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Guide to Registering an Offshore Company in Hong Kong

1. Overview

Hong Kong company, it is one of the most popular jurisdictions for setting up an offshore company owing to its low tax regime, absence of foreign exchange controls, political and economic stability, ease of offshore company setup, etc. Setting up an offshore company in Hong Kong is the perfect vehicle for conducting offshore banking activities, international trade, investment activities, and for asset protection.

This guide sets out the advantages of Hong Kong incorporation, the options for registering an offshore company in Hong Kong, Hong Kong Offshore Company incorporation requirements and Hong Kong incorporation procedure.

2. Hong Kong Offshore Company Incorporation Benefits

The most common reasons behind setting up an offshore company in Hong Kong are:

(1) Ease of offshore company setup

Hong Kong is ranked as one of the easiest places to do business in the world. Setting up a Hong Kong company is simple and easy, devoid of unnecessary bureaucracy or red-tape. Moreover, Hong Kong adopts a favourable foreign ownership policy by entitling the shares of a company to be 100% foreign-owned. There are no special authorizations that are required from government authorities prior to Hong Kong company setup.

(2) Tax benefits

Hong Kong taxes are among the lowest in the world. The tax system is simple and favours offshore company setup. Hong Kong's corporate income tax rate is 16.5%. There is no capitals gains tax, no VAT/GST, no estate duty, and no withholding tax on dividends or interest. Furthermore, foreign sourced income is exempt from tax in Hong Kong and there are no foreign exchange controls in Hong Kong. Thus, a Hong Kong offshore company that derives income from abroad is free from tax liabilities in Hong Kong. This is one the biggest advantages of Hong Kong Incorporation.

(3) Political stability

There exists a direct relationship between political stability and the investment climate. Despite Hong Kong being a Special Administrative Region of China, it retains its political, economic and judicial systems. The rule of law takes precedence in Hong Kong and it has emerged as the second best bureaucracy in Asia, according to a recent survey conducted by the Political and Economic Risk Consultancy (PERC).

(4) Trusted image

Hong Kong is often criticized as being an offshore tax haven. In reality, it is not a tax haven but simply a low tax jurisdiction. This view has also been endorsed by the Organisation for Economic Co-operation and Development (OECD). Hong Kong is also one of the jurisdictions that has committed itself to the international standard on tax information and exchange. As a result, an offshore company in Hong Kong is not viewed negatively or with suspicion.

3. Hong Kong Offshore Company Incorporation Options

There are two options available for Hong Kong Offshore Company setup:

(1) Registering a New Hong Kong Company

If you want to incorporate a Hong Kong company with a specific name, you can choose to register a brand new company where you provide with us the preferred name of company and we take care of the rest of the registration procedures. Hong Kong company registration is simple and easy and can usually be completed within one week's time.

(2) Purchasing a Hong Kong Shelf Company

If the name of the company is not important and if you cannot afford to wait until a new company is incorporated, you can purchase a ready-made Hong Kong shelf company. A Hong Kong shelf company, as the name suggests, is a company that has already been incorporated in Hong Kong and put on the shelf to be sold at a later date. A Hong Kong shelf company is in essence a paper company that has been legally registered in Hong Kong and does not possess any assets or liabilities. Once you purchase the shelf company you are free to change its name, increase its share capital, appoint a director, shareholder and company secretary and also change its registered address. Businesses that opt for a shelf company are those that need to do business urgently (such as applying for a tender or entering into business deals) and require a Hong Kong company registration number immediately. Shelf companies that are

several months or years old are useful in conveying corporate longevity. It communicates to stakeholders that the company has been around for a while. Note that Hong Kong shelf companies are often more expensive than incorporating a new Hong Kong company.

4. Hong Kong Offshore Company Incorporation Requirements

(1) Company name

The proposed name of your Hong Kong offshore company must be approved by the Hong Kong Companies Registry, prior to Hong Kong Incorporation.

(2) Directors

- (a) Minimum one director required;
- (b) Unlimited maximum number of directors;
- (c) Directors can be natural persons or companies;
- (d) Directors can be Hong Kong residents or non-residents;
- (e) Directors can be of any nationality;
- (f) Nominee directors allowed.

(3) Shareholders

- (a) Minimum one shareholder required;
- (b) Maximum of 50 shareholders allowed;
- (c) Shareholders can be natural persons or companies;
- (d) Shareholders can be Hong Kong residents or non-residents;
- (e) Shareholders can be of any nationality;
- (f) Nominee shareholders allowed;
- (g) 100% local or foreign shareholding allowed;
- (h) Sole director can act as shareholder.

(4) Company Secretary

- (a) Appointing a company secretary is mandatory by law;
- (b) Company secretary can be a local individual or corporate resident;
- (c) Sole director cannot be the company secretary.

(5) Registered address

A local physical address that is not a PO Box is required as the registered address of the Hong Kong company.

(6) Share Capital

- (a) Share capital of any amount must be injected into the company's bank account;
- (b) No bearer shares allowed.

(7) Taxation

Only income derived from or arising in Hong Kong is subject to a corporate tax rate of 16.5%. Overseas income or foreign-sourced income is exempt from Hong Kong tax.

(8) Ongoing Compliance

The company must adhere to the ongoing compliance requirements for Hong Kong companies including annual audit of company accounts; intimating the Companies Registry of any changes to the company or its members; filing annual returns with the Companies Registry; filing tax returns with the Inland Revenue Department; holding timely AGMs; maintaining company records, accounting records and other business documents; renewing business registration certificate; etc.

5. Hong Kong Offshore Company Incorporation Process

The Hong Kong incorporation process involves two distinct steps:

(1) Hong Kong company name availability search

Before submitting incorporation documents with the Companies Registration, it is important that a name availability search be performed so as to make sure that the preferred name is not identical or too similar to any existing company.

(2) Submission of incorporation documents

After the name availability search, the following documents then are prepared and submitted to the Hong Kong Companies Registry for registration:

- (a) Hong Kong company incorporation application form;
- (b) Hong Kong offshore company's Articles of Association.

Upon receipt of the above documents, the Companies Registry will review them and if satisfied, issue a Certificate of Incorporation and Business Registration.

After the Hong Kong offshore company is incorporated, the director can then apply to open corporate account for the Hong Kong company. Please note most banks require at least one director physically present in Hong Kong at the time of opening the account.

If you wish to obtain more information or assistance, please visit the official website of Kaizen CPA Limited at www.kaizencpa.com or contact us through the following and talk to our professionals:

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