

# Doing business in Hong Kong



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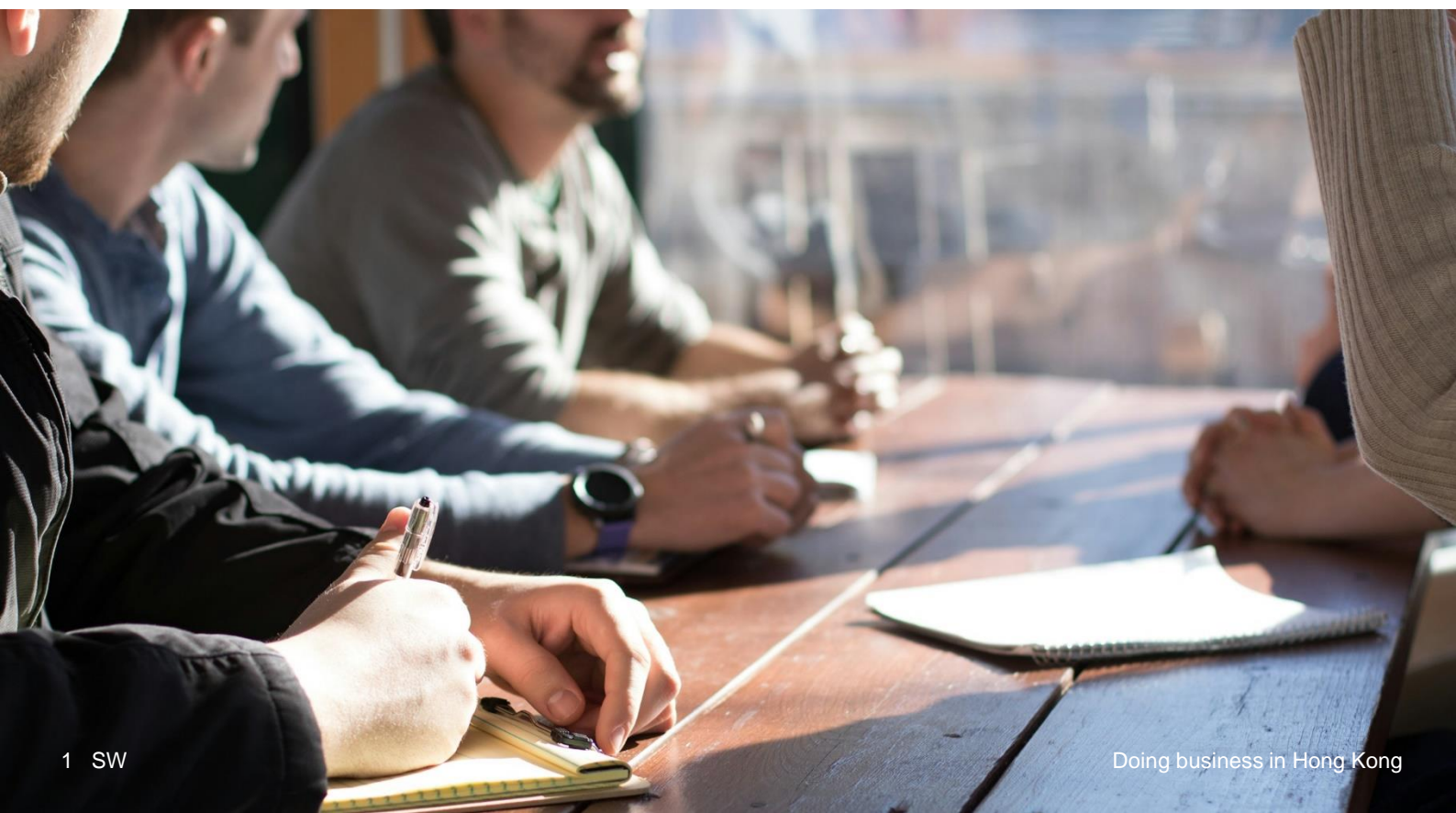
# Introduction

The purpose of this Guide is to offer a comprehensive overview of the key elements that define the business landscape in Hong Kong. It covers the knowledge and insights needed to set up and effectively manage a business in this vibrant and dynamic financial hub. Hong Kong is celebrated for its robust and effective common law legal system, strategic geographic location, and role as a gateway to Mainland China, making it an attractive destination for corporations, entrepreneurs, startups and investors alike.

This guide will support your strategic planning and investment decisions through up-to-date and relevant information. This will serve as your crucial step toward leveraging the unique business opportunities that Hong Kong offers, ensuring your success in a global landscape.

This publication provides an overview and should not be used as a substitute for professional guidance specific to the reader's particular circumstances. The content contained in this Guide is derived from a variety of sources and is accurate to the best of our knowledge, based on information available as of January 2025. However, laws and regulations are subject to change at any time.

Neither ShineWing International Limited nor any of its member firms shall be liable for any actions taken or omitted based on the contents of this publication. We advise readers to consult with specialists in SW member firms of each region.





# Snapshot of Hong Kong



## Key facts and Market Highlights

### At the south-eastern tip of China

Location

### 1,114.57 square kilometers

Land Area

### 7.54 million approximately

Population in mid-2023

### 3.822 million

Labour force (2023)

### HK\$2,981.6 billion

GDP (2023)

### Hong Kong dollar

Pegged at HKD 7.80 = USD 1.00

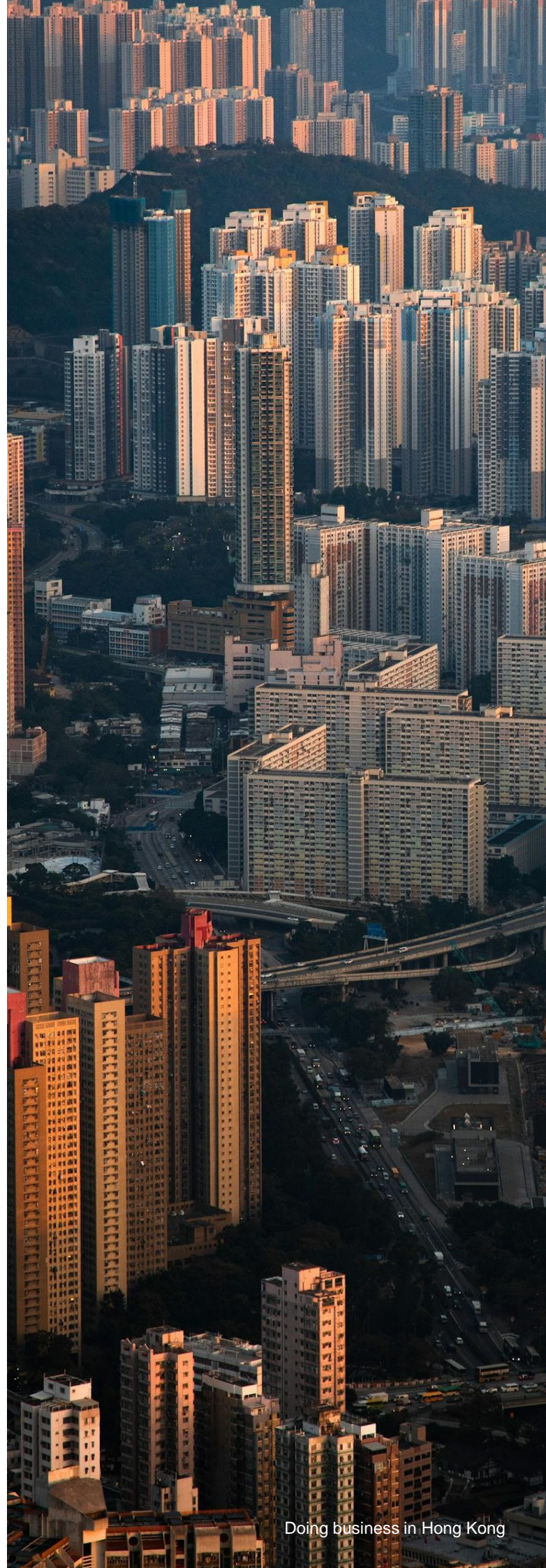
Currency

### Chinese and English

Language

**The Hong Kong Special Administrative Region is a local administrative region of the People's Republic of China under "one country, two systems"**

Government



### **International Financial Hub**

Hong Kong has long been recognized as a leading financial hub, known for its transparent and robust regulatory framework that governs a diverse range of financial services including banking, securities and futures, insurance, and retirement schemes. These industries adhere to the best global practices and standards, instilling confidence in global businesses and investors considering operations in Hong Kong. Specifically, there is no statutory restriction on any cross-border capital flow pursuant to the unparalleled protection upheld under the Basic Law. Additionally, Hong Kong has one of the largest stock exchanges in the world, and more than 75 of the world's top 100 banks have a presence in the city. It is also home to the world's largest offshore hub for Renminbi settlement.

### **Super-connector bridging Mainland China and global markets**

With its strategic location near Mainland China, ASEAN, and the wider Asia region, Hong Kong serves as a critical gateway to Mainland China, acting as a super-connector between the vast mainland market and the rest of the world. The introduction of schemes in Hong Kong such as Stock Connect and Bond Connect has facilitated mutual market access, allowing international and Mainland Chinese investors to trade securities and bonds in each other's markets through interconnected financial infrastructure between Mainland China and Hong Kong. The city is also uniquely positioned to be a facilitator and a beneficiary of other important national development strategies such as the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) development.

### **Low and Simple Tax System**

Hong Kong has one of the most tax-friendly systems in the world, characterized by its simplicity, transparency and competitiveness. The city imposes only three direct taxes on income: Salaries Tax, Profits Tax and Property Tax. It does not apply sales tax or VAT, withholding tax on dividends and interest derived by local business entities from overseas non-resident parties, capital gains tax or estate tax, thereby benefiting individuals and investors by exempting capital gains from taxation. The tax system also includes a range of generous allowances and deductions that can significantly reduce the taxable amount. Furthermore, Hong Kong's status as a free trade port with streamlined customs procedures enhances its appeal as a strategic location for international business operations. To fulfill Hong Kong's international obligation to tackle cross-border tax evasion and safeguard its taxing rights, the Hong Kong tax authority in recent years has proactively adopted international tax reform frameworks and incorporated different tax regimes under the models of Organization for Economic Co-operation and Development (OECD) into local legislation, largely generating stable and foreseeable business environment and sentiment for doing business in Hong Kong.



### Sound Legal System

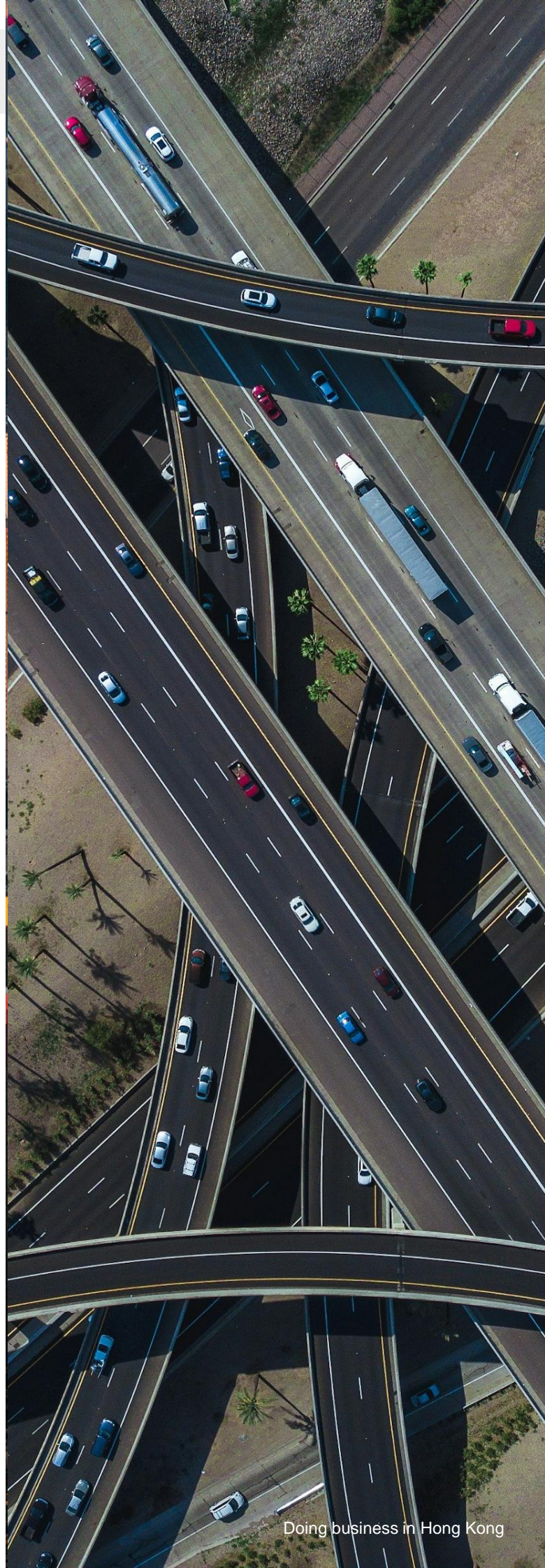
Hong Kong operates with significant autonomy and stands as the sole common law territory within China, governed by its constitutional document, the Basic Law. The region maintains robust rules of law and a reputable legal framework, underpinned by an independent judiciary. Its well-established commercial legal system, the principle of freedom of contract and strong protection for intellectual property rights provide a fair and stable business environment for businesses. As a leading center for international legal and dispute resolution services in the Asia-Pacific, Hong Kong serves as an optimal location for managing transactions and settling cross-border disputes, reinforcing its role as a strategic hub for international business. Coupled with a vibrant and extensive legal community, Hong Kong offers comprehensive and top-tier legal services, facilitating the establishment and management of regional operations with ease.

### Multi-Cultural Talent Pool

Hong Kong is home to skilled professionals fluent in English, Cantonese, and often Mandarin, which facilitates seamless communication in global business settings. With 22 higher education institutions, including 4 ranked among the world's top 100 universities, Hong Kong offers a high-quality education system that nurtures a robust and competitive workforce. Furthermore, its welcoming immigration policies and vibrant lifestyle attract talent from around the world. Programs like the Talent List, which identifies key professions, further support Hong Kong's goal of building a diverse and high-value economy.

### Top-tier Infrastructure

Hong Kong is renowned for its globally recognized Hong Kong International Airport, which is a premier cargo hub and one of the busiest passenger airports worldwide. The city's extensive, affordable public transportation network, spanning buses, trains, ferries, and trams, makes navigating the city easy and efficient. Hong Kong also has strong broadband and fiber-optic networks, ensuring reliable, high-speed internet access throughout the city. As a major logistics hub, Hong Kong's advanced port and air facilities support its large trade volumes, particularly in servicing cargo between Mainland China and the international markets. The High Speed Rail and the Hong Kong-Zhuhai-Macao Bridge further enhance regional connectivity, linking Hong Kong to key locations within China and solidifying its position as a central business hub in Asia.





# Setting up a business in Hong Kong

## Company structures

In Hong Kong, businesses can choose from several company structures depending on their needs and objectives.

### Sole Proprietorship

- Owned and operated by one individual, who retains full decision-making authority.
- The owner has unlimited liability, meaning personal assets can be used for covering the company's liabilities.
- Profits are taxed as personal income of the owner, which may benefit small businesses with lower earnings.
- Generally, a profits tax assessment would be raised on the sole proprietorship at the prevailing tax rates for unincorporated business under Profits Tax. However, where applicable, the sole proprietor may opt for Personal Assessment, allowing income tax to be calculated at the progressive rates applicable to Salaries Tax, which could potentially reduce overall tax liabilities.

### Partnership

- A partnership involves two or more individuals or entities sharing ownership and control of a business.
- There are two types of partnerships in Hong Kong: General Partnership (GP) and Limited Partnership (LP).
- Ownership and control are shared among partners according to the partnership agreement.
- A partnership is not a separate legal entity from a legal perspective in Hong Kong. However, for profits tax purposes, a profits tax assessment would be raised on the partnership at the prevailing tax rates chargeable to each partner of the partnership according to their percentage of partnership. Each individual partner in the partnership may, pursuant to the relevant stipulations, elect personal assessment for tax efficiency purpose.

### Limited Company

- This is the most common type of business entity in Hong Kong.
- Owners can enjoy the full range of tax concessions available to fully incorporated businesses, where applicable.
- There are different types of Limited Companies:
  1. Company limited by shares - the liability of members is limited by the articles of association to the amount unpaid on the shares respectively held by them.
  2. Company limited by guarantee - no share capital and the liability of members is limited by the articles of association to the amount that the members respectively undertake to contribute to the assets of the company in the event of its being wound up. Non-profit-making organisations are usually registered as guarantee companies.
- The company is managed by directors and owned by shareholders.
- Shareholders have limited liability.
- Profits are taxed at the corporate tax rate.

### Branch Office of a Parent Company

- For companies incorporated outside Hong Kong, a branch office allows them to establish a presence within the city.
- A branch office is not a separate legal entity from the parent and can leverage its parent company's credit rating but is subject to different legal and operational requirements.

### Representative Office

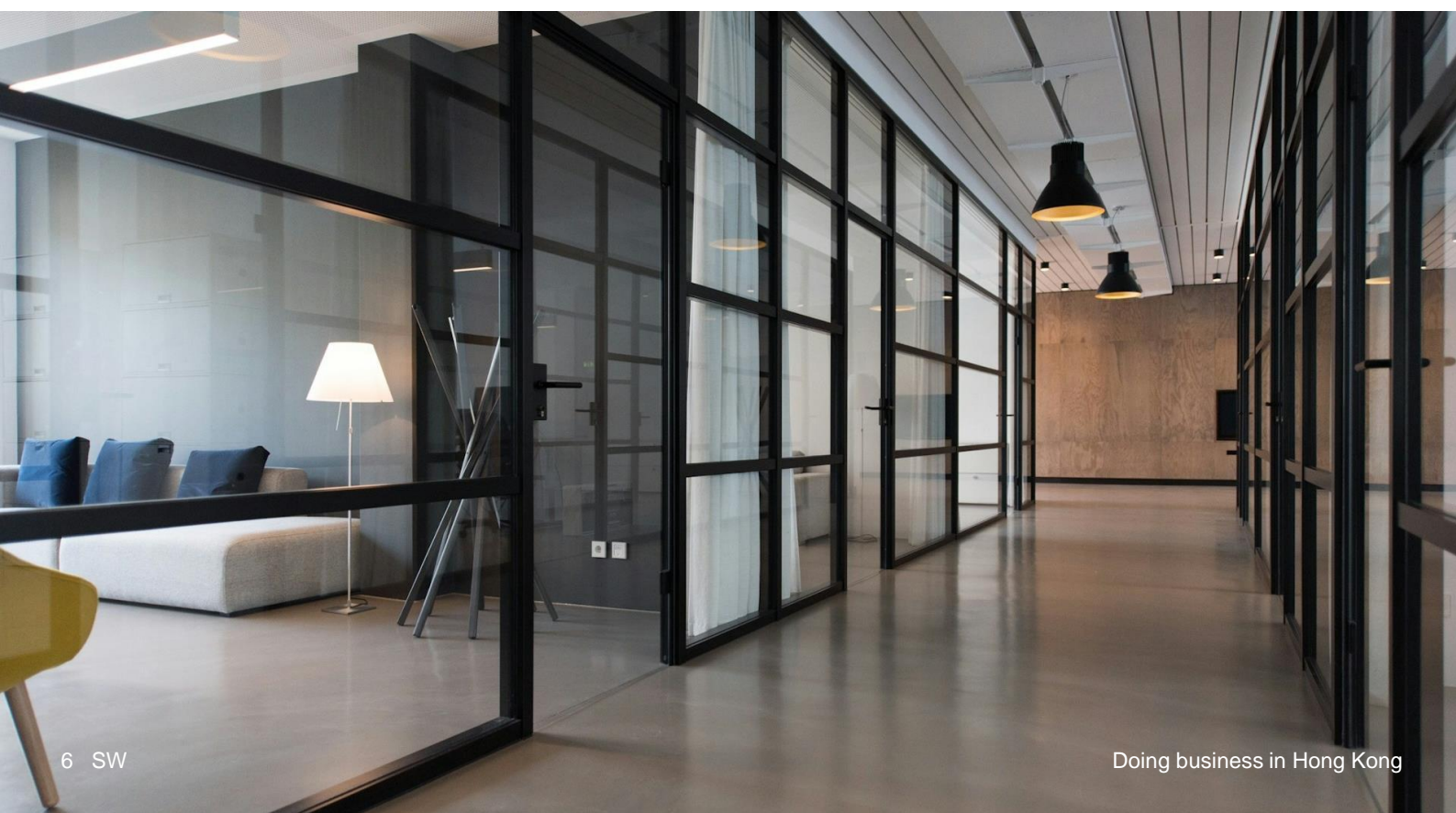
- This type of office is suitable for companies wanting to explore the Hong Kong market without engaging in profit-making activities.
- Representative offices can only conduct limited functions, such as market research or promotion of their parent company's business. However, if the business decides to make a profit or create legal obligations, it must transition to a limited company or branch office.

## Company Incorporation

Incorporating a company in Hong Kong involves a streamlined process managed by the Hong Kong Companies Registry (CR), which includes business registration simultaneously. Applicants can submit the required documents, including the Incorporation Form (NNC1 for limited by shares, NNC1G for other types), a copy of the company's Articles of Association, and a Notice to the Business Registration Office (IRBR1). Applications can be made online through the CR's e-Services Portal or delivered to the CR in hard copies.

## Business Registration

Businesses must register with the Inland Revenue Department's Business Registration Office within one month of starting operations and display their Business Registration Certificate at their location. The registration process aligns with company incorporation via CR. Required documents include a notice to the Business Registration Office (IRBR1) and the prescribed fees and levy as outlined in the Companies (Fees) Regulation.





# Taxation

**Hong Kong does not impose sales tax or VAT, capital gains tax, tax on dividends derived from local entities, or estate tax.**

## Profits Tax

- Two-tiered profits tax rates, if eligible, are applicable to corporations: 8.25% on assessable profits up to \$2 million; and 16.5% on any part of assessable profits over \$2 million.
- Two-tiered profits tax rates, if eligible, are applicable to unincorporated businesses (mostly partnerships and sole proprietorships): 7.5% on assessable profits up to \$2 million; and 15% on any part of assessable profits over \$2 million.

## Salaries Tax

Salaries Tax payable is calculated at progressive rates on your net chargeable income, ranging from 2% to 17%, or at standard rate on your net income (two-tiered standard rates: 15% on the first \$5 million of net income and 16% on the remainder), whichever yields the lower tax amount.

## Property Tax

Property tax is charged at a flat rate of 15% on the net assessable value of rental income from property. The net assessable value is calculated by deducting any allowable rates and a 20% allowance for repairs and outgoings from the property's total rental income.

## Withholding Tax

Withholding tax is applicable generally with respect of a non-resident who is chargeable to profits tax in respect of (i) sums arising in or derived from Hong Kong regarding royalties and licence fees, or (ii) sums received in respect of the entertainer or sportsman performance in Hong Kong.





# Employment Policy

Hong Kong's employment policy is primarily governed by the Employment Ordinance, which establishes a comprehensive framework for the rights and responsibilities of both employers and employees. This legislation covers various aspects of employment, including wages, working hours, leave entitlements, and termination procedures.

## Statutory Minimum Wage

With effect from 1 May 2023, the statutory minimum wage rate is raised to \$40 per hour.

## Rest Days, Holidays and Leave

An employee shall enjoy rest days, statutory holidays and paid annual leave during employment.

**Rest day:** An employee employed under a continuous contract is entitled to not less than one rest day in every period of seven days.

**Statutory holidays:** An employee, irrespective of his/her length of service, is entitled to statutory holidays. If the employer requires the employee to work on a statutory holiday, the employer should make an alternative holiday within 60 days before or after the statutory holiday.

**Paid annual leave:** An employee is entitled to annual leave with pay after having been employed under a continuous contract for every 12 months. An employee's entitlement to paid annual leave increases progressively from seven days to a maximum of 14 days according to his/her length of service.

## Mandatory Provident Fund System

The Mandatory Provident Fund (MPF) System serves as a key pillar of Hong Kong's multi-pronged retirement protection framework, regulating mandatory, privately-managed, and fully-funded contribution schemes. This system requires that employees, employers, and self-employed individuals contribute 5% of their relevant income to the MPF scheme. These contributions are bound by minimum and maximum income levels respectively, for monthly paid individuals.

Under the MPF legislation, scheme members may only withdraw their MPF derived from their mandatory contributions and tax deductible voluntary contributions upon reaching age 65, unless specific exceptions apply.





# Financial Reporting & Audit

The Hong Kong Institute of Certified Public Accountants is the accounting and auditing standard-setter for Hong Kong. The Institute also sets the professional ethical standards for accountants in Hong Kong.

## Financial reporting Standards

The Hong Kong Companies Ordinance (Cap. 622) requires all companies to prepare financial statements that provide a true and fair view of their financial position, audited by a certified public accountant.

### Hong Kong Financial Reporting Standards

("HKFRS"): HKFRS is fully converged with International Financial Reporting Standards ("IFRSs"), ensuring global comparability and transparency in financial disclosures.

**HKFRS for Private Entities:** It is tailored for private entities, simplifying the financial reporting process by reducing the requirements of full HKFRS while maintaining sufficient disclosure for stakeholders.

**The Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard (SME-FRF & SME-FRS):** It is designed specifically for small and medium-sized enterprises (SMEs) that qualify under the SME-FRF, providing a simplified set of accounting practices tailored to SMEs' needs.

## Auditing and Assurance Standards

Auditing and assurance standards in Hong Kong are known as Hong Kong standards on quality management, auditing, assurance and related services. The standards applied are largely based on the International Standards on Auditing (ISAs) as issued by the International Auditing and Assurance Standards Board (IAASB).





# How SW can support you

Regardless of the nature, size and maturity of your business, when you decide to do business in Hong Kong, SW is here for you to provide comprehensive support throughout every stage of your journey. Whether you are laying the groundwork for a new venture, expanding an established business, or preparing for future transformations, our teams have the local insights and expertise to help you capitalize on Hong Kong's strategic advantages and dynamic market environment.

## Our Service Offerings in Hong Kong

Our multidisciplinary teams serve a diverse client base, ranging from family-owned and owner-operated businesses to multinational corporations and publicly listed companies. We offer a wide array of tailored solutions, covering audit and assurance, tax advisory, corporate finance services, designed to meet the unique needs of each client.

### Key Services

#### Corporate Secretarial Services

Our corporate secretarial services cater to both private and listed companies, covering entity incorporation across different jurisdictions, statutory compliance, governance reporting, assistance with bank account openings and meeting documentation. We also assist listed companies with compliance, corporate governance frameworks, publication of financial results, due diligence, share management, and maintaining registers.

#### Bookkeeping and Accounting Services

To support businesses in maintaining financial compliance, we assist our clients to prepare financial reports for various periods, compile statutory financial statements, establish and implement accounting systems, and maintain accounting ledgers. We also assist with cash flow forecasting, cash management, and bank reconciliations.

#### Tax Advisory Services

We help clients meet compliance obligations and managing tax liabilities/ risks through a range of services. These include tax filing, tax restructuring and planning, conducting tax health checks, performing transfer pricing studies, and providing updates on the latest tax regulations and their implications.

#### Payroll Services

Understanding the complexities of payroll management, we streamline the entire payroll process for our clients. Our services encompass payroll calculations, processing of allowances, benefits, and reimbursements, preparation of pay slips and payroll reports, execution of payroll payments, and management of enrollments for mandatory provident funds.

## Assurance & Business Advisory Services

Our services include auditing, as well as the review of financial reports and disclosure statements to ensure compliance with statutory requirements and maintain transparency in business transactions. We utilize a systematic audit process and advanced auditing tools that adhere to both international standards and local policies, enhancing the completeness and impartiality of financial statements and disclosures.

### Initial Public Offering Services

We provide comprehensive support for the entire IPO process, from initial preparation through to post-listing. Our services include pre-IPO readiness assessment, financial and operational restructuring, regulatory compliance, and guidance on listing requirements and post-IPO obligations for the Hong Kong Stock Exchange.

### Corporate Finance Services

We offer a full range of corporate finance and transaction advisory services tailored to meet the unique business and financing needs of our clients. Our services include mergers and acquisitions, business disposals, private equity transactions, fundraising, strategic advisory, commercial and financial due diligence.

### Risk Advisory Services

We assist clients in strengthening their risk management frameworks, enhancing corporate governance, and ensuring compliance with regulatory requirements. Our services include internal audits, internal controls reviews, corporate governance reviews, compliance procedure evaluations, risk management assessment and environmental, social, and governance (ESG) reporting.

Reach out to the SW local team today to see how best we could accelerate your growth for shared success.



# About SW

SW is a global accounting and advisory network, with our member firms dedicated to connecting and collaborating to meet your locally, nationally and internationally.



**12,000+ people**



**640+ partners**



**102+ offices**



**21 regions**



**USD 714.3 million**  
revenues of the year of 2023



**21st in terms of  
fee income\***



**18th in terms of  
total headcount \***

**SW Hong Kong has been one of the leading professional service firms since its establishment in 2005. We have 21 Partners and nearly 400 staff members, with 2 offices.**

## **Integrating China and Global Insights**

SW Hong Kong possesses a deep understanding of China's financial market, its business conventions, economic and political intricacies, while excelling at integrating international standards into local practices. SW Hong Kong has always provided a cross-cultural platform for different enterprises. Our approach bridges Chinese financial regulations and international accounting standards, offering genuine integration for clients in Hong Kong, China and overseas.

## **Highly Integrated Management Framework**

Our highly integrated management framework fosters seamless communication and coordination across our network of offices, enabling us to share insights and best practices effectively and remain responsive to client needs. Additionally, benefiting from our geographical proximity to China, where SW has a strong presence in 29 regions, SW Hong Kong is well-equipped to support clients in navigating the complexities of both local, Chinese and international landscapes.

## **A Team of Experts**

SW Hong Kong is managed by a team of professionals with diverse backgrounds and extensive experience in the industry. Our firm adheres to international accounting standards and complies with financial reporting procedures and disclosures, while implementing rigorous quality control and effective risk management practices. These serve as the foundation for global investors' confidence in Hong Kong's capital market.

\*Rankings of top 30 networks globally according to the World Survey 2024 of International Accounting Bulletin (IAB).



# References

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Gov HK (Starting a Business): <https://www.gov.hk/en/business/supportenterprises/business/topics/licensing.htm>

Gov HK (Taxes & Duties) <https://www.gov.hk/en/residents/taxes/taxfiling/?subcat=taxrates>

InvestHK: <https://www.investhk.gov.hk/en/>

Companies Registry: <https://www.cr.gov.hk/en/home/index.htm>

Labour Department: <https://www.labour.gov.hk/eng/index.htm>

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[https://www.fstb.gov.hk/en/financial\\_ser/MPF-system.htm](https://www.fstb.gov.hk/en/financial_ser/MPF-system.htm)

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The Hong Kong Institute of Certified Public Accountants: <https://www.hkicpa.org.hk/en>





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