



GUIDE TO SETTING-UP A BUSINESS IN HONG KONG

2017



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For further information please contact:

Joe Cheung
Managing Director, Corporate & Private Clients
Vistra Hong Kong
joe.cheung@vistra.com

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Welcome to Hong Kong

Dear reader,

Welcome to Hong Kong! When you have received this booklet, you probably have an interest in either setting up your company in Hong Kong, or are already in the starting-up phase. Hong Kong is one of the most friendly and easily accessible cities for entrepreneurs in the world. Its low taxation tariffs, its proximity to Mainland China and its open market make Hong Kong a thriving city, full of opportunities and challenges for small businesses. While it can be relatively easy to set up your business in Hong Kong, there are several important issues that the company needs to take into consideration before diving into this exciting city.

In this annually updated 'Setting-up Guide' we provide you with an overview of the steps you need to take when establishing your business in Hong Kong with a particular focus on setting up an SME. We have created a summary of relevant information and have collected a list of most useful contacts for you.

We hope that this guide will give you a better understanding of the setting-up process in Hong Kong and will make you aware of the several practical, legal and financial aspects you need to take into consideration.

Our special thanks go to Vistra and China Law & Tax Direct Limited who put in a lot of time to help us review the text of this guide and who provided us with the latest relevant rules and regulations in Hong Kong.

We wish you lots of good luck with setting up your business and hope to see you (back) soon in Hong Kong!

Muriel Moorrees – General Manager

Judith Huismans – Marketing and Communication Manager

The Dutch Chamber of Commerce in Hong Kong



1. Orientation

Why Hong Kong?

Hong Kong is considered one of the best cities to establish and run a business, thanks to its strategic location, productive workforce, stable economic and political environment, simple and low tax regime, transparent business environment, world-class infrastructure, rule of law and more than 150 banks to choose from.

■ Hong Kong: a Gateway to China

Hong Kong is blessed with an invaluable natural resource: its geographical location.

Half of the world population can be reached within less than five hours flight time and all Asia's key markets are within a four hour flight span.

Flanking the mouth of the Pearl River Delta (PRD), Hong Kong is also perfectly situated for trade with Mainland China and is the natural gateway to China, the ultimate soft landing for companies looking at investing in or trading with China. In large part due to its location, Hong Kong is Mainland China's largest trading partner and thousands of international companies involved in Mainland China trade have chosen to establish their bridgehead in Hong Kong.

■ Advantages of the Pearl River Delta

The Greater Pearl River Delta (GPRD), which consists of Hong Kong, Macao Special Administrative Region (Macao), and the PRD Economic Development Zone portion of Guangdong Province, has emerged as one of the world's most dynamic economic regions.

Not only does the majority of Chinese production take place in this area, the PRD Economic Development Zone is also a highly attractive consumer market. The Zone has a 'permanent population' of more than 56 million people.

Per capita income has been growing substantially in recent years, as have consumer expenditures. Cities such as Shenzhen and Guangzhou are among the most affluent in Mainland China. Close

links to Hong Kong mean that PRD region consumers adopt international tastes earlier than most places in Mainland China, making the region one of its trend setters. Around 95% of Hong Kong's re-exports originate from, or are destined for, Mainland China. This booming manufacturing region is located only an hour away by train, car, or high-speed ferry, while Beijing and Shanghai are easily reached through short-haul flights. Hence, it is clear why so many companies have chosen Hong Kong as a springboard into Mainland China's market.

■ Simple and attractive tax system

Hong Kong enjoys a very simple tax system with only three types of taxes (personal income tax, corporate income tax and property tax). Hong Kong adopts a territorial source principle of taxation. Only profits which have a source in Hong Kong are taxable here. Profits sourced elsewhere are not subject to Hong Kong Profits Tax, subject to the approval of the Hong Kong Inland Revenue Department. In 2006, Hong Kong and Mainland China signed a new comprehensive double taxation arrangement that replaces an arrangement dating from 1998, strengthening Hong Kong's attractiveness as the gateway to Mainland China.

■ CEPA

The Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), signed on 29 June 2003 is the first free trade agreement ever concluded between Mainland China and Hong Kong. It offers favorable trading and investment conditions to Hong Kong-based companies interested in exporting goods, or expanding business, into Mainland China. In December 2014, the Agreement between the Mainland and Hong Kong on Achieving Basic Liberalisation of Trade in Services in Guangdong (the Guangdong Agreement) was signed under the framework of CEPA, enabling early realisation of basic liberalisation of trade in services with Hong Kong in Guangdong.

Importantly, CEPA is non-nationality specific. As long as the CEPA criteria are satisfied, the company will benefit. This has made Hong Kong an attractive location for overseas companies interested in

expanding into Mainland China in sectors that may otherwise have restrictions.

■ Free Port

Hong Kong is a free port. There is no customs tariff on goods imported into Hong Kong. The HKSAR Government collects an excise duty on only four types of goods: tobacco, hydrocarbon oil, alcoholic beverages and methyl alcohol.

■ Rule of law

Hong Kong has a stable legal system based on the familiar concept of rule of law and supported by an independent judiciary. All laws are in English and Hong Kong has a common law system. It is one of the world's most corruption-free economies.

■ Free Economy

For over 20 consecutive years, Hong Kong has been ranked as the world's freest economy in the 2017 Index of Economic Freedom, jointly published by The Heritage Foundation and Wall Street Journal. Indeed, there are no barriers to trade, no restrictions on investments, no foreign exchange controls and no nationality restrictions.

■ Skilled Workforce

Hong Kong has a labor force of around 3.9 million people and its business and legal communities predominantly communicate in Cantonese, English and Putonghua (Mandarin). Recruiting local staff and payroll administration is straightforward.

■ Dutch presence in Hong Kong

The Netherlands is the third largest investor in Hong Kong since 2003, making a significant contribution to the Hong Kong economy. It is estimated that approximately 250 Dutch companies are established here. The Netherlands is the fifth largest EU trading partner for Hong Kong, with total trade volume around € 6 bn annually. Nearly all of the larger Dutch companies have a presence here and more and more smaller and medium sized companies (SMEs) have seized the opportunity to establish a subsidiary or start up a new business in Hong Kong.

Who to contact?

In order to understand the market characteristics and the Hong Kong economy, it is recommended to contact one of the following organizations specialized in helping SMEs to set up an office in Hong Kong.

The Dutch Chamber of Commerce in Hong Kong

The Dutch Chamber of Commerce (Dutch Chamber) is a member-driven, non-profit organization representing roughly 200 large-, medium- and small-sized companies which have an active interest in developing two-way trade between the Netherlands, Hong Kong, and the region. Established in 1991, the Dutch Chamber provides businesses with advice and information concerning the business environment and opportunities in Hong Kong. It organizes 60 business and social events per year and publishes a bi-monthly magazine, an annual directory, and this guide on an annual basis. Furthermore, the Dutch Chamber has close ties with governmental organizations and the other 27 Chambers of Commerce in Hong Kong, making it a perfect platform to extend your network.
E: info@dutchchamber.hk

The Consulate General of the Kingdom of the Netherlands in Hong Kong

The Consulate General of the Kingdom of the Netherlands (Consulate General) is the diplomatic representation of the Kingdom of the Netherlands in Hong Kong and Macao. It promotes the bilateral trade and economic relationship between the Netherlands and this region. The economic section of the Dutch Consulate aims to facilitate both access to, and operations in the Chinese markets for Dutch businesses. In this regard, the Consulate General can provide Dutch SMEs that wish to access the market, with information on business and living environment, sector specific information, support and connection to the Consulate General's vast network of Dutch and local government authorities, companies and organizations.

Dutch businesses are also welcome to contact the extensive economic network of the Netherlands' government in China consisting of Royal Embassy, Consulates General and Netherlands Business Support Offices (NBSO).

E: information@netherlands-cg.org.hk

InvestHK

Invest Hong Kong is the Hong Kong Government department charged with encouraging and facilitating foreign investment into the city by providing all the support for enterprises or investors to invest here. Its activities center around business-matching, research for companies interested in investing in Hong Kong and assisting overseas enterprises to establish and develop their presence in the city. Thus, InvestHK can be of great help especially during a company's orientation and research phase. All services of InvestHK are free of charge. E: enq@InvestHK.gov.hk

HK Trade and Industry Department

This government department provides companies with practical and detailed information on regulations and procedures to follow when setting up an office in Hong Kong. The Business License Information Search of the HK Trade and Industry Department helps start-ups save time and reduce the risk of non-compliance with government regulation. The free-of-charge service provides information on all government licenses, permits, certificates and approvals relevant to business operation in Hong Kong. It can also provide information on the CEPA arrangement mentioned before. E: enquiry@tid.gov.hk

Hong Kong Trade Development Council (HKTDC) SME Centre

The government backed Hong Kong Trade Development Council (HKTDC) is the global marketing arm and public service hub for Hong Kong-based manufacturers, traders and service exporters. Their activities are especially geared to small and medium-sized enterprises (SMEs), the chief drivers of Hong Kong's trade. The SME center set up by the HKTDC aims to serve the large domestic and international SME community in Hong Kong. A wide variety of information on legal and financial matters can be researched. It also holds regular workshops on topics relevant to SMEs and provides information on current services provided to SMEs by all the relevant organizations. E : smecentre@hktdc.org

The Netherlands Hong Kong Business Association

The Netherlands Hong Kong Business Association in the Netherlands (HHKNBA) builds bridges between the business communities in the Netherlands and Hong Kong. They help Dutch

companies find the right supplier or importer, agent or partner in Hong Kong/China and can also help companies in Hong Kong to find suitable business partners in the Netherlands. The NHKBA can also assist with information about trade fairs and other events in Hong Kong/China and the Netherlands. The NHKBA organizes seminars, round table meetings, social gatherings and missions, also in cooperation with third parties. The NHKBA has an extended network in the Netherlands, Hong Kong and China enabling them to provide you with the information you require or that can help to find the right expert. E: secretariat@nhkba.nl

Company service providers

Company Service Providers can help with the start-up of a business and the implementation of a business plan. They can offer help in areas such as legal, financial and corporate structure and management. Some are also specialized in setting up a business for you.

A comprehensive list of company service providers can be found in Chapter 8.



2. Setting-up a business in Hong Kong

There are many aspects an SME needs to look into when it decides to set up an office in Hong Kong.

Which steps does your company need to fulfill in order to set up a business in Hong Kong?

Step 1: Defining the business structure

Your company will need a legal structure for running its business and registering it. Hong Kong Law offers various legal possibilities and the most appropriate type of structure will depend on tax issues, strategic plans, financial aspects, willingness to take on ongoing obligations and more. To establish a presence in Hong Kong, a representative office, a branch, or a subsidiary (limited company) can be considered in this respect. Because of the complex and long term impact of this decision, it is advisable to seek professional advice of the company service providers, which are listed in Chapter 8 of this guide.

Most Hong Kong companies are limited liability companies (Hong Kong Ltd.), of which the capital is divided into shares. This is by far the most common legal structure and is relatively straightforward to establish and manage. The main things to consider when incorporating a Hong Kong Ltd. are summarized below.

■ **Company name:** One of the first steps is to think about your company name. This name can be in English, Chinese or English and Chinese and should end with the word "Limited". Any name can be chosen, as long as the name has not yet been registered and is not offensive or contrary to the public interest. There are also some restrictive words that need further approval such as "Trust", "Savings" etc. Please note that the Companies Registry does not allow for names to be reserved.

■ **Liability:** A Hong Kong Ltd. gets its name from the fact that the liability of the shareholders is limited to their contribution. This means that, should the Hong Kong Ltd. at some point not be able to pay its debts, the Hong Kong Ltd. is liable with all its assets for these debts. The shareholders, who contribute, are only liable to the extent of their capital contribution. In exchange for their willingness to provide capital at the risk of losing it all, shareholders receive voting rights in the company's shareholders meeting. They also receive a part of the profit of the company in accordance with their shareholding.

■ **Minimum capital & Shareholders:** A Hong Kong Ltd. does not have to have a minimum capital; companies can be set-up with a share capital of HK\$1. Because of the private nature of the Hong Kong Ltd., a maximum of 50 shareholders is allowed. There are no

residency or nationality requirements for shareholders and corporate shareholders are allowed. Nominee shareholders can be used to obtain some degree of confidentiality. There is no par value of shares, no concept of authorized capital, and bearer shares are not allowed.

Incorporation of the Ltd.: The incorporation of a Hong Kong Ltd. can be organized relatively fast (take 5-7 working days into account – although it can be done faster). At the incorporation the company has to appoint a Company Secretary, who needs to be a HK resident or HK registered Company. A Company Secretary takes care of the ongoing compliance of the Ltd, including among other things:

- Providing notice to shareholders to attend meetings and prepare minutes for these meetings;
- Signing documents within the authority of a secretary on behalf of the company;
- Recording share transfers;
- Maintaining company records in respect to the shareholders, directors and the secretary;
- Filing notices with Companies Registry in respect of the change of shareholders, directors or secretary and their particulars;
- Preparing an annual return and submit the same to the Companies Registry.

■ **Articles of Association:** The laws by which the Hong Kong Ltd. will be governed, will be put down in its Articles of Association. These will normally state how the board members are appointed, how meetings are conducted etc. Although most Hong Kong Limited's will have standard Articles of Association, it is important to read these carefully for it is the handbook on how to run the Hong Kong Ltd. in a legally sound manner.

■ **Registration:** The incorporation process of the Hong Kong Ltd. involves the signing of the Articles of Association and various forms by the directors and shareholders of the company and the submission of these forms with the Companies Registry by the Company Secretary. Furthermore the business needs to be registered with the Inland Revenue Department (IRD). The Business Registration Ordinance requires every person who carries on a business in Hong Kong, to apply for business registration within 1 month from the date of commencement of the business, and to display a valid Business Registration Certificate at the place of business. Normally the Company Secretary will take care of applying for a Business Registration Certificate with the IRD.

■ **Directors:** A Hong Kong Ltd. needs to have at least one natural person as director and additional corporate or individual directors are allowed. The director may also be the shareholder or the company secretary of the company. There are no residency or nationality requirements for the directors. Once a year, the board of directors of the Hong Kong Ltd. will have to organize an Annual General Meeting of shareholders of the company (AGM).

■ **Office address:** Every Hong Kong Company must have a Registered Office Address in Hong Kong, which cannot be a postbox.

The Companies Registry

The Companies Registry, a government department, is responsible for incorporation of all limited companies and registering overseas companies in Hong Kong.



14/F, Queensway Government Offices, 66 Queensway, Hong Kong
T: (852) 2867 2587 • F: (852) 2526 9843 • E: crenq@cr.gov.hk
• www.cr.gov.hk

To view all company registration charges please visit:
www.cr.gov.hk

Step 2: Ongoing annual compliance requirements

Besides appointing a company secretary, a Hong Kong Ltd. has to comply with the following reporting requirements:

■ **Annual Return**

An Annual Return is required to be submitted to the Companies Registry within 42 days from the anniversary date of incorporation every year. Your company secretary should take care of this. It is nevertheless the responsibility of the company.

■ **Employer's Return**

The IRD will issue an Employer's Return to a company for reporting salaries paid to staff subject to Hong Kong taxes in April every year. The return is required to be completed and filed with the Department within one month from the date of issue, irrespective of whether salaries have been paid or not.

■ **Profits Tax Return**

A Hong Kong company is required to submit a Profits Tax Return and audited accounts to the IRD every year. Its first financial year end date can be fixed at any date within 18 months from the date of incorporation and the same financial year end date needs to be followed in subsequent years. Usually, the first Profits Tax Return will be issued at 18 months from the incorporation date and then subsequent profits tax returns will be issued in April every year.

The profits tax return has to be accompanied with audited accounts of the company. There are no exceptions for small companies or companies with low turnover or profits like in the Netherlands. The audit of the accounts is however, a relatively straightforward affair in Hong Kong. The auditor will review all original documents on which the bookkeeping is based.

Allow at least two months for the whole process of having your bookkeeper make a final balance and profit- and loss account, submitting it with the auditor and getting the accounts audited.

■ Business Registration Certificate

Every year, the Company needs to renew its Business Registration Certificate and pay the Business Registration Fee. The company secretary can assist you with renewing this certificate.

Step 3: Obtaining a work permit and Hong Kong Identity Card

Each person who would like to work in Hong Kong needs to obtain an appropriate visa. These visa applications should be taken seriously and adequate time will need to be spent on compiling a comprehensive and complete file.

When considering the application, the Immigration Department will analyze the added value of the applicant for the HK economy, whether the company can support the employee and whether the employee is offered a market-competitive salary. Also, the Immigration Department will need to understand why the work cannot be performed by a local HK employee.

There are various Hong Kong visas. For expatriates, there are three types that matters:

1. As an employee who will work for an existing Hong Kong company, an Employment Visa is needed.
2. If you are going to be employed by your own company, a different employment visa applies which is generally referred to as an Investment as Entrepreneurs Visa.
3. A spouse, in case of marriage can apply for a Dependant Visa, which will be granted based on the fact that an Employment or Investment as Entrepreneurs Visa is granted. With a Dependant visa, the spouse can work in Hong Kong.

Enrollment in studies at any of the Universities is not permitted with any of the above visas. A separate Student Visa needs to be applied for.

IMPORTANT NOTE:

It is a criminal offence to have employment in Hong Kong without a valid employment visa. The employer is liable to a maximum fine of HK\$350,000 and three years' imprisonment for employing a person unlawfully. Also, the employer is liable to prosecution for employing someone without an employment visa. You have to work for the company that has been registered with the immigration department and your employer and you have to do the work that you have told the Immigration Department (ID) you would be doing. If you change jobs in Hong Kong, you and your new employer have to apply for the change of employment visa. You can only start your new employment upon receiving the approval from the ID. Since Hong Kong does not differentiate between paid work and voluntary work, working without pay or for compensation of costs only, still requires a working permit.

■ Employment Visa

The applicant of a general employment visa should possess special skills, knowledge or experience of value to and not readily available in the Hong Kong. In general, an application for a visa / entry



permit to take up employment under the GEP may be favorably considered if:

- a. there is no security objection and no known record of serious crime in respect of the applicant;
- b. the applicant has a good education background, normally a first degree in the relevant field, but in special circumstances, good technical qualifications, proven professional abilities and/or relevant experience in a particular industry and achievements supported by documentary evidence may also be accepted;
- c. there is a genuine job vacancy;
- d. the applicant has a confirmed offer of employment and is employed in a job relevant to the academic qualifications or working experience that cannot be readily taken up by the local work force;
- e. the remuneration package including income, accommodation, medical and other fringe benefits is broadly commensurate with the prevailing market level for professionals in the HKSAR;
- f. the sponsor has strong financial backup to support the applicant and a physical presence in HK (rent an office!) with objective to hire HK local staff, etc.

The applicant (the employee) and its sponsor (the employing company) should fill out the following forms:

- Form ID990A - Application for Entry for Employment as Professionals in Hong Kong (to be completed by the applicant).
- Form ID990B - Application for Employing Professionals in Hong Kong (to be completed by the employing company). Please note also Form ID(E)991 - Guidebook for Entry for Employment as Professionals in Hong Kong.

The forms can be downloaded at www.immd.gov.hk – English – public forms – Hong Kong visas.

EMPLOYMENT VISA	
APPLICANT SHOULD SUBMIT THESE DOCUMENTS TOGETHER WITH THE APPLICATION FORM:	
✓	The applicant's recent photograph (affixed on page 2 of application form ID 990A)
✓	Photocopy of applicant's valid travel document containing personal particulars, date of issue, date of expiry and/or details of any re-entry visa held (if applicable). For an applicant who is currently staying in the Hong Kong Special Administrative Region (HKSAR), photocopy of his/her valid travel document page containing the latest arrival stamp/landing slip/extension of stay label in the HKSAR. A Chinese resident of the Mainland who has not been issued with a travel document may submit a photocopy of his/her People's Republic of China (PRC) resident identity card.
✓	Photocopy of applicant's Hong Kong identity card (if any)
✓	Photocopy of proof of academic qualifications and relevant work experience
✓	Photocopy of the applicant's Macao identity card [for Macao Special Administrative Region (SAR) residents only]
✓	Photocopy of the applicant's household registration in Taiwan and Taiwan identity card [for Taiwan residents only]
✓	Photocopy of proof of the applicant's overseas residence, such as copy of official documents showing the applicant's conditions of stay and limit of stay endorsed by overseas authorities [for overseas Chinese holding PRC passports only]
THE EMPLOYING COMPANY SHOULD SUBMIT THESE DOCUMENTS TOGETHER WITH THE APPLICATION FORM:	
✓	Photocopy of the company's employment contract with or letter of appointment to the applicant containing information about post, salaries, other fringe benefits and employment periods
✓	Photocopy of the Business Registration Certificate
✓	Photocopy of proof of financial standing (e.g. latest audited financial report, trading profit and loss account, or profit tax return)
✓	Documents with details of company background such as business activities, mode of operation, background/ connection of company, product ranges, sources and markets, membership of chamber of commerce (if any), etc. (supported with catalogues, brochures, etc.)
✓	Detailed business plan (e.g. information on source of funds, estimated capital injection, nature/mode of business activities, expected turnover, sales volume, gross and net profit in the coming years, and proposed creation of local job posts, etc.) [for companies newly set-up within 12 months only]

■ Investment Visa

After being granted an Investment as Entrepreneurs visa, you will receive the same type of employment visa as above. The difference between the two lies mainly in the application process. If the employer is a new company that applies for its first employment visa for yourself as its first employee, the Immigration Department will want to do a feasibility study on the plans of the company. Therefore there will be additional requirements such as to review a business plan.

An application for a visa/entry permit to enter Hong Kong for investment as entrepreneur may be favourably considered if:

- there is no security objection and no known record of serious crime in respect of the applicant;
- the applicant has a good education background, normally a first degree in the relevant field, but in special circumstances, good technical qualifications, proven professional abilities and/or relevant experience and achievements supported by documentary evidence may also be accepted;
- the applicant is in a position to make substantial contribution to the economy of the HKSAR, with consideration factors including, but not limited to, business plan, business turnover, financial resources, investment sum, number of jobs created locally and introduction of new technology or skills. Details of these consideration factors are as follows:

(1) Business Plan

An applicant who wishes to establish or join in business in Hong Kong should submit a two-year business plan stating the nature

of the business, market analysis, market positioning, business direction, sales targets, product marketing strategy, etc. in order to demonstrate that the business is suitable for and capable of developing in Hong Kong. The applicant should also submit a two-year forecast of the profit-and-loss account statement, cash flow statement and balance sheet to demonstrate the feasibility of the business in terms of operation, finances and development.

The Immigration Department will seek advice, if needed, from relevant government departments or professional bodies on the applicant's business plan in order to assess whether the business supports Hong Kong's overall economic development. For example, the Immigration Department may consider whether the applicant's business belongs to or is able to complement industries that Hong Kong enjoys clear advantages, such as the four traditional pillar industries (i.e. trading and logistics, tourism, financial services, and professional and producer services) or the four clusters of sectors being explored for support measures by the Economic Development Commission (i.e. transportation, convention and exhibition industries and tourism, manufacturing industries, innovative technology and cultural and creative industries, and professional services), etc.

(2) Business Turnover

If the applicant is running relevant business overseas or has joined in a business in Hong Kong, he/she should submit the profit-and-loss account statement and balance sheet showing the business turnover and profit in the previous year. Those who intend to establish business in Hong Kong should submit a two-year forecast

INVESTMENT VISA**SUBMIT TOGETHER WITH APPLICATION FORMS:**

- ✓ The applicant's recent photograph (affixed on page 2 of the application form ID 999A)
- ✓ Photocopy of the applicant's valid travel document containing personal particulars, date of issue, date of expiry and/or details of any re-entry visa held (if applicable). For an applicant who is currently staying in the Hong Kong Special Administrative Region (HKSAR), photocopy of his/her travel document page containing the latest arrival stamp/landing slip/extension of stay label in the HKSAR.
- ✓ Photocopy of the applicant's Hong Kong identity card (if any)
- ✓ Photocopy of proof of academic qualifications and relevant work experience
- ✓ Photocopy of proof of the applicant's financial standing (e.g. bank statements)
- ✓ Photocopy of the company's employment contract with or letter of appointment to the applicant containing information about post, salary, other fringe benefits and employment periods (if applicable)
- ✓ Detailed 2-year investment plan which contains details of proposed business activities, amount of investment, creation of local job posts, setting up of an office/showroom/warehouse, etc.
- ✓ Proof of company's business activities such as photocopy of contracts, invoices or proof of business deals under negotiation (if applicable)
- ✓ Photocopy of proof of the company's financial standing (e.g. latest audited financial report, trading profit and loss account, or profits tax return)
- ✓ Documents with details of company background such as business activities, mode of operation, background/connection of company, product ranges, sources and markets, membership of chamber of commerce (if any) etc. (supported with catalogues, brochures, etc) [if the applicant has invested in the HKSAR]
- ✓ Photocopy of tenancy agreements/supporting documents on office set-up
- ✓ Proof of posts created for local employees such as photocopy of records of monthly contributions to Mandatory Provident Fund Scheme (if applicable)
- ✓ Photocopy of Business Registration Certificate and business registration particulars e.g. Inland Revenue Department Form 1(a)/Form 1(c) [if the applicant has invested in the HKSAR]
- ✓ Photocopy of documents filed with the Companies Registry such as Certificate of Incorporation/latest annual return/Incorporation Form (Company Limited by Shares)/Memorandum of Association/Articles of Association
- ✓ Photocopy of licences or certificates for the operation of the business (e.g. relevant licences for financial institutions issued by the Securities and Futures Commission) (if applicable)
- ✓ Letter indicating valid support by a government-backed programme*
- ✓ Photocopy of the applicant's Macao identity card [for Macao Special Administrative Region (SAR) residents only]
- ✓ Photocopy of the applicant's household registration in Taiwan and Taiwan identity card [for Taiwan residents only]
- ✓ Photocopy of proof of the applicant's overseas residence, such as photocopy of official documents showing applicant's condition of stay and limit of stay endorsed by overseas authorities [for overseas Chinese holding People's Republic of China passports only]

of profit-and-loss account statement and balance sheet as mentioned above, including the anticipated business turnover in order to demonstrate the feasibility of the business operation and development.

In assessing an application for entry for investment to establish business in Hong Kong, the Immigration Department will also consider whether the applicant has relevant investment or working experience in the business concerned. If needed, the Immigration Department will seek advice from relevant government departments or professional bodies in order to assess whether the business is suitable for and able to sustain a steady growth in Hong Kong, and can give impetus to the industry concerned.

(3) Financial Resources

The applicant should submit statements of his/her personal and

company bank accounts in the previous year and proof of other sources of funding, as well as the company's latest audited financial report (if any) to demonstrate that he/she has sufficient financial resources to run the relevant business in Hong Kong and also support the smooth operation and sustainable growth of the business.

(4) Investment Sum

The applicant should submit documentary proof showing the amount of capital investment in Hong Kong. The Immigration Department will consider whether the investment amount is able to support the operation of the business.

(5) Number of Jobs Created Locally

The applicant should set out the organisational structure of his/her business and the required number of staff and posts, based on the nature and scale of the business. He/She should indicate the

nature and scale of the business. He/She should indicate the number and level of actual jobs created locally (e.g. managers, administrators, professionals, clerical support staff, etc.).

(6) Introduction of New Technology or Skills (if applicable)

The applicant should explain how the new technology or skills to be introduced can inspire creativity in the high-value-added industries in Hong Kong, and whether he/she has taken out patent, contributing to the long-term development of Hong Kong as a knowledge-based economy.

Start-up Businesses

An applicant who wishes to establish or join in a start-up business may also submit an application. The Immigration Department may consider the application favourably, if the start-up business concerned is supported by a government-backed programme with a rigorous vetting and selection process, and the applicant is the proprietor or partner of the start-up company or a key researcher of the relevant project. Examples of government-backed programmes include:

- (1) StartmeupHK Venture Programme administered by InvestHK;
- (2) Incu-App, Incu-Bio and Incu-Tech programmes administered by the Hong Kong Science and Technology Parks Corporation;
- (3) Cyberport Incubation Programme;
- (4) Small Entrepreneur Research Assistance Programme and Enterprise Support Scheme administered by the Innovation and Technology Commission;
- (5) Design Incubation Programme administered by the Hong Kong Design Centre.

An employee should fill out the following forms:

- Form ID999A - Application for Entry for Investment (to establish/join in business) in Hong Kong (to be completed by the applicant).
- Form ID999B - Application for Entry for Investment (to establish/join in business) (Sponsor) in Hong Kong (to be completed by the sponsor).
Please note also Form ID(E)1000 - Guidebook for Entry for Investment (to establish/join in business) in Hong Kong.

The forms can be downloaded at www.immd.gov.hk – English – public forms – Hong Kong visas.

Dependant Visa

For a sponsor who has been admitted into the HKSAR to take up employment (as a professional, for investment to establish/join in business, or for training), the following dependants may apply to join him/her for residence in the HKSAR:

- a. his/her spouse; and
- b. his/her unmarried dependent children under the age of 18.

An application for admission of a dependant may be favourably considered if:

- a. there is reasonable proof of a genuine relationship between the applicant and the sponsor;
- b. there is no known record to the detriment of the applicant;
- c. the sponsor is able to support the dependant's living at a standard well above the subsistence level and provide him/her with suitable accommodation in the HKSAR.

Family members moving with the applicant should fill out the following forms:

- Form ID997 - Application for Entry for Residence as Dependants in Hong Kong
- Form ID(E)998 - Guidebook for Entry for Residence as Dependants in Hong Kong

DEPENDANT VISA

SUBMIT TOGETHER WITH APPLICATION FORMS:

- ✓ The dependant's recent photograph (affixed on page 2 of application form ID 999A)
- ✓ Photocopy of the dependant's valid travel document containing personal particulars, its date of issue, date of expiry and/or details of any re-entry visa held (if applicable). For a dependant who is currently staying in the HKSAR, photocopy of his/her travel document page containing the latest arrival stamp/landing slip/extension of stay label in the HKSAR. A Chinese resident of the Mainland who has not been issued with a travel document may submit a photocopy of his/her People's Republic of China resident identity card.
- ✓ Photocopy of evidence of the applicant's relationship with the dependant, e.g. marriage certificate, birth certificate, family photographs, family letters (with envelopes), census record book and Privilege Card for Single Child (if applicable)
- ✓ Photocopy of the dependant's Macao identity card [for Macao SAR residents only]
- ✓ Photocopy of the dependant's household registration in Taiwan and Taiwan identity card [for Taiwan residents only]

The forms can be downloaded at www.immd.gov.hk – English – public forms – Hong Kong visas.

A visa/entry permit will be issued only on receipt of an original, properly completed visa/entry permit application form.

All relevant documents must be submitted. Incomplete information or insufficient supporting documents may cause delay in the process of your application. Important is that all documents must be (officially translated) in English or Chinese (including bank-statements and diplomas).

Applications can be sent to the below address, or submitted to the nearest Chinese diplomatic and consular missions in your place of domicile:

Immigration Department

24/F, Immigration Tower, 7 Gloucester Road, Wan Chai, Hong Kong
T: (852) 2824 611 • E: enquiry@immd.gov.hk • www.immd.gov.hk

After the application has been filed, the Immigration Department will generally take four to six weeks to respond. The Immigration Department can write to ask for additional questions or information. This additional information will normally have to be submitted within two weeks.

If the employment visa is granted, it will normally be granted for one to two years to start with. One month before the term of the first visa expires; you will have to apply for an extension if you wish to keep working in Hong Kong. If you have an investment visa, the Immigration Department will want to receive accounts for the employing company to see whether it has had any business in the first year.

Need help?

Contact the Immigration Department of Hong Kong or contact the DutchCham office.

There are many companies in Hong Kong that can apply for a visa on a person's behalf. This is easier as they are familiar with the bureaucracy and know the ins and outs. Prices for this service vary per application. The Company Service Providers listed in Chapter 8 will be able to obtain these visas for you.

■ Hong Kong Identity Card

After having obtained the visa, a Hong Kong ID card will need to be applied for. All residents in Hong Kong who are aged 11 and above are required to register for an identity card with exception to those who are exempted or excluded. A person who enters Hong Kong must apply to register within 30 days of arrival.

Applying for the card is simple. Online appointment booking can be arranged via the website and a form is available on the Immigration Department website (www.immd.gov.hk), which outlines the additional documents needed to present in person (passport with visa & entry stamp).

The card is free and should be ready for collection within 10 working days of application. Completed forms can only be submitted in person to anyone of the Registration of Persons office (Enquiries: (852) 2824 6111).

Step 4: Opening a corporate bank account

Current global market circumstances and tight Anti-Money-Laundering rules have led banks to tighten the bank account opening procedures leading to a more extensive setup of supporting documents and longer lead times.

Here is a short description of how a corporate bank account can be opened and how it is operated.

1. Select a bank in Hong Kong. You might wish to check whether your current relationship bank has a presence in HK or you can choose to work with one of the local/regional banks.
2. Make an appointment with the bank. The owner(s) and/or a quorum of directors of the company should come in person to the Hong Kong bank branch for a face to face interview to open up a corporate bank account;
3. The director(s) must fill out a bank account opening form in Hong Kong.

Besides completing the bank account opening form the following documents should also be provided:

✓ Certified copies of the residential address proof and passports of all ultimate beneficial owners and directors
✓ A full set of certified copies of the corporate documents including but not limited to Business Registration Certificate, certificate of incorporation, Articles of Association
✓ Copy of the last annual return and key documents filed with the Companies Registry
✓ Documentation that proves the company is in business e.g. audited financial statements, a contract or an invoice
✓ A reference letter from the banker in the Netherlands, in which your company's banker states that it has had a bank/client relationship for a period of time and that its bank account is still active.
✓ Your company's director will need to sign the account opening forms in front of the bank's staff. The staff will then co-sign the document or put a stamp on the form and will also make a photocopy of the passport(s)
✓ Certified passport copy and address proof of all Ultimate Beneficial Owners and directors
✓ Business proof (contracts, list of client/suppliers) in the region
✓ Organisation chart certified by one of the Ultimate Beneficial Owners
✓ Proof of wealth Beneficial Owners

Depending on the compliance procedures of the respective banks, the account opening can take a few weeks to a couple of months.

Banks normally require a minimum deposit before they open an account and a one-off account-opening fee is usually charged.

Step 5: Finding an office space

A real estate agency can help your company with leasing/buying business property or residential property in an area which is most fitting to the budget and needs.

Leases in Hong Kong typically last for two years with an option to renew. After agreeing with the landlord on the principle terms of the lease, the landlord will issue a Letter of Offer. The tenant has to counter-sign and return it within a specified period



accompanied with a security deposit (which will usually include two to three months' rental expense).

A tenancy agreement, covering the respective duties and obligations of the landlord and the tenant, will be signed within a specific period and will be registered by the landlord at the Land Registry. Stamp duty will need to be paid within 30 days from the execution of the contract.

Apart from rent (plus the initial security deposit), office occupancy costs in Hong Kong may also include:

- One-off payment to the property agent (normally one month's rent) after receiving his/her services in finding the property.
- Management service charge is normally paid in advance. This charge typically covers air-conditioning, security, common areas cleaning and other building services.
- Land rent.
- Legal fees to a lawyer that might have been engaged to process the tenancy agreement.

■ Alternatives to renting an office

- Using a serviced office. These are offices that provide short term leases of virtually any length on fully serviced offices of a space and configuration to meet your needs.
- Using a virtual office. These are offices where the center acts as switchboard, mailing address, meeting room provider etc. for business people who actually operate day-to-day elsewhere, for example from home.
- Using a co-working space. These are becoming increasingly popular, especially for the growing startup community in Hong Kong. People can sign up for different plans to rent a desk or a room (depending on how many hours you would like to use your office space). Examples of popular co-working spaces are The Hive, Cocoon and the Garage Society.

■ Location

Finding an appropriate office location is an important factor for a start-up. Questions such as which district is more suitable for your business and what prices are to be expected can arise.

The major office districts in Hong Kong are Central, Wan Chai/Causeway Bay, Island East and Tsim Sha Tsui (TST) on the Kowloon Peninsula. These districts constitute 73% of office premises covering 56 million square feet in total.

For an overview of the average rent expense by grade by district, please check: www.rvd.gov.hk (English – capitals: Property Market Statistics - Average Rents and Prices by Grade by District).

Step 6: Human Resources

Your company will need to look for local talent/staff to fulfill positions within the organization. In order to find suitable staff, it is advisable to get in touch with professional recruitment agencies. Furthermore, the company has to comply with employment regulations, as stated in the HK Employment Ordinance, the Non-discrimination legislation, the Occupational Health and Safety Rules, etc. Even though Hong Kong is a highly flexible employer-friendly market, the minimum requirements should be observed.



It is vastly recommended to agree on legally correct and complete employment contracts with potential employees, as it might not be that easy to amend them at a later stage.

For more information, please contact the DutchCham office or one of the recruitment agencies in Chapter 8.

MANDATORY INSURANCE

There are two mandatory insurances that need to be setup by every HK employer: the Mandatory Provident Fund (MPF) and the Employers Compensation Insurance (ECI).

Every employer in Hong Kong will have to have the MPF arrangement in place for its employees, even if the only employee of the company is the owner and director. This is the mandatory pension scheme in Hong Kong, under which the employee is required to pay an MPF contribution out of their gross salary every month, in addition to the 5% that needs to be paid by the employer on top of the gross salary. MPF is deducted on the 5% of the gross salary and is currently capped at HKD1,500 for the Employer and at HKD1,500 for the Employee each month.

However, there are some exemptions if (i) the employee is holding the first working visa less than 12 months, he may be entitled a 13-months exemption period (thus, his first MPF contribution will only start from the 14th month; (ii) the employee has another pension scheme in his own home country.

Every employer has the legal obligation to have an employer's compensation insurance in place, to cover any compensation in respect of injuries sustained by his employees as a result of an accident arising out of and in the course of employment. Almost any insurer in Hong Kong will be able to provide these basic insurance policies. Failing to have these assurances in place is a criminal offence.

3. Funding your business

3.1 Government SME Funding Schemes

SMEs are the driving force of Hong Kong's economic development. To help SMEs rise to new challenges in the changing economic environment, the Hong Kong Government currently has three different SME Funding Schemes in place. These schemes assist SMEs to secure financing for acquiring business installations and equipment, and to meet working capital needs, expand overseas markets, and to expand their businesses through participation in export promotion activities.

Every SME in Hong Kong that fulfils the SME requirements defined by the Hong Kong Government is eligible to apply for an SME funding scheme.

The three funding schemes are:

- SME Loan Guarantee Scheme
- SME Export Marketing Fund
- SME Development Fund

For detailed information and requirements to be eligible for funding please go to www.smefund.tid.gov.hk and choose the specific tab under which each fund is described extensively.

3.2 Financial institutions in Hong Kong

When looking to finance their business in Hong Kong, SMEs need to be aware that financial institutions in Hong Kong are typically not keen to provide loans to start-ups and less interested in equity finance. SMEs should prepare adequate information on their financial situation and outlook and should in particular focus on the following areas:

■ Financial and operational analysis

Financial institutions will be looking at the SME's profitability, sales trend and composition, profit margins, cash flows, key ratio's on leverage, debt servicing ratio, account receivables turnover days and account payables turnover days.

■ Credit record and relationship with existing bankers

This relates to the number of years the SME is in business, the SME's relationship with banks, financial statements, and net worth information and if there are any litigation and court cases involving the SME.

■ Management's experience and financial strength

The SME's management will be assessed in terms of knowledge and experience, leadership style, succession, commitment and integrity.

■ Industry analysis

The industry in which the SME is operating will be analyzed, looking at issues such as competition, critical success factors, industry outlook and trend, and any external impacts (e.g. seasonal, oil price, tourism, material price).

■ Buyers and suppliers relationship

The SME's relationship with its buyers and suppliers will also be evaluated, such as the number of major buyers, the buyer's concentration/diversification, years of relationship between the



buyer and the SME, the buyer's receivable management. In terms of the suppliers the concentration and diversification of the suppliers, their reliability, and substitution of the suppliers and the level of bargaining power for the SME will be evaluated.

■ Business plan

The SME's business plan will have to contain information on the company's profile, turnover, expenses and profit, projection, business contracts/invoices and the customers' list.

3.3 Angel investors

Another source of funding for an SME could be to find an angel investor. There are several networks in Hong Kong, such as the Angels Den, Hong Kong Angel Investment Network, Hong Kong Business Angel Network and AngelVest, where entrepreneurs can connect with angel investors. Each angel investor has his own conditions under which he would like to fund a company. Also, the amount and the time frame of the angel investor's involvement in a business differ per investor. Our advice is to choose an investor who is involved in your business at the level you feel comfortable with. Be aware of the conditions that investors can set, e.g. what happens if the company fails to produce any returns.

3.4 Venture Capitalists

VCs can offer a good source of collaboration & investment opportunities too. A few early-stage venture capital firms are: Bigcolors, Bright Succes Capital, Arbor Ventures & Nest.

You can find some information about angel investors & venture capitalists on the startmeup website of Invest HK as well: www.startmeup.hk.

4. Protect your Product

Hong Kong has comprehensive laws for the protection of intellectual property (IP), which conform to all the major international IP conventions.

There are a number of options affording protection of IP, depending on the item to be protected. In the following paragraphs we will outline three options; patent, trademark and a registered design.

4.1 Patents

The Hong Kong Government has established a registration system for patents. Patents will only be granted if what you are registering is an invention which is novel, involves an inventive step and is capable of being used for industrial purposes.

Patents in Hong Kong are protected by the Patents Ordinance (which is territorial and only protects patents in Hong Kong). Applying for a patent elsewhere in the world or in other regions of Mainland China does not automatically give you protection in Hong Kong. Please visit www.ipd.gov.hk for more detailed information.

Patents Registry Intellectual Property Department

24/F, Wu Chung House,
213 Queen's Road East, Wan Chai, Hong Kong
T: (852) 2961 6901 • F: (852) 2838 6315 • www.ipd.gov.hk

For an example of a patent specification go to: <http://ipsearch.ipd.gov.hk>. The exact procedure and detailed information can be found on www.ipd.gov.hk.

4.2 Trade Marks

Trademarks or logos that are capable of distinguishing goods or services may be registered under the Trade Marks Ordinance in Hong Kong. Certain trademarks will be refused if they are of a misleading or deceptive nature.

The Hong Kong Government has a registration system of trademarks, which gives an owner the right to prevent other persons from using his trademark without his consent, or from using a trademark which is confusingly similar.

Although it is not a requirement to register, a trademark under registration gives written proof of ownership, which is easier to establish than an unregistered right.

A Hong Kong business registration certificate or a company registration certificate does not by itself indicate that the business or company has rights to use its name or part thereof as a trademark in promoting or dealing in goods and services.

Important Notes

- A trademark will be infringed if an identical mark or a confusingly similar mark is used for the same or similar goods or services in Hong Kong without permission.
- If a well-known trademark is used, this may constitute an infringement of the mark even if it is used for a different type of goods or services.



- Businesses are advised to register their trademarks in Mainland China separately, so that they can take action against infringing activity occurring in Mainland China.
- Please note that since China (by contrast to Hong Kong) is a "first to file" country, if others register the trademark first, the original owner is not only barred from taking action against infringing activity, he may no longer be able to have products manufactured in Mainland China under his own trademark.
- Registered trademarks, owners and persons or companies licensed to use the trademarks in Hong Kong can be checked at: <http://ipsearch.ipd.gov.hk> which is free of charge.

For more detailed information about trade marks in Hong Kong please go to: www.ipd.gov.hk

Intellectual Property Department

24/F, Wu Chung House,
213 Queen's Road East, Wan Chai, Hong Kong
T: (852) 2961 6901 • F: (852) 2838 6082/ (852) 2574 4345
• www.ipd.gov.hk

4.3 Registered designs

Registered designs protect only the appearance of products, for example the look of a computer monitor. The registration of the design does not protect the way in which the product works; it just protects the way it looks. Protection for the way in which a product works may be available under patent law. Computer software is ordinarily protected under copyright law.

Registered design owners have the right to prevent others from manufacturing, importing, using, selling or renting out products using the design. The registration is valid for 25 years, subject to renewal every five years. Registered designs have concurrent protection under copyright law for 25 years. Registered designs can be freely assigned and licensed.

For more information on how to apply for registered designs, please visit: www.ipd.gov.hk

Designs Registry

24/F, Wu Chung House,
213 Queen's Road East, Wan Chai, Hong Kong
T: (852) 2961 6901 • F: (852) 2838 6315 • www.ipd.gov.hk

4.4 Protecting your product in China

When your business plan involves production or sales in Mainland China, the only way to secure a level of protection of your intellectual property rights is to register them all in China separately. China allows the registration of trademarks and patents. The latter include designs as well.

For more information on the registration of intellectual property

rights in China, please contact the China IPR SME Helpdesk, which supports European SMEs in both the protection and the enforcement of their Intellectual Property Rights (IPR) in relation to China business.

China IPR SME Helpdesk

Room 2480, Beijing Sunflower Tower, No. 37 Maizidian Street, Chaoyang District, Beijing 100125, PR China T: (86) 10 6462 0892 • E: question@china-iprhelpdesk.eu • W: www.ipr-hub.eu

5. Legal System

The Hong Kong legal system dates back from the British Colonial era. The legal system of Hong Kong is based on the rule of law which guarantees the independence of the Judiciary. Under the principle of 'one country, two systems', Hong Kong's legal system is based on the common law and differs from that of Mainland China, which is based on civil law.

The Basic Law, the constitutional framework for the legal system was agreed before the 1997 handover and guarantees the continuance of the legal system that was in place before 1997. Nearly all the 600 or so laws (so-called Ordinances) were carried onward after the handover and the court and tribunal system was re-established under the Basic Law, with some name changes.

All laws in force are available in Chinese and English.

5.1 Solving disputes

When companies get involved in a dispute there are three most common methods of solving disputes in Hong Kong: arbitration, litigation and mediation. For more information about these methods, we advise you to contact one of the legal advisory companies listed in chapter 8.

5.2 Import and Export registration/licensing requirements

The requirements for specialised licensing of businesses in Hong Kong vary from sector to sector and are administered by a number of government departments and bodies. By contrast to Mainland China, absent any specialised licensing requirements Hong Kong incorporated companies having paid a business registration fee need not obtain approval by the authorities to conduct (lawful) business activities. The Support and Consultation Centre for SMEs is a one-stop service run by the government to provide a whole array of information on the licensing requirements for specific business operations in Hong Kong, such as factories, restaurants, etc. Its purpose is to save investors time and to reduce risk of non-compliance with government regulations.

Please visit the following government department for more information:

Support and Consultation Centre for SMEs

Units 15-18, 23/F, Standard Chartered Tower, Millennium City 1, 388 Kwun Tong Road, Kowloon
T: (852) 2398 5133 • F: (852) 2737 2377
• W: www.success.tid.gov.hk/



5.3 Licensing control

Hong Kong is a free port. There is no customs tariff on goods imported into Hong Kong. The Government collects an excise duty on only four types of goods irrespective of whether they are imported or locally manufactured, namely tobacco, hydrocarbon oil, alcoholic beverages (with an alcohol content of more than 30%) and methyl alcohol.

In general, any person who imports or exports any goods is required to lodge an import/export declaration with the Commissioner of Customs & Excise within 14 days after the importation or exportation of the goods.

Several goods are subject to import and export licensing control (such as dangerous drugs, arms and ammunition, pharmaceutical products etc.).

Any person who wishes to import or export dutiable or controlled goods has to obtain in advance import/export licenses, permits and certificates from the government departments concerned and appoint a local resident as responsible person.

The guide to import and export licensing requirements is available from the trade and industry department:

Trade and Industry Department

Room 1720, Trade and Industry Tower, 3 Concorde Road, Kowloon City, Hong Kong
T: (852) 2787 7422 • W: www.info.gov.hk/tid/e-index.htm

For information about import and export regulations for the food & agricultural sector specifically, please contact the Agricultural Officer of the Consulate General of the Kingdom of the Netherlands:

Consulate General of the Kingdom of the Netherlands

Mr. Robbie Wang, Agricultural Officer

T: (852) 2599 9227 • F: (852) 2868 5388

• E: robbie.wang@minbuza.nl

6. Tax System

Hong Kong enjoys a very simple tax system with only three types of taxes (salaries income tax, profits tax and property tax). Hong Kong adopts a territorial source principle of taxation. Only profits which have a source in Hong Kong are taxable here. Profits sourced elsewhere are not subject to Hong Kong Profits Tax, even if remitted to Hong Kong subject to the approval of the Hong Kong Inland Revenue Department (IRD).

In this chapter we aim to provide basic information about the tax system in Hong Kong. Please note that we only provide a short summary. For a more detailed and extensive explanation on the tax system, please have a look at: www.ird.gov.hk or contact the company service providers listed in Chapter 8.

The IRD is responsible for tax matters. Hong Kong has a different tax regime and therefore is treated as completely separate from Mainland China. Hong Kong does not remit any tax to Mainland China.

■ Hong Kong Tax Facts

- Hong Kong's fiscal year runs from 1 April to 31 March. An incorporated business, partnership or proprietorship may adopt an alternative year-end at any date of the year, if so desired.
- The principal direct taxes are profits tax on business profits, salaries tax on salaries and property tax on income from property.
- Hong Kong does not have any capital gains tax, withholding tax on dividends and interest, inheritance tax, estate tax, value added tax and collection of social security contributions. Few items attract duty.
- Hong Kong tax liabilities and filing obligations can also arise on payments overseas for the use of intellectual property and on Hong Kong consignment agents who sell goods on behalf of a non-resident. These both operate like withholding taxes.
- Hong Kong has entered into a full scope double tax agreement with The Netherlands and the People's Republic of China.
- Stamp duty is imposed on certain documents such as share transfers, leases and sales of real property. A fixed amount applies to some documents, duty on others increases with the value of the transaction.
- The Hong Kong government has launched the e-Form project to provide the public with greater convenience in electronic submissions.

Go to: <http://www.ird.gov.hk/eng/ese/efo.htm>

6.1 Profits Tax

Profits tax is levied on every trade, profession or company carrying on a business in Hong Kong on profits arising in or derived from Hong Kong. Profits, which have a foreign source (often termed "off-



shore profits"), are generally beyond the territorial scope of Hong Kong's taxation system, including those of locally incorporated companies.

The profit tax rate for onshore profits is 16.5% (and 15% for unincorporated businesses).

Profit tax is paid initially on the basis of profits made in the year preceding the year of assessment, and is subsequently adjusted according to profits actually made in the assessment year. The month in which the accounting period ends generally determines the deadline by which the company must file its tax return and financial statements for each year of assessment.

The deadline for filing tax returns:

Year ended on:	Filing date:
1 January – 31 March	15 November
1 April – 30 November	30 April
1 December – 31 December	15 August

Following incorporation, companies are generally tracked by the tax authorities and issued with a tax return for the first anticipated "year of assessment". Even when no tax return has been issued, the company has an obligation to notify the tax authorities if assessable profits have arisen. Late filing of tax returns gives rise to penalties, which increase swiftly.

6.2 Salaries Tax

Salaries tax is charged on income arising in or derived from Hong Kong. The basis of assessment and method of payment (including provisional payments) are similar to the system for profits tax. Salaries tax is calculated in two ways and the taxpayer pays the lesser amount. The two methods are:

1. Tax calculated at a progressive rate on the net income figure, i.e. after tax allowances.

The progressive rates for the fiscal years 2016 / 2017 are:

- The standard exemption for an unmarried person is HK\$ 132,000
- For a married couple, the joint tax exemption is HK\$ 264,000.
- The child allowance is HK\$100,000 per child in 2016/2017.

After that:

- The first HK\$40,000 is taxed at 2%
- The next HK\$40,000 is taxed at 7%
- The next HK\$40,000 is taxed at 12%
- The remainder is taxed at 17%

2. Tax calculated at the standard rate (15%) applied to the gross income figure.

- Taxpayers receive their salary gross i.e. the tax is not deducted. Salaries tax is demanded on a yearly basis, and is normally paid in two installments between December and March. Employees must remember to save their tax in preparation for this bill.
- Foreign nationals who spend less than 60 days in Hong Kong in any year of assessment are exempt from salaries tax.
- Employers will have to register new employees with the authorities, so that the tax authorities are automatically notified when a new tax subject is around.
- The IRD has developed a simple Salaries Tax Computation Program to help calculating the salaries' tax liability. All one has to do is select the assessment year, marital status, input the income and the number of dependants and then press the "compute" button. A page will then appear which shows the exact Salaries Tax liability. Go to: http://www.ird.gov.hk/eng/ese/st_comp_2016_17/stcfrm.htm

Taxable income includes:

Commissions, Bonuses, Awards, Gratuities and Allowances, such as housing allowance.

Deductions include:

Allowances prescribed in the Ordinance, Charitable donations, and certain payments for relevant educational courses.

Extra notes:

- The earnings of husbands and wives are reported and assessed separately. However they may elect to be assessed jointly if this results in a lower tax bill or if allowances are unused.
- Employer-paid moving expenses and travelling expenses for home leave are not subject to Hong Kong salaries tax. Employer-paid or reimbursed housing cost is not directly taxable. Rather, a percentage of the assessable income, depending on types of accommodation leased, is simply added to reflect the taxable portion of housing provided.

6.3 Property Tax

The tax is charged at the standard rate of 15% of the net

assessable value of the property as determined by rent, service charges and fees paid to the owner, less a statutory allowance of 20% on the assessable value for repairs and maintenance.

Again the system of provisional payment of tax is similar to that for profits tax and salaries tax.

For corporations, rental income is included in their profits tax calculations, so they are not subject to property tax. However, income derived from the letting business is chargeable to profits tax.

6.4 Double Taxation

Double taxation arises when two or more tax jurisdictions overlap. As a result, income or profits are subject to tax in each jurisdiction.

Hong Kong's territorial source basis of taxation means that income derived by a resident from outside Hong Kong will not generally be subject to taxation in Hong Kong.

Many countries taxing their residents on a worldwide basis also provide their residents' operating businesses in Hong Kong with unilateral tax credit relief for Hong Kong tax paid on income derived from Hong Kong.

The Hong Kong government allows a deduction for foreign tax paid on turnover basis in respect of an income which is also subject to tax in Hong Kong. Businesses operating in Hong Kong therefore do not generally have problems with double taxation of income.

Double tax treaty between Hong Kong and the Netherlands

On 22 March 2010 a double tax treaty between Hong Kong and The Netherlands was signed. The aim of the double tax treaty is to prevent double taxation on income, capital gains and in general to give companies confirmation on how the fiscal treatment of profits, dividends, income out of work and pensions are treated. Some characteristics of the treaty are:

The Dutch domestic withholding tax rate of 15% for Dutch BV and NV-companies may be reduced to 0% when dividends are paid to a qualifying receiving company that holds at least 10% of the share capital of the paying company and the receiving company is:



- A Hong Kong resident qualifying headquarters company for a multinational group.
- A Hong Kong resident company, the shares of which are traded on a recognized stock exchange.
- A Hong Kong company, the shares of which are at least 50% owned by a company resident in Hong Kong, the Netherlands or another EU country (the "parent company") which has concluded a tax treaty with Hong Kong with a 0% dividend withholding tax rate and the shares of the parent company are traded on a recognized stock exchange.
- Hong Kong resident banks or insurance companies and pension funds.
- The Hong Kong government, government institutions, political subdivisions or local authorities. The competent

authority of the Netherlands can also allow the 0% treaty withholding tax rate to apply if these conditions are not met, only if the Dutch company was not established, acquired or maintained with the main purpose of securing the 0% rate. In all other cases, a 10% withholding tax rate applies.

In addition, the current withholding tax rate on royalties paid by a Hong Kong company to a Dutch company can be reduced under the tax treaty to 3%.

On the 24th of October 2011 the treaty was ratified in The Netherlands, which means that it applies to Dutch taxes from 1 January 2012, and to Hong Kong taxes from 1 April 2012 onwards.

7. Practical Tips for Facilities & Utilities

Moving to Hong Kong means you will have to arrange a few basic facilities and utilities for your office and/or home. Here are a few practical tips to give you an idea of the issues that you might come across.

■ Transferring Money

People in Hong Kong transfer money to other accounts in 3 ways:

1. By writing a cheque (order at the bank or online through personal internet banking)
2. Transfer from the ATM
3. Online transfer through Internet banking

For online banking, be aware of the following:

- You need to register at the bank first to make use of the online transferring service and change your transaction limit from 0 HKD to 50,000 HKD
- The maximum transfer amount is set on HKD 50,000 per day. If you wish to transfer larger amounts, you need to register for this service at your bank.
- For transferring funds between two accounts of the same bank, there is no charge.
- For transferring funds between two accounts from different banks, the bank will issue a service charge (35 HKD for e transfers, 55 HKD for express transfers)
- After 6 PM, banks will also charge a fee for online transfers.

■ Overseas ATM Cash Withdrawal

From 1 March 2013, the Hong Kong Monetary Authority has deactivated the ATM cards from all Hong Kong banks (including debit cards and credit cards) for overseas cash withdrawals. If you wish to withdraw money with your HK ATM card abroad, make sure you activate the overseas cash withdrawal capability. This can be done through the ATM, online banking, phone banking or at the bank's branches.

■ Electricity

Electricity is provided by the following companies:

- HK Electric Co.
For Hong Kong Island and Lamma.
T: (852) 2843 3111 • mail@hkei.hk • www.hkelectric.com

- China Light and Power Co. (CLP)
For Kowloon, the New Territories, Lantau and Cheung Chau
T: (852) 2678 2678 • clp_info@clp.com.hk
• www.clpgroup.com

You are usually asked for a deposit of two months' electricity charges. In some cases the landlord has already paid this and you may just take over paying the monthly bills.

The electricity supply in Hong Kong is rated 200–220 volts. Plugs can be either square or round pin. Many – especially older - apartments have a mixture of both, so you may have to buy plug adapters.

■ Gas

Most areas of Hong Kong are linked to the Towngas network. To open an account you need to pay a deposit.

- Towngas Network
T: (852) 2880 6988 • www.towngas.com

■ Water

Water bills are minimal in Hong Kong and are paid quarterly.

- Water Supplies Department
T: (852) 2824 5000 • www.wsd.gov.hk

8. Useful Addresses

Company Services Providers

1421 Consulting Group

B 1103, Huaguoshan Plaza
Huaguoshan road 89, Shekou,
Nanshan District
Shenzen, China
T: (86) 138 2610 0084
www.1421.consulting

Adbeco CPA Ltd.

Room 2611-12, 26/F, C.C. Wu Building
302-308 Hennessy Road
Wan Chai, Hong Kong
T: (852) 2866 4348
F: (852) 2866 4883
www.adbeco.com

Clockwork Corporate Services Limited

Room 3, 32/F
69 Jervois Street
Sheung Wan, Hong Kong
T: (852) 5365 2722
www.clockwork.hk

Corpog Services (Asia) Limited

Unit 1001, The Workstation
43 Lyndhurst Terrace
Central, Hong Kong
T: (852) 3709 2930
F: (852) 8148 6640
www.corpag.com

Deloitte AP ICE Limited

35/F, One Pacific Place
88 Queensway
Central, Hong Kong
T: (852) 2852 5683
F: (852) 3691 8984
www.deloitte.com

Ernst & Young China / Hong Kong

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
T: (852) 2849 9188
F: (852) 2868 4432
www.ey.com/china

Intertrust Hong Kong Limited

3806, 38/F, Central Plaza
18 Harbour Road
Wan Chai, Hong Kong
T: (852) 2802 7711
F: (852) 2802 7733
www.intertrustgroup.com

KK Yeung Management Consultants Ltd

11/F, Effectual Building
16 Hennessy Road
Wan Chai, Hong Kong
T: (852) 2856 0038
F: (852) 2565 6628
www.kkyeung.com

KPMG

8/F, Prince's Building
10 Chater Road
Central, Hong Kong
T: (852) 2522 6022
F: (852) 2845 2588
www.kpmg.com.hk

K S Yu & Co

Room 502-503, 5/F
Connaught Commercial Building
185 Wan Chai Road
Wan Chai, Hong Kong
T: (852) 2877 1286
F: (852) 2877 1283
www.ksyuco.com.hk

Lau & Cho Certified

Public Accountants
21/F, Hing Yip Commercial Centre
272-284 Des Voeux Road
Central, Hong Kong
T: (852) 2542 1636
www.lauandpartnerscpa.com

Otonomos (Hong Kong) Limited

14F
Mannings House
38-48 Queen's Road Central
Central, Hong Kong
T: (852) 6329 9702
www.otonomos.com

Procon CPA Limited

Unit A & B, 22nd Floor, Ford Glory Plaza
37-39 Wing Hong Street
Cheung Sha Wan
Kowloon, Hong Kong
T: (852) 2541 0862
F: (852) 2854 1500
www.proconcpa.com

R & T Corporate Services Limited

Room 301-303, 3/F
Golden Gate Commercial Building
136-138 Austin Road
Tsim Sha Tsui, Kowloon
T: (852) 3105 8968
F: (852) 2381 3938
www.rnt-consulting.com

SGG Corporate Services (HK) Limited

6/F & 20/F, Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan, Hong Kong
T: (852) 2861 1160
F: (852) 2861 3327
www.sgggroup.com

TMF Hong Kong Limited

36/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay, Hong Kong
T: (852) 3188 8333
F: (852) 3188 3222
www.tmf-group.com

Triple Eight Limited

Suite B, 20/F, Fortis Tower
77 Gloucester Road
Wan Chai, Hong Kong
T: (852) 2527 0738
F: (852) 2527 0538
www.triple-eight.hk

Vistra Corporate Services (HK) Limited

19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong
T: (852) 2531 1110
F: (852) 2845 9198
www.vistra.com

ZEDRA (Hong Kong) Ltd

5508, 55/F, Central Plaza
18 Harbour Road
Wan Chai, Hong Kong
T: (852) 2173 6319
www.zedra.com

Legal Services Providers

Baker & McKenzie

14/F, Hutchison House
10 Harcourt Road
Central, Hong Kong
T: (852) 2846 1888
F: (852) 2845 0476
www.bakermckenzie.com

China Law & Tax

Suite 1803, 18/F, Beautiful Group Tower
77 Connaught Road Central
Central, Hong Kong
T: (852) 9188 3498
F: (852) 2889 1907
www.chinaltd.nl

HKWJ Tax Law & Partners Limited

Suite B, 20/F, Fortis Tower
77 Gloucester Road
Wan Chai, Hong Kong
T: (852) 2804 0889
F: (852) 2527 0538
www.hkwj-taxlaw.hk

Loyens & Loeff

28/F, 8 Wyndham Street
Central, Hong Kong
T: (852) 3763 9300
F: (852) 3763 9301
www.loyensloeff.com

R&P China Lawyers

17/F, Central Towers Tower A
555 Langao Road
Shanghai, 200333, Putuo District
China
T: (86) 21 6173 8270
T: (852) 5238 3880
www.rplawyers.com

Tanner De Witt

1806, Tower Two
Lippo Centre, 89 Queensway
Admiralty, Hong Kong
T: (852) 2573 5000
F: (852) 2802 3553
www.tannerdewitt.com

Recruitment Agencies

Adecco Personnel Limited

12/F, Fortis Tower
77-79 Gloucester Road
Wan Chai, Hong Kong
T: (852) 2895 2616
F: (852) 2895 3571
www.adecco.com.hk

RPO Global

9A, Tern Centre II
251 Queen's Road Central
Central, Hong Kong
T: (852) 9152 3609
www.rpoglobal.com

Matthew Hoyle International Limited

Suite 608-608, Star House
3 Salisbury Road
Tsim Sha Tsui, Kowloon, Hong Kong
T: (852) 6112 2304
www.matthewhoyle.com

Randstad Hong Kong Ltd.

5/F
50 Connaught Road Central
Central, Hong Kong
T: (852) 2232 3408
F: (852) 2501 0900
www.randstad.com.hk

Useful Websites

- **The Dutch Chamber of Commerce in HK**
www.dutchchamber.hk
- **Consulate General of the Kingdom of the Netherlands in Hong Kong**
<https://www.netherlandsworldwide.nl/countries/hong-kong/about-us/consulate-in-hong-kong-and-macao>
- **Netherlands Hong Kong Business Association**
www.nhkba.nl
- **Hong Kong Government**
 - InvestHK www.investhk.gov.hk
 - Trade & Industry Department www.tid.gov.hk
 - HK Trade Development Council www.hktdc.com
 - Inland Revenue department www.ird.gov.hk/eng
 - Companies Registry Office www.cr.gov.hk
 - Immigration Department www.immd.gov.hk
 - SME Funds www.smefund.tid.gov.hk
 - Legal system www.doj.gov.hk/eng/legal/
 - Support and Consultation Centre for SMEs www.success.tid.gov.hk
 - Patents, Trademarks & registered designs www.ipd.gov.hk
 - HK SAR Government Information Centre www.gov.hk/en/residents/
 - SME business in Hong Kong www.gov.hk/en/business/
 - Hong Kong Tourism Board www.discoverhongkong.com

- ***The Dutch Chamber of Commerce in Hong Kong***

Room 2402B, 24/F, Great Eagle Centre
23 Harbour Road, Wan Chai, Hong Kong
T: (852) 2815 2801
E: info@dutchchamber.hk

- ***HK Trade and Industry Department***

Room 1720, Trade and Industry Tower
3 Concorde Road, Kowloon City, Hong Kong
T: (852) 2392 2922
E: enquiry@tid.gov.hk

- ***The Consulate General of the Kingdom of the Netherlands***

Room 2402B, 24/B, Great Eagle Centre
23 Harbour Road, Wan Chai, Hong Kong
T: (852) 2599 9200
E: information@netherlands-cg.org.hk

- ***HK Trade Development Council - SME Centre***

38/F, Office Tower, Convention Plaza
1 Harbour Road, Wan Chai, Hong Kong
T: (852) 1830 6688
E: hktdc@hktdc.org

- ***Invest Hong Kong***

25/F, Fairmont House
8 Cotton Tree Drive, Central, Hong Kong
T: (852) 3107 1000
E: enq@InvestHK.gov.hk

- ***Netherlands Hong Kong Business Association***

Johan van Hasseltweg 2C5
1022 WV, Amsterdam, the Netherlands
T: 31 (0) 20 760 0333
E: info@nhkba.nl

For more useful addresses, please visit our website www.dutchchamber.hk

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