in Hong Kong is more likely to accept your application because they can more accurately assess risk. You will also have more supporting documentation in place after six months of trading.

ACCOUNTING AND BOOKKEEPING

All Hong Kong incorporated and registered entities are required to maintain proper records and books of accounts and to comply with statutory audit requirements on an annual basis. Hong Kong has adopted a Financial Reporting Standards framework (HKFRS) that is based on the International Financial Reporting Standards (IFRS).

The Financial Reporting Standard for Private Entities (HKFRS-PE) and qualifying small and medium-sized entities (SME-FRS) further simplify the requirements for recognition and measurement, as well removing certain requirements that are not generally relevant to private entities.

Companies are permitted to adopt any date as their financial year-end and may prepare their financial statements in any currency. For newly incorporated private companies in Hong Kong, the first set of audited accounts should be submitted to shareholders, at the AGM, within 18 months of incorporation. Adequate records must be retained for at least seven years from a transaction date.

Bookkeeping and accounting can be extremely time consuming and cost intensive, particularly when you are unfamiliar with local rules and practices. Sovereign has extensive experience in working alongside client companies by providing them with outsourced accounting facilities. In all the countries in which it operates, Sovereign can either offer in-house bookkeeping and accounting services or can recommend a range of accountancy firms that we work closely together with.

Sovereign provides bookkeeping and accounting services that will ensure you are compliant, leaving you free to focus on your business. By outsourcing your accounting needs, you will reduce internal operational costs and allow yourself more time and resources to focus on value-added and revenue generating tasks. A high level of accuracy will also eliminate delays, administrative errors as well as potential fines and penalties.



PAYROLL AND HUMAN RESOURCES (HR)

The Employment Ordinance in Hong Kong covers all employees – full-time, temporary or part-time – and provides broad rights and protections in respect of contract terms, statutory holidays, Mandatory Provident Fund (MPF) payments, sick and maternity leave, and severance and long-service payments.

Employers in Hong Kong must ensure that they keep proper records for each employee's wage and employment history, and all accounting and payroll records must be kept for at least seven years. Companies need to report remuneration paid to employees on an annual basis.

Sovereign offers a comprehensive, yet flexible, outsourced payroll and HR service that is tailored to each client's specific requirements. Regardless of the scale of your outsourcing needs, Sovereign can serve as your trusted partner. We will ensure that payments are made accurately and on time, while maintaining a very high level of compliance and security.

PAYROLL ADMINISTRATION

- Payroll calculation and payments
- MPF enrolments and contribution procedures
- Maintenance of client payroll accounts
- Distribution of pay slips to employees
- Preparation of payroll reports

HR ADMINISTRATION

- Maintenance of personnel records
- Administration of holiday/leave records
- Advice on employment regulations
- Arranging quotes for all relevant business insurance schemes
- Preparation and filing of tax forms (Employer's Return, IR56B/E/F/G)



IMMIGRATION AND VISA APPLICATIONS

As an international financial centre, Hong Kong maintains an extremely flexible employment policy for highly skilled business professionals, as well as encouraging immigration by investors, entrepreneurs and people of talent. Each application is determined on its individual merits. An applicant must meet the standard immigration requirements as well as the relevant specific visa eligibility criteria.

GENERAL EMPLOYMENT POLICY (GEP) FOR NON-MAINLAND (CHINA) RESIDENTS – PROFESSIONALS

Applicants who possess special skills, knowledge or experience of value, which is not readily available in the HKSAR may apply to come to work under the GEP. The GEP is quota-free and non-sector specific. The initial duration of stay upon entry is two years with two subsequent extensions of three years.

GENERAL EMPLOYMENT POLICY (GEP) FOR NON-MAINLAND (CHINA) RESIDENTS – INVESTMENT AS ENTREPRENEURS

Entrepreneurs who plan to establish or join in a business in Hong Kong may also apply under the GEP. Applicants must be able to demonstrate the feasibility of the business in terms of operation, finances and development and that they have sufficient financial resources to run the relevant business in Hong Kong.

ADMISSION SCHEME FOR MAINLAND TALENTS AND PROFESSIONALS (AMTP)

Applicants from Mainland China must possess special skills and knowledge or experience of value which is not readily available or is in short supply locally. Admitted talents and professionals must be able to contribute to the operation of the firms and sectors concerned with a view to facilitating economic development in the HKSAR.

Sovereign can assist clients to secure the most appropriate immigration status in Hong Kong, as well as visas for any dependants who are moving to Hong Kong. Our immigration services include:

- Advice and consultation on the appropriate application strategy
- Corresponding with the Immigration Department
- Preparation and completion of forms
- Initial and subsequent submissions
- Full guidance and case management throughout the process
- Assistance with visa extensions



SovereignGroup.com

Sovereign group companies hold the following authorisations in Hong Kong:

- Sovereign Trust (HK) Ltd – TCSP licence #TC002839
- Sovereign Fiduciary Services Ltd – TCSP licence #TC002831
- Sovereign Fiduciaries (HK) Ltd – TCSP licence #TC002838
- Sovereign Trustees Ltd – TCSP licence #TC002830
- Sovereign Business Solutions Ltd – Licence to operate an Employment Agency #56203

For further information about doing business in Hong Kong or any of the Sovereign service areas outlined in this brochure, please contact us:

☎ +852 2542 1177

✉ hk@SovereignGroup.com

📍 8/F, 299QRC, 287-299 Queen's Road Central, Hong Kong

Languages spoken: English, Cantonese & Mandarin
HK Time Zone: UTC+08:00

DBiHK/2/30062020

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of the Sovereign Group.

The information provided in this Guide does not constitute advice and no responsibility will be accepted for any loss occasioned directly or indirectly as a result of persons acting, or refraining from acting, wholly or partially in reliance upon it.

© Sovereign Media (IOM) Limited 2024