

Doing Business in Hong Kong

2026



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1. Introduction

a person or corporation that wishes to establish a business presence in Hong Kong can do so in a number of different ways. The three most common forms of business presence in Hong Kong are:

- a Hong Kong company
- a Hong Kong branch of a non-Hong Kong company
- a Hong Kong representative office of a non-Hong Kong company

In cases where a foreign corporation intends to carry on substantial business activities in Hong Kong, the corporation will need to consider various factors before deciding whether to conduct the business through a branch or a subsidiary company. For example, the tax consequences (both in Hong Kong and overseas) of using each form might be significantly different. There are also practical differences as to maintenance and filing requirements. The decision in each case depends on the particular facts of that case. The Hong Kong Office of Baker McKenzie will be pleased to advise on this issue in each specific case.

A representative office, on the other hand, is appropriate only if the foreign corporation does not intend to enter into or perform contracts with customers in Hong Kong, but rather will limit its Hong Kong operations to merely non-profit making activities such as dissemination and gathering of information and liaising with customers and potential customers - in other words, the promotion of the corporation's business carried on elsewhere.

This guide summarises the requirements for the establishment and maintenance of a Hong Kong company and a branch and a representative office of a non-Hong Kong company. For the avoidance of doubt and unless otherwise specified, all references to a company in this guide refers to a private company limited by shares incorporated in Hong Kong under the Companies Ordinance (Cap 622 of the Laws of Hong Kong) ("**Companies Ordinance**").

The Hong Kong Office of Baker McKenzie will be pleased to assist in establishing your presence in Hong Kong and provide ongoing corporate services to maintain your business presence in good-standing in Hong Kong.

2. Establishing a Hong Kong company

2.1 General overview

A company formed under Hong Kong law may be either limited by shares or by guarantee or unlimited. A company limited by shares can be either public or private. The usual form of a subsidiary company is a company limited by shares. This guide focuses only on a company limited by shares.

If a company is limited by shares, the liability of its members (the term for “shareholders”) is limited to the amount, unpaid on their shares, if any. Such a company can be formed quickly, and requires little formality (see section 2.2.1 on “Time required” below).

Briefly, a company requires at least one founder member who subscribes his name to the articles of association of the company. The articles of association must be filed with the Registrar of Companies (“**Registrar**”), who issues a certificate of incorporation certifying the company’s date of incorporation. All companies incorporated in Hong Kong must obtain a business registration certificate for its registered office address regardless of whether it carries on business activities or not (see “Business registration” below).

Certain restrictions are imposed on a private company. Its articles of association must contain a restriction on the right of members to transfer their shares, limit the number of members to 50 (exclusive of any member who is current or past employee) and prohibit invitations to the public to subscribe for the shares or debentures of the company. However, a private company may be converted to a public company at any time by removing these restrictions from its articles of association.

2.2 Formation of a company

2.2.1 Time required

In addition to making a formal application in hard copy form with the Companies Registry in Hong Kong to incorporate a company, a company may now also be incorporated on-line on the e-Registry or by the “CR eFiling” mobile application.

If the application for incorporation is made formally in hard copy form with the Companies Registry, the certificate of incorporation is usually issued after 4 working days from the date the application is filed. If the application is made on-line to the e-Registry or via mobile application, the certificate of incorporation will be generated electronically and available as soon as the on-line application is successfully completed.

2.2.2 Name

Where a company will be a wholly owned subsidiary of a foreign corporation, there is normally no objection to using the name of its parent with the addition of “(HK)” or “(Asia)” or the like before “Limited”, which must be specified in a company’s name. To expedite the approval process of a company’s name, the Registrar will usually accept for registration a company name if it satisfies certain preliminary requirements, namely, it is not the same as another name on the register of companies kept with the Registrar; and it does not give so misleading an indication of the nature of the company’s activities in Hong Kong as to be likely to cause harm to the public. If the company’s name is subsequently found to be objectionable, the Registrar is empowered to direct the company in question to change its name.

A company may use an English name or a Chinese name or both for the purpose of incorporation. If a company is incorporated with a Chinese name as well as an English name, the two names together will appear on the certificate of incorporation and constitute the full formal name of that company. A company may also additionally adopt a trade name either in English or in Chinese informally.

Please note that the registration of a company name with the Companies Registry does not confer any trade mark rights or any other intellectual property rights in respect of that company name or any part thereof.

2.2.3 Share capital

A company's share capital is represented by the total amount of its issued shares. There is no minimum share capital required by the Companies Ordinance. Since the change of company law on 3 March 2014, a company's issued share is no longer required to have a par value. Effectively a company has a lot of flexibility to determine the price of the shares every time they are issued without having to confine itself to the par value. The issued share capital of a company may be denominated in any currency and the currency in which it is intended to keep the books of account is not necessarily required to be in the same currency as the issued share capital of the company. A company may also change the currency of its share capital at any time by following the statutory procedures.

There is no requirement that the issued shares must be fully paid up upon issue; but the member(s) will be liable to pay up the unpaid balance in the event of a call by the director(s) or in the event of insolvency. The paid-up capital represents the amount of money actually received by a company with respect to its issued share(s) or received as a result of calls on the member(s). The monies received together with any monies unpaid in respect of the issued share(s) in turn represent the maximum amount that the member(s) is/are liable to pay.

Stamp duty at the rate of 0.1% is generally payable on any transfer of shares by each of the transferor and the transferee, with the amount being calculated by reference to the stated consideration or the underlying net value of the shares being transferred, whichever is higher. The current rate is 0.1%, effective from 17 November 2023.

2.2.4 Members

A company should at all times have at least one member of record, otherwise there are adverse consequences. The member(s) need not be resident(s) or citizen(s) of Hong Kong and may be corporation(s) registered in Hong Kong or overseas. If share(s) other than the share(s) of the founder member(s) is/are issued, a return of allotment must be filed with the Registrar, disclosing the member(s) and the shareholdings.

However, where nominee shareholder(s) is/are used, the beneficial shareholder(s) is/are not revealed.

2.2.5 Directors and secretary

A private company must have at least one director. If the company has only one director, that director must be an individual and not a corporate director. In addition, it is mandatory to appoint as the company's secretary a Hong Kong resident individual or a company having its registered office or a place of business in Hong Kong. A private company having only one director cannot have its sole director to act as the secretary. Where any corporate action is required to be effected by a director and the secretary, it cannot be effected by one person who is both a director and the secretary.

The first director(s) is/are appointed by a company's founder member(s). The articles of association usually provide for subsequent appointments and removals which can be made by either the director(s) or the member(s). A statutory return of directors and secretary stating their name, usual residential and correspondence addresses, Hong Kong Identity Card number or the number and issuing country of any passport, together with a signed consent to act by the relevant director (embedded in the statutory return), must be filed with the Registrar within 15 days of the appointment or change of the director(s) and secretary.

Anyone who is over the age of 18, subject to certain other minor exception, can be appointed a director. However, no corporate director is allowed in the case of a public company or a private company which is a member of a group of companies of which a listed company is a member. A listed company is one whose shares are listed on The Stock Exchange of Hong Kong Limited. There are also other disclosure requirements for directors of a listed company.

2.2.6 Articles of association

Since the commencement of the new company law on 3 March 2014, a company no longer has a memorandum of association. All the provisions in the memorandum of association are deemed automatically transferred to the articles of association of the company as from 3 March 2014. The articles of association of a company are the equivalent of the charter or governing statutes of a foreign company. As a company has the same capacity, powers, rights and privileges of a natural person under law, there is no practical need to have an objects clause in its articles of association, although it may elect to do so if preferred.

If a company's objects are stated in its articles of association, it shall not carry on any business or do anything that is not authorised by the objects clause and if it does, a member of the company may bring proceedings to restrain it from doing so. However, any act of the company which contravenes the objects clause will not be invalidated by reason only that it is not authorised by its articles of association.

Generally, a company's articles of association can be amended at any time so long as there is agreement by at least a 75% vote of the members in general meeting entitled to vote thereat or a written resolution of all of its members.

2.2.7 Registered office

The Companies Ordinance requires a company to have a registered office in Hong Kong to which all official communications and notices (including service of process) may be addressed. The intended address of a company's registered office must be completed in the incorporation form of the company.

2.2.8 Business registration

Under the one-stop registration regime, any person who applies for incorporation of a company will be deemed to have made a simultaneous application for business registration. A company may elect for the issue of a business registration certificate which is valid for one year or for three years.

Upon approval of an application for incorporation, the Companies Registry will issue a Certificate of Incorporation and the business registration certificate at the same time. By law, the business registration certificate must be displayed at the address indicated in the said certificate.

A separate business registration certificate must be obtained for each additional place of business and each trade name of the company in Hong Kong.

2.3 Re-domiciliation of non-Hong Kong companies to Hong Kong

A new re-domiciliation regime, effective from 23 May 2025, allows non-Hong Kong companies to, subject to the satisfaction of certain conditions, transfer their domicile to Hong Kong while preserving their legal identity, properties, rights, obligations and liabilities. Eligible companies—specifically private or public companies limited by shares (or their equivalents)—can apply if their original jurisdiction permits outward re-domiciliation. The process requires, among others, approval by at least 75% of eligible shareholders, a director's certificate of solvency, and a legal opinion from the original jurisdiction confirming eligibility.

Upon the issuance of a certificate of re-domiciliation by the Companies Registry, the company becomes subject to the Companies Ordinance as if it had been incorporated thereunder, and must comply with all ongoing obligations applicable to a Hong Kong incorporated company. This regime offers a streamlined pathway for global businesses to benefit from Hong Kong's favorable tax system and business environment without the complexity of winding up and incorporating a new company.

2.4 Company administration

The corporate governing bodies of a company are its members (i.e. shareholders) and board of directors. There is no requirement that meetings of either the members or the directors be held in Hong Kong. Please also refer to "Meetings of members" and "Meetings of the board of directors" below.

2.4.1 Meetings of members

All meetings of members are called general meetings, including the annual general meeting. The Companies Ordinance gives a company, which is not a sole member company, the option of whether or not to hold an annual general meeting. A sole member company is not required to hold an annual general meeting. If a company has opted to hold an annual general meeting in every calendar year, the audited statement of comprehensive income and statement of financial position of the company, along with the director's/directors' and auditors' reports on such financial statements ("Annual Accounts") are required to be laid before the member(s) at such meeting. If a company has opted not to hold an annual general meeting, it is still required to circulate the Annual Accounts to the members within the prescribed time.

There are essentially two kinds of resolutions by which a company may act in meetings of its member(s). An ordinary resolution is a resolution passed by a simple majority of those voting at the meeting while a special resolution requires a 75% majority. A 14-day notice of the meeting (or 21-day notice in the case of annual general meeting) is required to be given to the members entitled to vote at that meeting. The notice period can be reduced by members consenting to short notice.

Decisions made by the sole member must be recorded in writing within 7 days and kept in the company's minute book.

Except for the removal of a director and/or auditor, a company may dispense with the holding of a general meeting (including the annual general meeting) if everything that is required or intended to be done at the meeting is done by written resolutions signed by all the members who at the date of the resolutions would be entitled to attend and vote at such meeting, provided that copies of all documents which are required to be laid before the meeting are given to each member prior to their signing the resolutions. The company's auditors must be provided with a copy of the proposed written resolutions and related documents. The company must also inform the auditors after the written resolutions have been passed and provide a copy thereof to the member within the specified time.

In the absence of special provisions in the articles of association of a company, the Companies Ordinance requires only a few matters to be dealt with by special resolution, such as amendments to the articles of the company, any change of name, or the winding up of the company. However, the articles of a company can be drafted to require other matters, such as an increase in the share capital of that company, to be dealt with by special resolution or other qualified majorities.

2.4.2 Meetings of the board of directors

The board of directors is generally responsible for the general operations of a company, except those which must, by law or by its articles of association, be exercised by the members in general meeting. A resolution of the board can be passed at a physical meeting at which a quorum is present or, if the articles of association permit, by way of a written resolution of all the directors or by a telephone/video conference. There is no special requirement that meetings be held in Hong Kong or at any specific

intervals. Decisions made by the sole director must be recorded in writing within 7 days and kept in the company's minute book.

2.4.3 Changes in registered particulars

Any change to a company's registered office, the board of directors and the secretary must be reported within 15 days after the change to the Registrar. Certain other changes such as the increase of capital, change of articles of association, allotment of share(s), creation of charge over certain types of assets of a company situate in or outside Hong Kong and passing of special resolutions must be reported to the Companies Registry within certain statutory time limits.

2.4.4 Shadow director

A shadow director includes someone who can influence a majority of the directors of a company. Certain obligations and penalties imposed by the Companies Ordinance on the company that apply to a director also apply to a shadow director.

2.4.5 Reserve director

Where a company has only one member and that member is the sole director of the company, it may in general meeting nominate a natural person who has attained the age of 18 years as a reserve director of that company to act in the place of the sole director in the event of his death. The appointment of a reserve director must be reported to the Companies Registry within 15 days.

2.4.6 Annual return

Every private company is required to file an annual return signed by a director or the secretary each year within 42 days after the anniversary of its date of incorporation. The annual return contains such particulars as:

- all business names under which the company carries on business;
- the name(s) and address(es) of and number of shares held by all present member(s) and member(s) who has/have ceased to be member(s) since the last return;
- the date of registration of any transfer of shares since the date of the last return;
- the address of the registered office of the company;
- the addresses of the places at which the registers and company records are kept, if other than the registered office;
- particulars of company director(s) and secretary;
- particulars regarding the company's issued and paid-up capital; and
- any outstanding registrable charges created by the company over its assets, e.g. charges on land, ship, book debts, goodwill, etc.

The annual return attracts a progressive filing fee (i.e. HKD 105 if filed within 42 days and up to the maximum of HKD 3,480 if filed after nine months). The Companies Ordinance has empowered the Registrar to compound offences for late filing of the annual return.

2.4.7 Statutory records and accounts

A company must keep its registers of charges, members, directors, secretary, and significant controllers and minute books (in hard copy or electronic form). Minutes evidencing all corporate actions taken in meetings and signed resolutions must be filed in the company's minute books. The

books containing the minutes of proceedings of any general meeting of a company (but not minutes of directors' meetings) are open for inspection by any member without charge.

A company is also required to keep proper accounting records which must be open for inspection by the director(s) at all times. If the accounting records are kept outside Hong Kong, certain accounts and returns with respect to the business must be sent to and kept at a place in Hong Kong and open for inspection by the director(s). Please refer to "Meetings of members" above for presentation of audited financial statements to member(s) of a company.

2.4.8 Significant controllers register

Since 1 March 2018, a company incorporated in Hong Kong (subject to exemptions) must maintain a significant controllers register ("SCR") for persons who have significant control over that company (each a "**Significant Controller**"). Generally, a Significant Controller includes a natural person or "specified entity", and a legal entity that is a member of the company, which holds (directly or indirectly): more than 25% of the issued shares or voting rights in the applicable company; or the right to appoint or remove a majority of the board of directors of the company.

The following is a summary of the key duties of an applicable company:

- keep an SCR (in hard copy or electronic form) at its registered office or a prescribed place, whether or not the applicable company has any Significant Controllers, and notify the Registrar of the place at which the SCR is kept;
- take reasonable steps to carry out investigations and obtain the required particulars of its Significant Controller(s), including giving notices to persons whom the company knows or has reasonable cause to believe that that person is a Significant Controller;
- enter the relevant particulars into the SCR and keep the information up to date, including recording any registrable change arising from any person ceasing to be a Significant Controller or any other change that results in any particulars for any person entered in the SCR being incorrect or incomplete; and
- designate at least one representative to serve as a contact for providing assistance relating to the SCR to an officer of the Companies Registry and other law enforcement officers.

The required particulars of a Significant Controller must be entered in the SCR in a timely manner, i.e. in the case of a natural person or a "specified entity", within 7 days after all the particulars have been confirmed by the Significant Controller, or in the case of a legal entity that is a member of the company, within 7 days after each required particular comes to the notice of the applicable company. Significant Controllers and law enforcement officers have the right to inspect and obtain a copy of the SCR. Ongoing efforts are required of the company to keep its SCR updated with all registrable changes and accurate information of its Significant Controllers.

Hong Kong-incorporated companies whose shares are listed on the Hong Kong Stock Exchange are exempted from the requirement to maintain a SCR.

2.4.9 Auditor

Every company is required by law to appoint an auditor each year. The first audit of a company's financial statements must be completed within a sufficient period of time to permit the members to receive such financial statements in accordance with the statutory requirement. If the auditors resign, a company is required to file a specified form with the Companies Registry within 15 days.

2.4.10 Tax compliance

Subject to application exemptions, a company is required to file a profits tax return annually with the Inland Revenue Department. Typically, a company's financial statements will have to be filed with the return.

A general discussion of Hong Kong profits tax is contained in section 5 on "Taxes" below.

2.4.11 Dormant status

A company which has been formally placed into dormant company status will be exempted from the requirement of filing annual returns, holding annual general meetings (where appropriate), and preparing annual audited financial statements. A company will become dormant if it has filed with the Registrar a special resolution which states the date on which it will become dormant, which may be the date of delivery of the declaration to the Registrar or a specified later date.

A company is considered dormant if during the relevant period it refrains from entering into an "accounting transaction" which, in essence, means any form of transaction which would need to be reflected in the accounting records of the company. However, the payment of fees by a company in order to comply with ordinances is excluded from the definition of an accounting transaction. It follows from this that a company can only become dormant and be registered as such if it is not carrying out any trading activities or any transactions giving rise to the need for entries in its accounting records.

Companies that have officially become dormant must still notify the Registrar of any change in their registered offices, secretaries, directors or other registered particulars.

To exit from its dormant status, it is necessary for the directors of a company to declare and file with the Registrar a further special resolution stating that it intends to enter into an accounting transaction. In addition, entry into an accounting transaction will automatically terminate the dormant status of that company and any of its shareholders who knew or ought to have known about the transaction and all of its directors may be held personally responsible for the transaction if they have not previously notified the Registrar of the cessation of its dormant status.

3. Establishing a branch of a non-Hong Kong company

3.1 General overview

In order to establish a branch of a non-Hong Kong company in Hong Kong, an application for registration with the Registrar and the Commissioner of Inland Revenue (“**Commissioner**”) should be submitted within one month of the non-Hong Kong company having established a place of business in Hong Kong. Registration with the Registrar may not even be necessary if the office of the branch is not used to transact business which creates legal obligations in Hong Kong. Representative offices are discussed separately below.

It is common for non-Hong Kong companies to register a branch using the address of a professional firm as a temporary measure prior to establishing an actual place of business in Hong Kong. The various reasons include obtaining the evidence of registration necessary to facilitate the lease of premises, to expedite visa applications for employees coming from overseas, and to enable the opening of bank accounts.

The branch will normally be registered in Hong Kong under the name of the non-Hong Kong company. However, a branch may be directed to change its company name for Hong Kong purposes if it is the same as or too similar to the name of an existing Hong Kong company or branch already on the Register of Companies (provided it is so directed within six months of registration), or if its company name is so misleading as to the nature of the activities which the branch carries on in Hong Kong as to be likely to cause harm to the public. Please note that the registration of a company name with the Companies Registry does not confer any trade mark rights or any other intellectual property rights in respect of the company name or any part thereof.

Once established, the non-Hong Kong company must in each year file an annual return together with its latest published accounts. However, the filing of accounts will not be required if the non-Hong Kong company is neither required by the law of the place of its incorporation, the laws of any other jurisdictions where the company is registered as a company, nor the rules of the stock exchange or similar regulatory bodies in any of those jurisdictions to publish its accounts or to deliver copies of its accounts to any person in whose office they may be inspected as of right by members of the public. It must also inform the Registrar from time to time of changes in its corporate structure, statutes or management (e.g. amendments to its charter or governing statutes, changes in its company name and changes in the particulars of directors and secretary) in order for the branch to maintain its good standing under the laws of Hong Kong.

Special obligations imposed on a branch include the requirement that it conspicuously states, on its letterhead (and other “communication documents”) and contracts (and other “transaction instruments”) and at its “business venues” in Hong Kong, the non-Hong Kong company’s name, the country of its incorporation and whether the non-Hong Kong company is a limited liability company.

Ceasing business in Hong Kong for a branch requires a notice in the specified form to be filed to the Registrar within 7 days after cessation. The non-Hong Kong company shall also inform the Commissioner of the cessation of business at the same time. However, any outstanding taxes or returns will need to be finalised and an authorised representative for service of process will need to be maintained for a period of at least 11 months after such cessation.

3.2 Registration as a branch

Within one month of the establishment of a place of business by the non-Hong Kong company in Hong Kong, the necessary documents for the application for registration of the branch must be submitted to the Registrar for filing. The branch may carry on business in Hong Kong pending its registration.

In order to register a branch with the Registrar, it is necessary for the non-Hong Kong company to file the following documents at the Companies Registry:

- A copy of the charter, statutes or memorandum and articles (or like constitutional documents) of the non-Hong Kong company, certified as a true and correct copy by an officer (director or secretary) or authorised representative in Hong Kong.
- A specified form which lists:
 - the name and place of incorporation of the non-Hong Kong company;
 - the date when the non-Hong Kong company established its place of business in Hong Kong;
 - the name, identification details and address of at least one person resident in Hong Kong who is authorised to accept on behalf of the non-Hong Kong company service of process and any notice required to be served on the non-Hong Kong company (“**authorised representative**”);
 - the address of the principal place of business of the non-Hong Kong company in Hong Kong;
 - the addresses of the principal place of business, if any, and the registered office (or its equivalent) of the non-Hong Kong company in the place of its incorporation; and
 - the following particulars of the directors and secretary:
 - full names;
 - any former names;
 - any aliases;
 - usual residential address;
 - correspondence address;
 - passport number and issuing country of passport or, if the relevant person holds a Hong Kong Identity Card, the Hong Kong Identity Card number; and
 - date of their appointment.
- A copy of the certificate of incorporation of the non-Hong Kong company certified as a true and correct copy in the manner above-mentioned.
- A copy of the latest published accounts of the non-Hong Kong company or a statement in the specified form stating the fact that it is not required to publish accounts or that the non-Hong Kong company was only newly incorporated and accounts are not available.

If any of the original documents is not written in English or Chinese, a certified translation in English or Chinese in the prescribed manner must be filed instead. As for the certificate of incorporation, a certified copy of the original document together with its English or Chinese translation must be filed.

The prescribed form regarding business registration has to be filed with the above documents to the Companies Registry at the same time.

The non-Hong Kong company has to file with the Registrar within one month after the date on which it establishes the place of business, particulars of charges created on certain types of properties situated in Hong Kong, if any.

3.2.1 Timing

The registration process normally takes about 9 working days from the date of filing the relevant registration documents at the Companies Registry.

3.3 Business registration

The Business Registration Ordinance requires every person (including a non-Hong Kong company) carrying on business in Hong Kong to register with the Commissioner. Under the one-stop registration regime, any person who applies for registration of a non-Hong Kong company under the Companies Ordinance will be deemed to have made a simultaneous application for business registration. The branch may also elect for the issue of a business registration certificate which is valid for one year or for three years. A separate business registration certificate must be obtained for each place of business and each trade name used in Hong Kong by the non-Hong Kong company.

Upon approval of an application for registration, the Companies Registry will issue a Certificate of Registration and the business registration certificate to the non-Hong Kong company at the same time.

3.4 Maintenance

Maintenance of a branch of a non-Hong Kong company requires the routine updating of the various documents filed with the relevant authority.

The non-Hong Kong company must deliver a return to the Registrar within one month after any change in the following:

- its charter or governing statutes;
- the list and particulars of directors and secretary;
- the name or address of an authorised representative;
- the addresses of its registered office and its principal place of business;
- its place of business in Hong Kong; and
- its company name.

The non-Hong Kong company must also report to the Registrar within one month of the creation of charge over certain types of assets of the company situated in Hong Kong and within 15 days of the commencement of liquidation deliver to the Registrar for registration a notice in specified form.

Any change in the particulars filed under the Business Registration Ordinance must be submitted to the Commissioner within one month after the change.

3.5 Annual filing requirements

A non-Hong Kong company must within 42 days after each anniversary of the date of registration in Hong Kong deliver a return in specified form together with a certified copy of its latest published accounts to the Registrar for registration.

In the case of a non-Hong Kong company which has been incorporated for less than 18 months prior to the date of delivery of the return and the accounts of the non-Hong Kong company that are required to be published have not been made up, a statement stating that fact should be made in the annual return. Published accounts need not be filed with the Companies Registry if the non-Hong Kong company is neither required by the law of the place of its incorporation, the laws of any other jurisdictions where the company is registered as a company, nor the rules of the stock exchange or

similar regulatory bodies in any of those jurisdictions to publish its accounts or to deliver copies of its accounts to any person in whose office they may be inspected as of right by members of the public.

3.5.1 Tax compliance

A non-Hong Kong company which has a Hong Kong branch is, like a Hong Kong company, required to file a profits tax return annually with the Inland Revenue Department.

Generally, the accounts to be filed with the branch's tax return need only relate to the trade or business carried on in Hong Kong. These branch accounts do not need to be audited. The amount of profits subject to tax will generally be calculated on the basis of these branch accounts (as adjusted according to Hong Kong's tax rules). In assessing the profits of a branch for profits tax purposes, the Inland Revenue Department will treat the branch as if it were a separate and independent enterprise engaged in the same or similar activities under the same or similar conditions, taking into account the functions performed, assets used and risks assumed by the enterprise through the branch and through the other parts of the enterprise.

A general discussion of Hong Kong profits tax is contained in section 5 on "Taxes" below.

4. Establishing a representative office in Hong Kong

A non-Hong Kong company that wishes to establish an office in Hong Kong for the purpose of promoting its business carried on elsewhere and liaising with customers and potential customers in Hong Kong can set up a representative office. This involves obtaining a business registration certificate in a similar manner to that as described above for a non-Hong Kong company establishing a Hong Kong branch.

Registration of a representative office with the Registrar is not necessary as a representative office is not meant to carry on business in Hong Kong. If the foreign corporation is going to carry on business beyond the scope of a representative office in Hong Kong, registration of its establishment in Hong Kong as a branch with the Companies Registry will be necessary. Baker McKenzie's Hong Kong office will be pleased to provide advice in this regard in particular cases.

In the case of a representative office, the application for a business registration certificate should state that the business carried on in Hong Kong is that of a "representative/liaison office". A copy of the certificate of incorporation of the company is required for registration purpose.

The Commissioner will normally permit a Hong Kong representative office to file an initial profits tax return with no accounts and a simple statement of nil profits. After the first filing, the Commissioner will normally grant the non-Hong Kong company an exemption from filing further returns provided that its Hong Kong office's activities continue to be restricted to promotional and liaison work.

5. Taxes

Every company carrying on business in Hong Kong is subject to profits tax on its Hong Kong sourced profits. A two-tiered profits tax rates regime applies in Hong Kong, whereby the first HKD 2 million of assessable profits of a company is taxed at 8.25% and any assessable profits in excess of that is taxed at 16.5%. However, this two-tiered regime does not apply to any company that is part of a group of companies where another group entity has been nominated to enjoy the two-tiered regime or the company is already enjoying a concessionary tax rate for other reasons.

The tax position of branches and subsidiaries is generally the same. The reporting position of branches has been described above. The starting point with respect to a Hong Kong company is the company's audited profit and loss statement, adjusted to reflect Hong Kong's tax rules.

To be subject to profits tax, the company must both: (i) carry on business in Hong Kong; and (ii) earn profits from that business which are sourced in Hong Kong.

To determine where profits are sourced, the broad guiding principle is that one looks to see what the taxpayer has done to earn the profit in question, and where it has done it. If the profit-generating activities are in Hong Kong, then the resulting profits are taxable even if not received in Hong Kong. Broadly speaking, different tests apply to determine the source of different types of income.

With regard to profits from trading transactions, the primary test in determining where such profits arise is where the taxpayer's contracts of purchase and sale are "effected". There is no authoritative view as to the exact meaning of "effected". The Commissioner's published view is that it includes the actual steps leading to the existence of the contracts, including the negotiation and "in substance, conclusion" of the relevant contracts. Over time, the tax authorities have been taking a more expansive view of the circumstances in which profits can be said to have a Hong Kong source, and now tend to look also at the "totality of facts" (besides merely where the "effecting" of contracts occur) focusing on the profit-earning activities and disregarding antecedent and incidental activities.

If the subsidiary or branch of a non-Hong Kong company engages in activities which give rise to services income, such income will generally be viewed as arising where the activities which generated such income were performed. The fact that the commissions or service fees are paid as a result of a sale producing foreign sourced profits does not in itself mean that the commissions or fees themselves are sourced outside Hong Kong. To the extent that the relevant activities are performed outside Hong Kong, however, the subsidiary or branch of the non-Hong Kong company should not be liable to Hong Kong profits tax.

There is no tax in Hong Kong on accumulated earnings and profits, and there is no requirement that dividends be paid. Dividends received from a corporation carrying on a business in Hong Kong are expressly excluded from the profits tax charge, and Hong Kong also does not impose any withholding taxes on dividends and interest payment. There is also no capital gains tax.

Certain types of foreign sourced income, namely dividend income, interest income, income derived from intellectual property and disposal gains (whether capital or revenue in nature), will be deemed to be Hong Kong sourced income, so as to be taxable in Hong Kong, if it is received in Hong Kong by a multinational enterprise entity carrying on a trade, profession, or business in Hong Kong, unless either the economic substance requirement is met (where applicable) or another exemption applies.

Losses can be carried forward indefinitely and set off against future profits. There are no "grouping" provisions to enable tax losses to be transferred to other entities.

A constituent entity that is located in Hong Kong and is part of a multinational enterprise group with an annual consolidated revenue of EUR 750 million or above in at least two of the four fiscal years may also be subject to a top-up tax. The top-up tax is imposed pursuant to the BEPS 2.0 framework that

has been promulgated by the OECD and incorporated into the Hong Kong domestic tax legislation. In broad terms, the framework seeks to ensure that a global minimum tax of 15% is imposed on profits earned by any multinational enterprise group coming within the scope of BEPS 2.0.

Apart from profits tax, there are also salaries tax (on employees, with associated reporting obligations imposed on employers) and property tax (i.e. tax on property rental income) in Hong Kong, both of which could have implications for companies wishing to do business in Hong Kong.

6. Immigration

In conjunction with the establishment of a branch, subsidiary, or representative office in Hong Kong, a non- Hong Kong company may wish to post one or more of its senior employees to Hong Kong to oversee its operations here. To be authorised to work in Hong Kong, individuals must obtain a visa that allows them to work in Hong Kong unless they have the Right of Abode, Right to Land or unconditional stay status in Hong Kong by virtue of either being born in Hong Kong or have otherwise resided in Hong Kong for a substantial period of time. Working in Hong Kong is defined as discharging one's normal duties of employment in Hong Kong regardless of the actual length of stay in Hong Kong, regardless of whether the employment is based in Hong Kong or overseas, and regardless of whether one is paid in Hong Kong.

Having a Hong Kong branch or representative office allows a company to sponsor foreign national employees for Hong Kong visas/entry permits under different talent admission schemes. In the case of a subsidiary, the Hong Kong company normally acts as the sponsor. If the company is not yet established, another person in Hong Kong (such as a professional services company) may sponsor the employee. As the application process for a Hong Kong employment visa can take up to six weeks, consideration should be given to an early lodgement.

Baker McKenzie will be pleased to provide further advice on the necessary procedures and required documentation.

7. Mandatory provident fund

The mandatory provident fund (“**MPF**”) system came into operation on 1 December 2000 under which all employers and employees are required to make contributions based on 5% of employees’ relevant income, subject to the minimum and maximum monthly income levels. The minimum monthly income level is HKD 7,100 effective 1 November 2013, and the maximum monthly income level is HKD 30,000 effective 1 June 2014.

Certain persons, employers and members of MPF-exempted occupational retirement schemes are exempt from compliance with MPF requirements. Failure to comply with MPF requirements by employers constitutes an offence and is subject to heavy penalty.

With rising public expectation towards investor protection and members’ autonomy in choosing MPF schemes in recent years, the recent developments which have been or may be put in place are as follows:

(a) Employee choice arrangement (launched in 2012)

An employee is allowed to elect, at least once every year, to have their accrued benefits derived from the employee’s mandatory contributions made during their current employment transferred to an MPF scheme (that is a master trust scheme or industry scheme) of their choice.

(b) MPF intermediaries’ regulations (launched in 2012)

The pre-existing administrative and regulatory arrangement in relation to MPF intermediaries has been strengthened by statute, so as to enhance the MPF intermediaries’ compliance with the conduct requirements governing the sales and marketing of MPF products.

(c) Tax deductible voluntary contributions (“**TVC**”) (launched in 2019)

Tax incentives have been introduced by the Hong Kong Government to encourage the Hong Kong workforce to make more contributions and better prepare themselves for their retirement.

The TVC is one of such tax incentives, and it is a new type of contributions under the MPF system. A person eligible to make TVC according to the MPF legislation can open a TVC account under an MPF scheme which is designated for receiving TVC and TVC benefits. Subject to the relevant aggregate maximum limit for that assessment year, TVC are eligible for tax deduction purposes. Although TVC are voluntary in nature, they are subject to the preservation requirements that currently apply to mandatory contributions in order to encourage extra retirement savings. The current maximum tax concession amount for TVC for each year of assessment is HKD 60,000.

(d) Automatic exchange of financial account information (“**AEOI**”) (launched in 2020)

Financial institutions in Hong Kong are required to comply with the international regime for AEOI, known as the Common Reporting Standard. Under the relevant legislation, they are required to identify account holders who are reportable foreign tax residents under the laws, regulations and international agreements for the implementation of AEOI, and report the information of account holders and controlling persons of certain entity account holders (including their names, addresses, dates of birth, places of birth/incorporation, jurisdiction(s) of tax residence, and tax identification number(s) in the relevant jurisdiction(s)) and account information (including their account balance, income, and payments to the account holders) to the local tax authority where the financial institutions operate. The local tax authority, in respect of a reportable foreign tax resident, will provide such reportable information of the

reportable foreign tax resident to the tax authority(ies) of the country(ies) and jurisdiction(s) of tax residence of the reportable foreign tax resident on a regular, annual basis. The Inland Revenue Department is the local tax authority in Hong Kong responsible for collecting the reportable information.

(e) Annual registration fee (“**ARF**”)

The Hong Kong Government has started charging MPF approved trustees a statutory ARF. It is hoped that ARF can provide an income stream to support the operation of the Mandatory Provident Fund Schemes Authority (“**MPFA**”).

ARF was introduced in the following manner effective from 1 October 2020:

- the ARF level was raised from 0% to 0.03% of the net asset value of an MPF scheme as at the end of the immediately preceding financial period;
- MPF approved trustees are not allowed to charge the relevant MPF scheme, a constituent fund of that scheme, or a member of that scheme, any fee representing an ARF payable by the MPF approved trustees; and
- there are financial penalties in the amount of HKD 5,000 or 10% of the fee charged (whichever is greater) if an MPF approved trustee charges any fee that represents an ARF to the relevant MPF scheme, a constituent fund of that scheme or a member of that scheme.

(f) eMPF

The eMPF Platform is a major infrastructure which aims to reshape the administrative model of the MPF schemes and to standardize, streamline and automate the existing scheme administrative process. The eMPF Platform is developed by the eMPF Platform Company Limited, which is a wholly-owned subsidiary of the MPFA, and operates the eMPF Platform as a not-for-profit public utility. The eMPF Platform serves as a one-stop electronic platform for scheme participants to encourage proactive management of the MPF account(s) across different MPF scheme(s) anytime and anywhere through the eMPF Platform.

When the eMPF Platform is fully operational, it will enhance user experience, drive greater efficiency and reliability of the operation of MPF schemes. It will also create room for fee reduction and pave way for further reforms in the future. It is mandatory for trustee of MPF schemes to perform scheme administration functions by using the eMPF Platform under the Mandatory Provident Fund Schemes Ordinance.

Once the MPF schemes have been onboarded to the eMPF Platform, the administration of the MPF schemes will be performed by the eMPF Platform, and scheme participants are immediately required to manage their MPF account(s) via, and submit their MPF instructions to, the eMPF Platform directly. Scheme participants should no longer submit their instructions to the trustees of the relevant MPF scheme, which include but are not limited to the following:

- (i) application for enrolment to a MPF scheme;
- (ii) submission of contribution data and making payment for MPF mandatory and/or voluntary contribution;
- (iii) application for fund switching and/or change of investment mandate for an MPF account within a MPF scheme;
- (iv) election to transfer MPF benefits or consolidate MPF accounts within a MPF scheme or across different MPF schemes;

- (v) application for withdrawal of MPF benefits;
- (vi) update of particulars of scheme participants; and
- (vii) lodgment of complaints and making of enquiries in relation to scheme administration services.

Subject to the orderly migration by trustees and their respective MPF schemes upon completion of the development of the eMPF Platform, the eMPF Platform will come into full operation by 2026.

Baker McKenzie will be pleased to give advice in relation to various aspects of the MPF system.

8. Leasing

Baker McKenzie can advise on all aspects of leasing retail spaces, offices and residential accommodations in Hong Kong and can put you in touch with local property agents to assist with your search for suitable premises. Landlords frequently ask prospective tenants to sign a contractually binding offer or booking form for the premises before the lease itself is negotiated. It is generally advisable to take legal advice before signing any preliminary agreement, particularly in relation to commercial premises.

9. Employment contracts

Apart from limited exceptions, the Employment Ordinance applies to all employees engaged under a contract of employment in Hong Kong. The rights of employees are governed by the provisions of the Employment Ordinance, any other applicable ordinances, their contracts of employment and common law principles.

All employment in Hong Kong is contractual and there is no concept of employment “at-will”. Although it is not mandatory, a written contract is recommended, as it helps to avoid a dispute over the terms of employment. The usual practice is for employers to issue a written employment contract. This may take the form of a comprehensive offer letter with accompanying standard terms and conditions that set out the key terms of employment. The employer must provide a copy to the employee immediately upon execution.

If an employee requests for the employment contract to be in writing, prior to commencing employment, the employer is required to provide written particulars of certain conditions of employment, including a statement of wages, the wage period and the notice required to terminate the employment. If the employer and employee have not explicitly agreed on certain provisions, then the Employment Ordinance mandates many of the terms. The Employment Ordinance also provides certain minimum standards for contracts.

Issues covered under the Hong Kong legislation which are relevant for employers include wages, bonuses, annual leave, maternity/paternity leave, sick leave, termination of employment, data privacy, equal opportunities and occupational safety and health.

It is also a common practice for employers to supplement the offer letter and standard terms with an employment handbook that expands on certain aspects of the employment relationship and includes company policies and rules.

Employers in Hong Kong may grant shares or options to reward top management and key employees. When considering the terms of a stock option plan, special attention should be paid to issues relating to securities, employment law, data privacy law, tax and those arising from the Occupational Retirement Schemes Ordinance and the Mandatory Provident Fund Schemes Ordinance. Stock option plans of listed companies are governed by the Listing Rules of the Hong Kong Stock Exchange.

Baker McKenzie will be pleased to provide further information or to advise on any existing contract, incentive plan, stock option arrangement or benefits plan. We regularly advise on all aspects of the employment relationship including drafting or reviewing non-competition provisions, confidentiality and intellectual property agreements, secondment arrangements and cross-border employment related issues.

10. Handbook and policies

Employment handbooks are typically used to govern employee behaviour and are generally non-contractual although breaches of policies and procedures may give rise to termination depending on the wording of the policy and/or whether the situation warrants such action.

Employment handbooks usually comprise of policies on a wide range of matters including grievance, disciplinary, data privacy, leave, equal opportunities, occupational safety and health, codes of conduct and conflicts of interest. There are a number of key pieces of legislation which employers should be aware of including the Personal Data (Privacy) Ordinance and the anti-discrimination laws. Highlights are set out below.

Under the Personal Data (Privacy) Ordinance, employers have obligations to ensure strict compliance in the course of collecting, retaining and using personal data of employees and anyone from whom they obtain personal data. Where the Personal Data (Privacy) Ordinance applies, data users must comply with principles governing the collection, holding, processing and use of personal data.

Employers typically discharge their information obligations by providing a Personal Information Collection Statement (“**PICS**”) to those people from whom they collect personal data at the time of first collection. The PICS, among other things, informs individuals of the purposes for which their personal data will be used and the classes of persons to whom their personal data may be transferred.

Employers should formulate and develop data privacy policies and codes of practice for implementation in the workplace.

Anti-discrimination law is founded on the Sex Discrimination Ordinance, the Family Status Discrimination Ordinance, the Disability Discrimination Ordinance and Race Discrimination Ordinance. Under these laws, it is unlawful to discriminate on the grounds of sex, marital or family status, pregnancy, breastfeeding, disability or race in Hong Kong. Sexual, breastfeeding, disability and racial harassment are also prohibited. There is currently no legislation prohibiting discrimination on the grounds of religion, age and sexual orientation. An employer who is found guilty of discrimination will be liable for damages, including injury to feelings. The various ordinances protect against direct and indirect discrimination, victimisation, harassment and vilification. It should be noted that not all these protections apply to all the ordinances.

The Equal Opportunities Commission of Hong Kong issues codes of practice on employment and recommends that employers implement policies to eliminate discrimination and harassment in the workplace. An employer may have a defence against a claim brought by an employee on the basis of discrimination or harassment if it has taken all reasonably practicable steps to prevent discrimination and harassment from occurring in the workplace. Employers must be able to demonstrate that policies have been implemented and that employees are aware of and receive training in respect of these policies in order to provide a basis for such defence.

The use of social media, internet and emails by employees in the workplace has substantially exposed employers to liabilities for offences committed by their employees. Employers should formulate and implement effective policies to reduce their liabilities in this respect.

Employers should also consider issuing, if they have not already done so, an employee handbook that sets out detailed policies to address employment law challenges and legal obligations imposed upon them including relating to data privacy, equal opportunities, social media and internet use.

Baker McKenzie will be pleased to review any existing policies or provide draft policies upon request

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