



## **GENERAL INFORMATION FOR A HONG KONG COMPANY**

### **Incorporation and compliance requirement of a Hong Kong company**

A. The Companies Registry will permit the registration of a company with any name which:-

- (a) is not the same as a name appearing in the Registrar's index of company names;
- (b) is not the same as that of a body incorporated or established under an Ordinance;
- (c) would not give rise to criminal offence; and
- (d) is not offensive or contrary to the public interest.

One may proceed to incorporate a company if its name is not the same as the one already on the Registrar's index after a search at the Companies Registry.

However, we cannot avoid the earlier registration by others of a name which is identical with the company's proposed name until the registration is approved. The Registrar also has power within 12 months of the registration to direct the company to change its name if it is the same as or, in the Registrar's opinion, too close to a name appearing or should have appeared in the Registrar's index or as that of a body corporate incorporated or established under any Ordinance at the time of registration. Such names will normally be brought to the Registrar's attention by objections lodged by any person who feels that the name is 'the same as' or 'too like' that of a previously registered company.

Every Hong Kong private limited company is required to:

- (i) have at minimum one director who is a natural person (i.e. individual) and one shareholder who can either be individuals or corporations. Additional directors can either be individuals or corporations. There is no residency or nationality requirement for directors and shareholders of a Hong Kong company.
- (ii) have a company secretary who must, if an individual is appointed, ordinarily resides in Hong Kong or, in the case of a corporation, has its registered office or a place of business in Hong Kong.
- (iii) have a registered office in Hong Kong. There is no requirement to maintain a physical office or hire any staff in Hong Kong.
- (iv) identify a person/persons who has/have significant control over the company and maintain a significant controllers register ("SCR") which will be accessible by law enforcement officer upon demands
- (v) have at least one person as its representative to provide assistance relating to the SCR of the company to law enforcement officers.



The particulars of the first director(s) and secretary and the registered office address must be provided in the incorporation form. Normally, for electronic submission, the Certificate of Incorporation and Business Registration Certificate of a private company limited by shares will be issued within a few hours. For paper submission, the Certificates will normally be issued within 7 working days after the date of submission.

Alternatively we have shelf companies available for immediate use.

**B. After incorporation, steps should be taken to open bank accounts and allot shares as appropriate.**

The company has to prepare annual financial statements and have them audited by a Hong Kong practising certified public accountant. It is advisable to have auditors appointed and audit plan worked out as soon as practicable.

Statutory audited financial statements are required for ALL companies incorporated in Hong Kong every year. The annual reports must contain the directors' report including a section of the "business review" (most small companies are not required to prepare a business review), an auditor's report, the audited financial statements for the current year, with corresponding amounts for the preceding year, including a statement of financial position, statement of income and retained earnings, and a statement of cash flows. Audited financial statements must be signed off by a firm of certified public accountants in Hong Kong.

The company must keep proper books of account which must at all times be open for inspection by the directors. Moores Rowland (HK) CPA Limited, located at Room 1102 of Allied Kajima Building (that is, next door to us) provides audit services to most of our non-listed clients.

**C. Annual Requirements**

1. A profit and loss account and balance sheet must be audited by auditors, who are Hong Kong certified public accountants, and then laid before the shareholders for approval at annual general meeting. The annual profits tax return must also be filed together with the audited financial statements and the profit tax computation with the Inland Revenue Department of Hong Kong ("IRD") unless the company is informed by the IRD not required to do so.
2. A private limited company (other than a dormant company and a single member company) is required to hold an annual general meeting within 9 months after its financial year-end. An annual return must be filed together with an annual registration fee of HK\$105.00 within 42 days after the date of anniversary of its date of incorporation with the Companies Registry. The annual return contains, among other things, particulars of the issued share capital and the names and particulars of the directors, the company secretary and the registered shareholders. However, a private company is not required to file its annual financial statements with the Companies Registry. Please note that there are heavy penalties for late filing of annual returns.



3. If any of the following occurs, the company has to file relevant returns with the Registrar within a certain time limit:-
- (i) A change of company name
  - (ii) any change in directors or secretary or in their particulars.
  - (iii) any change in the registered office.
  - (iv) any alteration of share capital.
  - (v) any allotment of shares.
  - (vi) the location where the statutory books are kept if not kept at the registered office.
  - (vii) the creation of any charges over certain types of assets or the discharge of any such charge.
  - (viii) any change in the Articles of Association.
4. The Company is also required to pay business registration fee annually, currently at HK\$2,250 for a 1-year certificate or at HK\$5,950.00 for a 3-year certificate. Due to the waiver of business registration fee for one year from 1 April 2019 to 31 March 2020, the business registration fee for that period will be reduced by a sum of HK\$2,000.

A Business Registration Certificate must be displayed in a conspicuous place at the location where the business is carried on and should be produced for inspection on demand.

The issuance of a business registration certificate does not imply that the requirements of any law in relation to such business have been fully complied with. Applicants may need to apply for other types of licenses, permits, certificates, or approvals relevant to business operations in Hong Kong.

## **Tax Laws and Other Regulations**

### Tax

Persons, corporations, partnerships, trustees carrying on any trade or business in Hong Kong, or holding properties located in Hong Kong for rental or trading purposes are required to pay tax on profits arising in or derived from Hong Kong. All business operators are required to file a Profits Tax Return with the IRD every year unless they are exempted to do so by the IRD.

Deductions are permitted for all out-goings and expenses incurred in the production of the assessable profits with the exception of expenses of domestic or private nature and capital in nature. However, the company is entitled to deduct from its taxable profits depreciation (capital) allowances in respect of its fixed assets such as furniture and fixtures, and plant and machinery.

The company is also required to notify the Commissioner of Inland Revenue in writing within three months of the commencement of employment in Hong Kong of an individual likely to be chargeable to tax, and to provide an annual return of remuneration for employees within one month from the date of issue (normally due for submission by end of April each year). Being an employer in Hong



Kong, the Company is required to set up mandatory provident fund for its employees (unless the employee is an exempt person) and make monthly contributions (capped at HKD1,500 per month) for each enrolled employee.

In addition, a person (including individual, corporation or partnership) liable to tax in a year of assessment but has not received a tax return for that year of assessment is required to notify the Commissioner of Inland Revenue in writing within 4 months after the end of the basis period for the year of assessment concerned and file the tax return within one month from the date of issue or extended deadline as approved by the IRD.

### Transfer pricing rules effective in Hong Kong from 3 July 2018

#### (i) Country-by-country reporting (“CbC Return & Report”)

A multinational enterprise group with total consolidated group revenue for 2017 over HK\$6.8 billion or Euro750 million is required to submit CbC Return & Report through the CbC Reporting Portal of the IRD within 12 months after the end of the accounting period.

Furthermore, the Ultimate Parent Entity (“UPE”) of the reportable group in Hong Kong is required to file to the IRD a CbC reporting notification within 3 months after the end of the accounting period.

#### (ii) Master file and local file on controlled transactions

A Hong Kong entity of a group is required to prepare and retain its local file and a master file of the group if any two of the following thresholds are exceeded:

- total revenue of the Hong Kong entity exceeds HK\$400 million
- total value of the Hong Kong entity’s assets at end of the accounting period exceeds HK\$300 million
- the average number of the Hong Kong entity’s employees during the accounting period exceeds 100

AND

Either one of the following types of controlled transactions (excluding specified domestic transactions), exceeding the corresponding thresholds:

- total amount of transfer of properties (excluding financial assets and intangibles) exceeds HK\$220 million
- total amount of transactions in respect of financial assets exceeds HK\$110 million
- total amount of transfers of intangibles exceeds HK\$110 million
- total amount of other transactions exceeds HK\$44 million



### Annual audit

Statutory audit reports are required annually for all companies incorporated in Hong Kong. The reports must contain audited financial statements for the current year, with corresponding amounts for the preceding year, including a balance sheet, profit and loss account, and a cash flow statement. Audited financial statements must be signed off by a certified public accountant in Hong Kong.

### Record keeping

The Inland Revenue Ordinance requires a company to keep sufficient records to enable its assessable profits/income to be readily ascertained. All records must be retained for at least seven years from the transaction date.

The IRD issues guidelines to help small businesses in preparing and keeping their records. The guidelines explain the minimum records (include books of accounts, agreements, invoices, bank statements, vouchers, receipts, records of assets and liabilities, etc.) which must be kept in order to comply with the law.

### Financial year end

The official tax year commences on the 1 April of each year and ends on the 31 March of the following year. However, Hong Kong companies or businesses chargeable to profit tax are allowed to adopt its financial accounting year end on the day it chooses for tax filing and assessment purposes. The accounting year end date chosen should be the same year after year unless warranted by special circumstances.

For salaries tax and property tax, the tax year is from 1 April of each year to the following 31 March. The law does not allow a taxpayer to choose a different period to report his income and tax liability under these two taxes.