

Doing Business in Hong Kong

2009



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1. Introduction

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in over 70 countries throughout the world. Business partners work together through the network to conduct trans-national operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Hong Kong has been provided by the office of UHY representatives:

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Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at December 2009.

We look forward to helping you do business in Hong Kong.

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2. Business environment

In less than 200 years, Hong Kong has grown from a small fishing village to an entrepot for international trade and counts as one of the most important financial, trade and commercial centres in the world. There are many reasons for this evolution:

- An open economy with a free trade policy, free enterprise and minimum government intervention.
- Strategically located in the Asia Pacific region, close to mainland China.
- Well-developed communications network.
- English remains the official language, in addition to Chinese and other Asian and European languages.
- International centre for trade, commerce and finance.
- Stable and fully convertible Hong Kong dollar (linked to the US dollar) without exchange control as imposed in many other Asian countries.
- Free port and separate customs territory status.
- Simple and low tax regime.
- High quality of banking, insurance and professional services.
- Excellent network of road, superhighways, rail, sea and air links with China.
- Well-developed transportation network with one of the largest container ports in the world and an international airport.
- Legal system and law are based on common law.
- Hard-working and efficient workforce.
- Local ownership participation in business ventures is not a prerequisite. 100% foreign ownership and control permitted.
- Basic rights and freedoms, including freedom of speech, press and association safeguarded, as are the right to private ownership of property.
- Free entry into the territory for most foreign individuals.
- Hong Kong's tough stance against corruption in all business or personal dealings.

Useful information can be found on Hong Kong at the following websites:

The Government of HKSAR

Hong Kong Trade Development Council

Hong Kong Tourist Board

www.gov.hk/en/business

www.hktcdc.com

www.discoverhongkong.com

1997 and beyond

Foremost in the mind of many doing business in this region, are the key issues concerning China after Hong Kong reverted to China's control on 1 July 1997. The region's political and economic stability are safeguarded by the Sino-British Joint Declaration which is registered with the United Nations as an international treaty. Under the terms of the 1984 Sino-British Joint Declaration, Hong Kong retains its free enterprise system for at least 50 years after that date. In 1990, China promulgated the Basic Law, the mini-constitution for Hong Kong Special Administrative Region (HKSAR), ensuring the implementation of "one country, two systems".

The Joint Declaration provides Hong Kong with a high degree of autonomy, which allows it to administer itself and pass its own legislation. This enables Hong Kong to control its own economic, financial and trade policies, and to participate in international organisations and trade agreements. The many factors contributing to Hong Kong's economic success remain intact.

Super Highway to China

Hong Kong sits on the southern gateway to the People's Republic of China, and has developed into the main base for Chinese operations.

As much as two-thirds of the total external investment in China goes through Hong Kong. The financial ties between Hong Kong and the neighbouring southern Chinese province of Guangdong are especially strong. As many as three million people in Guangdong province alone are employed either directly (through joint-venture operations) or indirectly (in the form of outward processing arrangements) by Hong Kong companies. Three of China's four Special Economic Zones (SEZs) are in the adjacent Guangdong province, while the best known of these, Shenzhen, actually lies immediately across the border.

China now and in the future

Today, China's economy is one of the world's fastest-growing economies and is the third largest in the world. Some analysts estimate that in the early 21st century it will be the largest. The rapid growth and industrialisation in the south, and along the eastern and northern coastline, is beginning, albeit gradually, to spread out into the hinterland. The move towards an unfettered market economy has brought with it requirement for modern technology and equipment, for up-to-date management and financial systems and for the latest in design and for consumer goods. These cannot be met without input from overseas at this stage of China's development. With her accession to the World Trade

Organisation (WTO) in 2001 and the acceleration of the opening up her domestic market, China, with a population of over 1.3 billion, presents many new opportunities for overseas investors and businesses.

Clients considering setting up and doing business in Hong Kong (and in China or other territories in South East Asia, through Hong Kong) should consult professional advisers on issues relating to their business or investment plans. The rest of this guide sets out a brief summary of common areas of interest including government regulations on different forms of doing business in Hong Kong, accounting and reporting requirements and taxation.

Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)

CEPA is the first free trade agreement entered into between the Mainland of China and Hong Kong Special Administrative Region (“Hong Kong”). The main text of CEPA was signed on 29 June 2003 and took effect on 1 January 2004.

The objectives of CEPA are to strengthen trade and investment cooperation between the Mainland and Hong Kong and to promote joint development of both sides through progressive reduction or elimination of tariff and non-tariff barriers on substantially all the trade in goods between the two sides; liberalization of trade in services through reduction or elimination of all discriminatory measures; and promotion of trade and investment facilitation.

CEPA brings new business opportunities to Mainland, Hong Kong and foreign investors. CEPA enables Hong Kong business to gain greater access to the Mainland market while Mainland corporations may make use of Hong Kong as a “springboard” to reach out to the global market thereby achieving fuller integration with the world economy. Foreign investors may make use of the Hong Kong advantage by setting up businesses in Hong Kong to leverage on the CEPA benefits and to access the vast opportunities of the Mainland market.

CEPA has been progressing smoothly over the years and up to now there are six supplemental agreements signed between the two sides benefiting trades and service industries of the Mainland and Hong Kong.

Exemption of wines and low alcoholic beverages from excise duties

From 2008 onward, wines and low alcoholic beverages are exempted from excise duties to enable Hong Kong to become the “Capital of Fine Wines” and the storage, auction and distribution centre of fine wines in Asia. It is expected that the turnover will exceed US\$870 million in 2017 and account for 60% of the Asian wine market.

3. Foreign investment

Exchange controls

There are no exchange controls on any form of foreign investment.

Given the highly externally oriented nature of the economy, a linked exchange rate system was introduced in late 1998 under which the US dollar exchange rate was fixed at HK\$7.8 to USD 1.

Restrictions on foreign investment

With the exception of broadcast media, there are no restrictions on foreign investment. According to the Index of Economic Freedom, Hong Kong's economy scored 90%, making it the freest economy in the world.

Investment incentives

The Government of HKSAR takes an active but low interference policy. In addition to the above, it also adopts simple tax system with low tax rates.

Importing and exporting

There is no trade barrier and no discrimination against foreign investors but freedom of capital movement. According to the World Investment Report 2002 published by the United Nations Conference on Trade and Development, HKSAR is the best-performing host economy for foreign direct investment in Asia. In 2006, the net inflow of Foreign Direct Investment (FDI) was HK\$5.7 billion.

Excise duties

Motor vehicles are subject to First Registration Tax. The Government of HKSAR also imposes excise duties on spirit and high alcoholic beverages, tobacco products, hydrocarbon oils, perfumes and cosmetics. Otherwise trade is duty-free.

From 2008 onward, wines and low alcoholic beverages are exempted from excise duties.

Documentation requirements

Under the Import and Export (Registration) Regulations, a person who imports or exports articles, other than an exempted article, should lodge with the Commissioner of Customs and Excise an accurate and complete import/export declaration within 14 days after the import/export of the article.

4. Setting up a Business

Business may be carried out in Hong Kong in a variety of forms:

- Sole Proprietorship
- Partnership
- Non Hong Kong Company
- Limited Companies

Different regulations govern the various forms of organisations as described below.

Business Registration

To start business in Hong Kong, it is necessary to obtain a business registration certificate from the Business Registration Office of the Inland Revenue Department. This applies to all forms of organisation. The normal annual registration fee payable is currently HK\$2,450.

The annual registration fee is specially reduced to HK\$450 for the period from 1 August 2009 to 31 July 2010 by the Government of HKSAR.

Sole Proprietorship

The owner of a sole proprietorship business is personally liable without limit for the obligations of the business.

Partnership

The law relating to partnerships is contained in the Partnership Ordinance and the Limited Partnership Ordinance. A partnership must have at least two partners but no more than 20 partners. However, the maximum number restriction does not apply to partnerships formed by solicitors, accountants or stockbrokers.

In an unlimited or ordinary partnership, all the partners are jointly and severally liable without limit for the obligations of partnership. However, limited partnerships may be formed in which at least one partner has unlimited liability while the others have the protection of limited liability but have limited rights to profits and to the capital distribution on dissolution. They will also have no control on the management of the partnership.

The main cost involved in setting up will be the legal fee for drawing up the partnership agreement, which defines the constitution of the

partnership. Alternatively, an oral agreement between the partners concerned can serve the same purpose. Any terms that are not expressly stated or decided will be governed by the Partnership Ordinance.

There are no requirements for a Hong Kong partnership to prepare audited financial statements. However, audited financial statements will be required if one of the partners is a company incorporated in Hong Kong since that partner has to prepare audited financial statements every year.

There are no foreign exchange restrictions on the outward remittance of the profits. An individual or company can freely remit its share of profits to other countries.

Non-Hong Kong Company

A non-Hong Kong company operating in Hong Kong must be registered under Part XI of the Companies Ordinance and has to deliver to the Registrar of Companies the following documents and information:

- A certified copy of the charter, statute or memorandum and articles on the formation and constitution of the company. If these documents are not in English or Chinese, a certified translation of them has to be attached.
- A list of the directors and secretary.
- Address of the principal place of business in Hong Kong.
- Address of the principal place of business and registered office of the company in its place of incorporation.
- The name and address of at least one person resident in Hong Kong authorised to accept the service of process and notices on behalf of the company, and the memorandum of appointment or power of attorney.
- A certified copy of the latest financial statements of the foreign company, unless the foreign company is the equivalent of a Hong Kong private company and is not required by the law of its own country to publish its financial statements, and a certified copy of the company's certificate of incorporation together with a certified translation thereof if the certificate is not in English or Chinese.

An annual return containing information about directors and shareholders must be filed to the Companies Registry by non Hong Kong company registered in Hong Kong every year together with a copy of the company's audited financial statements, and consolidated financial statements, if appropriate. The non Hong Kong company registered in Hong Kong is free to remit its profits to its home country.

Limited Companies

Limited companies are regulated in Hong Kong under the Companies Ordinance, which was based on the company law in the United Kingdom.

Public limited companies may offer their shares for sale to the public.

Private limited companies are those which:

- Restrict the right of transfer of their shares
- Limit the number of members to 50
- May not offer shares for sale to the public.

To incorporate in Hong Kong, a limited company must register its name at, and submit its memorandum and articles of association to, the Companies Registry. The memorandum states the company's name, registered office, authorised share capital and members' liability. The articles define the powers and other internal regulations for the management and procedures of the company. Registration may take up to two weeks. A quicker way to incorporate in Hong Kong is to purchase a ready-formed shelf company, which has not yet started business but has already been registered with the Companies Registry and has acquired a Certificate of Incorporation.

A company must have a registered office in Hong Kong and maintain such records as registers of members, directors and secretaries and charges and minutes books of meetings. Certain accounting and business records are required to be kept in Hong Kong.

Minimum capital requirements are not imposed on companies except for licensed banks, insurance and deposit-taking companies, and securities/commodities dealers.

A company must have at least one director, one shareholder and one company secretary, whether individual or corporation, but a corporation cannot be a director and company secretary of a listed company. It is not necessary for directors and shareholders to be resident in the territory but many overseas companies appoint local directors and local nominee shareholders to preserve anonymity. However, the company secretary, whether corporation or individual, must be resident in Hong Kong.

The cost of formation, including professional fees for incorporating a company, is set out in a memorandum of fees and charges. For companies with authorised capital over HK\$10,000, an additional capital fee at the rate of 0.1% is payable to the Government of HKSAR.

An annual return containing information about directors and shareholders must be filed with the Companies Registry by a company incorporated in Hong Kong every year. A Hong Kong company can freely remit tax-free dividends out of the retained distributable profits to an overseas investor.

5. Labour

Entry visas and work permits

While nationals of Hong Kong's major trading partners do not need visas for short-term stays in Hong Kong, valid passports or other travel documents are required for all other visitors to Hong Kong.

Persons wishing to stay in Hong Kong must show evidence that they have been offered employment in Hong Kong, and must be in possession of an Employment Visa. Applications can be made at the Chinese Diplomatic and Consular Mission in their place of residence, or to the Hong Kong Immigration Department direct by post / through a local sponsor. In addition, anyone staying in Hong Kong for more than 180 days is required to have a Hong Kong Identity Card.

In determining an application for an entry visa/permit to enter Hong Kong for employment or investment, the Immigration Department takes into consideration whether there is a genuine vacancy for an employee in the SAR; the skills, knowledge and experience needed for the job; whether the terms and conditions of employment are comparable to those in the local market; the applicant's suitable qualifications and experiences relating to the job; and whether the vacancy can be filled locally.

The Employment Ordinance is the main piece of legislation governing conditions of employment in HKSAR. It covers a comprehensive range of employment protection and benefits for employees. According to the Index of Economic Freedom, the Hong Kong labour market is highly flexible.

The Employment Ordinance requires that the terms and conditions of employment are conferred upon each employee by the employer regardless of whether the contract of employment is in writing or not. Employers are also required to maintain employment record regarding wages, holidays and leave records, etc.

Labour relations in Hong Kong are stable, compared with other nations in South East Asia. Industrial harmony is reflected by the small number of working days lost due to industrial conflicts, which is among the lowest in the world. In the case of labour disputes, the [Labour Department](#) offers conciliation service to the parties concerned to facilitate an amicable settlement.

The Employment Ordinance governs the employment of children (a person under the age of 15 years) in all economic sectors; and regulates the hours of work and the general conditions of employment of young people (a person of or over the age of 15 years but under the age of 18 years) in industrial undertakings. There is no other legal restriction on the number of hours of work. The median working hours of for both male and female workers is 48 hours. The unemployment rate in December 2009 was 4.9%.

Wages rates differ among various economic sectors, depending upon the level of skills and experience required. The government has not imposed any legal minimum wage.

Social security and pensions

The Employees' Compensation Ordinance requires the employer to have a valid insurance policy taken out to cover his liabilities for injuries at work in respect of every employee.

Implemented by the Government of HKSAR, the Mandatory Provident Fund (MPF) came into effect on 1 December 2000. Mandatory contributions are calculated at the rate of 5% of an employee's relevant income, with the employer matching the employee's contribution. Except for exempt persons and persons employed for fewer than 60 days, employees and the self-employed, aged between 18 and 65, are required to join MPF schemes. At the end of 2006, almost all employers and employees had joined MPF schemes and almost 75% of self-employed people had joined as well.

If monthly income is below HK\$5,000, employees are not legally obliged to contribute to MPF schemes, but they may choose to do so. For employees earning the maximum level of monthly income (over HK\$20,000 a month), mandatory contributions are capped at HK\$1,000.

6. Taxation

The law governing the imposition of tax in Hong Kong is contained in the Inland Revenue Ordinance (IRO) and its subsidiary legislation, the Inland Revenue Rules (IRR).

The tax system in Hong Kong is administered by the Inland Revenue Department (IRD) under the direction of the Commissioner of Inland Revenue. Some assistance in interpreting the IRO is given in published interpretation notes. The department will also give advance rulings on specific transactions on request.

There is no taxation on capital gains, dividends or offshore income.

Instead of one all-encompassing income tax, Hong Kong has three separate and distinct direct taxes on income:

- Profits tax (corporation tax)
- Salaries tax (income tax)
- Property tax (real estate tax)

Hong Kong tax is territorial in nature so that only income which has a source in Hong Kong is taxable. Various rules are adopted by the courts to determine sources of income and all circumstances of the transactions are considered. In certain specific cases, other income may be deemed to be from a Hong Kong source. By corollary, income that is not included in one of the above categories, or does not arise in or derive from Hong Kong, is not subject to tax.

Because of the territorial nature of taxation, except in very limited cases, no distinction is made in Hong Kong between resident and non-resident companies and persons because tax is determined according to the source of income, not residency, domicile or nationality.

Individuals who ordinarily reside in Hong Kong can apply in writing to elect for Personal Assessment to compute tax liability of the three taxes in a single assessment. Under personal assessment, incomes originally subject to profits tax, salaries tax and property tax are aggregated and from this total interest payments on money borrowed for the purpose of producing property income, approved charitable donations, elderly residential care expenses, home loan interest, business losses incurred in the year of assessment, losses brought forward from previous years under personal assessment and personal allowances may be deducted. Tax at progressive

rates will be imposed on the balance. Married couples not living apart are assessed jointly under personal assessment.

A description of the three direct taxes and other indirect taxes is given below:

PROFITS TAX

1. Corporations and unincorporated entities carrying on a trade, profession or business in Hong Kong are assessable to tax on all profits arising in, or derived from, Hong Kong from such trade, profession or business.
2. Computation of taxable profits.

Assessable profits

Assessable profits are profits arising in or derived from Hong Kong whether directly or through an agent. This is arrived at by adjusting the profits calculated under the generally accepted accounting principles to comply with the IRO.

Excluded income

- a. Profit from the sale of capital assets;
- b. Income not arising in or derived from Hong Kong;
- c. Dividends;
- d. Income already charged elsewhere to profits tax, eg. From partnerships;
- e. Certain types of interest income;
- f. Interest income derived from local financial institutions effective from 22 June 1998; and
- g. Distributions and payments under a stock borrowing and lending arrangement.

Deductible expenses

Deductions are allowed for revenue expenditure incurred in producing assessable profits in the basis period which include:

- a. Loan interest and related expenditures in general;
- b. Rent;
- c. Bad and doubtful debts;
- d. Charitable contribution up to the limit of 35% of assessable profits after depreciation allowances but before charitable donations;
- e. Certain foreign taxes;
- f. Repairs to premises, plant and machinery;
- g. Replacements of implements, utensils or articles;
- h. Registration and purchase of trade marks, patents or designs;

- i. Contributions to retirement scheme but limited to 15% of the total emoluments for the relevant period in respect of any one employee;
- j. Scientific research expenses (see capital expenditure below);
- k. Building refurbishment expenditure (see capital expenditure below);
- l. Prescribed fixed assets (see capital expenditure below); and
- m. Technical education expenses.

Non-deductible expenses

- a. Domestic or private expenses and any expenses not for producing assessable profits
- b. Capital expenditure including capital losses and withdrawals are not deductible for tax purposes. However capital allowances are granted to the following types of assets:

Depreciation allowances

- **Industrial building and structure**

An initial allowance of 20% is given in respect of capital expenditure incurred in the construction of an industrial building or structure occupied for the purposes of certain trade and an additional allowance of 4% of the expenditure is given annually until the total expenditure is written off.

- **Commercial buildings and structures**

A building or structure not included above but held for the purposes of carrying on a trade, profession or business, other than as trading stock, can qualify for a rebuilding allowance at an annual rate of 4% of the capital expenditure incurred in the construction.

- **Prescribed fixed assets**

Capital expenditure on plant and machinery used specifically and directly for any manufacturing process and the acquisition cost of computer system including both hardware and software are 100% deductible.

- **Plant and machinery other than prescribed fixed assets**

An initial allowance of 60% of the cost and an annual allowance computed on the reducing value are granted. The annual rate ranges from 10% to 30% according to the prescribed rules. Assets falling under the same rate are pooled together for the computation. On disposal, the proceeds received, but restricted to the original cost, will be deducted from the reducing value of the pool. In other words, the excess of the proceeds over the original cost is not taxable.

- **Expenditure on research and development, and technical education**

Capital expenditure on research and development and technical education including market, business or management research and technical education payments, other than expenditure on land or buildings or on alterations, additions or extensions to buildings, is 100% deductible. On disposal, the proceeds of sale, to the extent of the amount of the deduction, will also be treated and taxed as a trading receipt arising in or derived in Hong Kong.

- **Expenditure on environmental protection facilities**

Capital expenditure on specified environmental protection machinery is 100% deductible during the basis period in which the expenditure is incurred starting from 2008/09. An annual allowance of 20% of capital expenditure on specified environmental protection installation to industrial or commercial buildings is allowed over five consecutive years starting from 2008/09.

- **Expenditure on building refurbishment**

Capital expenditure on the renovation or refurbishment of a building or structure other than a domestic building or structure may claim the expenditure as an outgoing or expense in equal instalments over five years of assessment, to the extent that it is incurred in the production of profits chargeable to tax.

- c. Cost of improvement
- d. Taxes payable under the IRO except salaries tax paid on behalf of an employee
- e. Provision, but not actual contribution, in respect of a known liability under an unapproved retirement scheme
- f. Any remuneration or interest on capital or loans payable to members or their spouses of a partnership or sole proprietor, and
- g. Contributions to a retirement scheme in excess of 15% of emoluments.

- 3. There is no capital gains tax.
- 4. There is no dividend withholding tax. Dividends received are not chargeable to tax and dividends paid are not deductible.
- 5. Tax losses from carrying on a trade, profession or business may be carried forward indefinitely. However, the Inland Revenue Department may disallow the losses if there is a change in shareholding and the sole or dominant purpose of the change is to enable the new shareholders to utilise the tax losses.

6. There are certain receipts deemed by the IRO to be derived in Hong Kong. These include royalties received for the use in Hong Kong of a patent, trademark, know-how, copyright or film. These deemed receipts if paid to non-residents are subject to withholding tax. The assessable profit is deemed to be 10% of the payment except in the case when the sum is derived from an associate, then 100% of the payment will be assessable.
7. A person may apply to the Commissioner of the Inland Revenue, subject to payment of fees and certain regulations, for an advance ruling on how any provision of the IRO applies to him or the arrangement specified in the application.
8. There are specific provisions in the IRO to cover special types of business as follows:
 - Life insurance
 - Other insurance
 - Shipping (include aircraft)
 - Clubs/trade associations
 - Partnership

SALARIES TAX

1. All income of individuals arising in or derived from Hong Kong, from any office, employment or pension, including income derived from services rendered in Hong Kong, is subject to salaries tax. The individual income, less allowable deductions, charitable donations and personal allowances, (equivalent to net assessable income) is chargeable to salaries tax at the progressive rates from 2% up to 17%. The maximum salaries tax payable is, however, limited to tax at the standard rate of 15% on the individual's net assessable income.
2. An expatriate employee employed by a local employer has no salaries tax liability only if he visits Hong Kong for not more than 60 days in a tax year. Where an expatriate employed by a foreign employer renders services in Hong Kong during visits exceeding 60 days in a relevant year of assessment, only that part of his income attributable to services rendered in Hong Kong during his visits is subject to salaries tax.
3. Income includes the value of accommodation provided rent-free by an employer or the excess of the value over the rent actually paid by the employee to his employer for the accommodation, subject to a maximum of 10% of the employee's total income from the employer.
4. Deductions allowable from income include personal basic, married person, child, dependant parent / grandparent / brother / sister, disabled dependant parent/ spouse / child / grandparent / brother /

sister and single parent allowances, self-education expenses, elderly dependant in institutional care expenses, home mortgage loan interest and contributions to recognised retirement schemes.

PROPERTY TAX

Property tax is charged on the owner of land and/or buildings in Hong Kong, which are generating rental income, at a standard rate of 15% on the net assessable value. The assessable value is the rental income earned by the owner of land and/or buildings, less any irrecoverable rental receivable during that year, less rates paid by the owner and a 20% notional allowance of this net figure for repairs and outgoings.

A company subject to profits tax may apply in writing for an exemption from property tax in respect of any property occupied by the company for the purpose for producing profits chargeable to profits tax.

Provisional tax

On top of the tax on assessable profits/income/value, a taxpayer is required to pay a provisional profits/salaries/property tax, based on the actual assessable profits/income/value for the preceding year of assessment. When the actual assessable profits/income/value for the year of assessment is ascertained, a final assessment is issued and credit is given for the provisional tax paid. Any excess/deficit of provisional tax paid over the final liability is offset against/added to the provisional tax payable for the following year of assessment. When any balance of provisional tax is available, it is refunded to the taxpayer. There are provisions to enable collection of profits, salaries and property taxes, and provisional taxes to be held over in appropriate circumstances.

Tax treaties

Hong Kong has entered into effective double taxation treaties with Belgium, Luxembourg, Mainland of China, Thailand and Vietnam. It has also been negotiating with another seven countries for double tax treaties and certain limited double relief has been agreed with some countries.

Anti-avoidance measures

If a transaction is entered into for the 'sole or dominant purpose' of enabling a tax benefit to be conferred, the IRD has the power to assess tax liabilities as if the transaction had not taken place, or otherwise counteract the tax benefit.

Indirect taxes

1. Sales or turnover tax. At present, there is no sales tax or value added tax in Hong Kong.
2. Stamp duty. Stamp duty is chargeable on the following transactions:
 - Transfer of shares at an effective rate of 0.1% on the higher of sale proceeds or market value
 - Leases and assignment of leases
 - Assignment of immovable property is charged at rates which vary with the amount or value of the consideration as follows:

Amount or value of the consideration		Rate
Exceeds	Does not exceed	
.	\$2,000,000	\$100
\$2,000,000	\$2,351,760	\$100 + 10% of excess over \$2,000,000
\$2,351,760	\$3,000,000	1.5%
\$3,000,000	\$3,290,320	\$45,000 + 10% of excess over \$3,000,000
\$3,290,320	\$4,000,000	2.25%
\$4,000,000	\$4,428,570	\$90,000 + 10% of excess over \$4,000,000
\$4,428,570	\$6,000,000	3%
\$6,000,000	\$6,720,000	\$180,000 + 10% of excess over \$6,000,000
\$6,720,000	.	3.75%

Estate duty

As the Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006, estate duty was totally eliminated in Hong Kong.

Rates

Rates are assessed on the annual rental value of the property, which is calculated by the Rating and Valuation Department.

Imports and excise duties

High alcoholic beverages, tobacco, certain hydrocarbons and methyl alcohol are subject to duty if they are imported into Hong Kong for local consumption. Private motor vehicles are subject to a first registration tax at the progressive rates from 35% - 100% based on cost.

Hotel accommodation tax

With effect from 1 July 2008, the 3% hotel accommodation tax was waived until further notice by the Government of HKSAR.

Betting duty

Duty is chargeable on bets made on authorised totalisators or pari-mutuels, cash sweeps and lotteries conducted by the Hong Kong Lotteries Board from 25% to 50%.

Tax on deeming assessable profits

Tax is chargeable at 30% on deeming assessable profits for certain payments made or accrued to non – resident persons, such as royalties and licence fees.

7. Accounting & reporting

A company should hold a meeting of shareholders every year and not more than 15 months shall elapse between the date of one annual general meeting and the next. The first annual general meeting must be held within 18 months of its incorporation.

The business transacted at an annual general meeting is regulated by the company's articles of association and would typically include the consideration of the company's financial statements and the reports of the directors and auditor, the declaration of dividends, election of directors and the appointment of auditor.

Private companies having share capital must file an annual return with the Registrar of Companies within 42 days from the anniversary of its date of incorporation. The annual return contains details concerning, mainly, the share capital of the company; its directors; its secretary and shareholders; its indebtedness in the form of mortgages and charges; all business names under which the company carries on business; and the address of its registered office.

Companies other than private companies with share capital must file an annual return with the Registrar of Companies within 42 days after the annual general meeting. The annual return of public companies must also include a certified copy of the financial statements, together with the relevant auditor's and directors' reports. Private companies are not required to file annual financial statements with the Registrar of Companies.

A company need not file an annual return if no changes have occurred since the last return, but a statement signed by both a director and the secretary that no changes have occurred must be filed.

Every person carried on a trade, profession or business in Hong Kong must keep sufficient records of his income and expenditure either in English or Chinese to ensure his assessable profits can be readily ascertained under the Inland Revenue Ordinance.

A company incorporated in Hong Kong is required by the Companies Ordinance to prepare every year a profit and loss account and a balance sheet, accompanied by a directors' report. The company must also appoint a auditor who is a Certified Public Accountant registered with the Hong Kong Institute of Certified Public Accountants. The auditor is required to

report to the shareholders annually on the profit and loss account and the balance sheet submitted by the directors at the annual general meeting of shareholders and to state whether they show a true and fair view, and whether they are properly prepared in accordance with the Companies Ordinance. There are, however, no statutory accounting standards in Hong Kong. The Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively HKFRS) issued by the Hong Kong Institute of Certified Public Accountants mainly follow International Financial Reporting Standards and International Accounting Standards.

The directors' report contains such information as directors' names, principal activities, significant changes in fixed assets and reserves, issue of shares and debentures during the year, directors' interests in contracts and directors' right to acquire shares in the company, recommended dividends, results for the year and the company's state of affairs.

Companies, other than public companies, are not required to file their audited financial statements with the Registrar of Companies. However, audited financial statements must be filed with the Inland Revenue Department every year as part of an annual profits tax return.

A non-Hong Kong company registered in Hong Kong must file with the Registrar of Companies a copy of the company's audited financial statements, and consolidated financial statements, if appropriate, every year.

8. UHY firms in Hong Kong

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Tai Kong CPA Limited has been established since 1984 and specialises in audit, tax, insolvency, due diligence services, commercial and secretarial services. Clients include Bank of China, China Agricultural Bank, China Satellite TV Group, US RingBinders, RPM Wood Finishes, Primo Microphones, Saneco Group, ACME Limited, Kuraray Trading Co., Limited, Bain Capital, Credit Union League of Hong Kong, etc.

9. UHY offices worldwide

For contact details of UHY offices worldwide, or for details on how to contact the UHY executive office, please visit www.uhy.com