

Hong Kong, the Hub of Asia

Throughout modern history, Hong Kong has been Asia's business gateway to the world. Today, its company formation structures continue to drive activity.

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Hong Kong is truly at the centre of Asian intraregional and global business. There are many reasons for this, not least due to its geographical location and historical ties, acting as an ideal gateway to Asia's core. Together with ultra modern infrastructure, proper practice and worldwide credibility.

More specifically to the sector, Hong Kong offers flexibility in setting up companies. One may choose to use a Hong Kong incorporated company or an offshore company as an investment vehicle.

Incorporation of a company in Hong Kong is easy and efficient

For Hong Kong companies, the minimum requirement is one director and one shareholder, with no residency requirement for either. A local secretary and a local registered office address are required, which can be arranged via local professional services firms.

Corporate details including director, founder member, secretary and registered office address have to be filed with the Companies Registry of Hong Kong. It takes only 4-5 working days to have a company incorporated in Hong Kong by the traditional method. Alternatively, one can elect to incorporate a company through e-incorporation.

Within 24 hours the company is ready; up and running. The only hurdle is the need of a digital certificate in order to have access to the e-Registry. This may not be feasible for non residents.

A further alternative is to acquire a shelf company i.e. a company already incorporated and is available for sale to client. However, the shelf company needs to replace the director and also arrange for the transfer of the founder share to the new shareholder of the company, at the very least.

All these changes usually need more than a few working days to complete due to the time involved in obtaining signatures from the new director/shareholder and stamping the transfer documents. Occasionally, secretary and registered office address must also be replaced.

Thus, with the high efficiency of standard incorporation, acquisition of a shelf company is not usually the preferred route nowadays.

Hong Kong company start-up costs are very low

There is neither minimum capital requirement nor thin capitalisation rule for Hong Kong companies, whilst debt financing either from shareholders or from third parties is permissible.

New companies usually start with the issue of one or two shares of HK\$1 each, and working capital is normally funded by directors/shareholders.

Hong Kong is basically a free city. There is minimum restriction imposed by the HKSAR Government on how to conduct business. There is no foreign exchange control and thanks to the efficient banking system, funds can be moved in and out of Hong Kong within hours.

Preparation of audited accounts and filing of tax returns have to be done in Hong Kong. Filings with the Companies Registry ("CR") have to be arranged annually and also as and when changes in the information submitted to CR occur. Of course there are many competent professionals available to handle all these compliance requirements.

No capital gain tax! No withholding tax! No sales tax!

Since corporate tax rate is set at 16.5% and profits derived outside of Hong Kong are not taxable, a Hong Kong company is conveniently used as a bridge among popular jurisdictions such as British Virgin Islands, Cayman Islands, Mauritius and of course Cyprus (EU) to name a few that also incidentally also act as gateways to their respective regions. Incorporating an offshore company via Hong Kong is then even simpler, as there are eminent offshore agents and law firms from these jurisdictions already networking and operating here.

Offshore companies may not be required to register in Hong Kong as a non-Hong Kong company and is, therefore, not subject to corporate or tax compliance requirements. Even when registration in Hong Kong is required to serve the corporate needs, the registration procedure is not onerous.

There are many ways of integrating a Hong Kong company formation (offshore or not) into a global group structure. Speak to an expert to develop the best solution and optimise business activity with Asia.

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