

Hong Kong Services



providing confidence through performance

HOW TRIDENT TRUST CAN ASSIST YOU IN HONG KONG

Trident Trust has had a multilingual presence in Hong Kong for more than 20 years. Our local office, located in the heart of Hong Kong's Central Business District, offers clients a range of services provided by a highly experienced and professional staff:

- Incorporation of companies
- Registration of non-Hong Kong companies
- Local corporate representation
- Administration of trading and investment companies
- Establishment and administration of both Hong Kong trusts and offshore trusts
- Establishment and maintenance of banking relationships
- Preparation of financial statements
- Liaison with local auditors and other professionals
- General advice on local business practices
- Liaison with Mainland China professionals on investment and trade matters
- Access to Trident Trust's services in 24 jurisdictions

Information on our competitively priced fees and our user-friendly Hong Kong Company Incorporation Form are available from any Trident Trust Group office and from the Trident Trust website www.tridenttrust.com.



A GLOBAL CORPORATE DOMICILE

Hong Kong is among the leading domiciles worldwide for trading and investment companies. Close to 1,150,000 companies are registered in Hong Kong. An estimated third of these companies are being used in cross-border transactions.

Hong Kong's attraction as a corporate domicile results from a combination of eight unique advantages:

- 1 FAVOURABLE TAX REGIME** Hong Kong companies pay tax on a territorial basis – income earned from outside of Hong Kong is not subject to local tax.
- 2 FINANCIAL CENTRE RECOGNITION** Hong Kong continues to be one of the world's leading financial centres with a world class banking system.
- 3 EXPERIENCED PROFESSIONALS** The local professional community enjoys worldwide recognition for its international experience.
- 4 PREFERRED CHINA STATUS** Hong Kong's agreements with China make the jurisdiction tax efficient for structuring investment into and trade with China.
- 5 RULE OF LAW** The one country, two systems policy between China and Hong Kong ensures that the rule of law is adhered to by Hong Kong's judiciary.
- 6 COST COMPETITIVE** The cost of company incorporation and administration is competitive with other similar corporate domiciles.
- 7 POSITIVE OECD STATUS** Hong Kong is not regarded by the OECD as a tax haven.
- 8 NETWORK OF DOUBLE TAXATION AGREEMENTS** Hong Kong has a strong network of Double Taxation Agreements with many of its trading and investment partners, providing clarity about taxation rights and obligations and allowing for lower withholding taxes and planning opportunities.



*Trident Trust can be
relied upon with confidence,
to provide a highly responsive,
personal service, with
uncompromising
attention to detail.*

Territorial Basis of Taxation

Hong Kong taxes income on a territorial basis. This means that income is subject to tax in Hong Kong only if it has, or is deemed to have, a Hong Kong source. The practical application of this rule is that only those companies carrying on business in Hong Kong are subject to tax and then only on the profits arising and/or derived from Hong Kong.

Source of income is determined by looking at the totality of facts as to a company's activities from which it derives its income. It is important to note that merely recording transactions in Hong Kong does not by itself constitute the carrying on of business in the jurisdiction.

There is no tax on accumulated earnings and profits and no requirement that a dividend must be paid.

There are many practical applications of the territorial concept. For example, a Hong Kong trading company which sources purchases from manufacturers in China and has sales to customers in Latin America, will be exempt from all Hong Kong taxation on its profits if it can demonstrate to the satisfaction of the Hong Kong tax authorities that the profits are derived from outside Hong Kong.

Profits exempt from Hong Kong tax can be distributed free of any Hong Kong withholding tax to shareholders who are based outside of Hong Kong.

The filing of a Profits Tax Return with the Inland Revenue Department is required every year even if the company is exempt from paying local tax.

Agreements with China

Hong Kong has entered into two important agreements with China:

- The Closer Economic Partnership Arrangement (“CEPA”)
- The Arrangement on Avoidance of Double Tax

Under CEPA, products of Hong Kong origin are exempt from tariffs when imported into Mainland China. In addition, 73 service sectors enjoy the benefit of conducting business in China with either a reduction or removal of geographical, financial or ownership restraints.

For overseas companies, not resident in Hong Kong, they can utilise CEPA by outsourcing to or partnering with a CEPA qualified manufacturer or service provider in Hong Kong.

Under the Hong Kong/China Avoidance of Double Taxation Arrangement, profits derived from activities in Hong Kong will be taxed in Hong Kong at 16.5% instead of 25% in China when certain conditions are met. In practice, this means that foreign investors can use a Hong Kong company to minimise their tax exposure in China.

Foreign Employees

Hong Kong companies also can be used to employ individuals who are working outside of Hong Kong. There is no withholding tax on individual salary payments made by a Hong Kong company provided the employee is not a Hong Kong resident and does not stay in Hong Kong for more than 60 days in the tax year. The use of a Hong Kong employment company, together with a Hong Kong corporate retirement trust, may be of interest to certain clients.

Individuals who receive director fees from a Hong Kong company may be subject to Hong Kong salaries tax irrespective of the fact that no duties are carried out in Hong Kong and the individual does not visit Hong Kong.



Company Name

Company names can be in English, in Chinese or in both English and Chinese. The company name must end with the word “Limited” or its equivalent in Chinese characters.

Founder Member to the Articles of Association

One founder member is required who must subscribe to at least one share in the company.

Share Capital

There is no limitation on the number of issued shares. Shares of a Hong Kong company have no par value. No capital duty is payable to the Government.

Shareholders

A private company must have at least one registered shareholder. Nominee shareholders may be used. There are no restrictions on the nationality or residence of shareholders. Shareholder meetings may be held in or outside Hong Kong. Bearer shares are not permitted.

Directors

A private company must have at least one director who is a natural person, an additional director may be either an individual or a body corporate. Listed companies and their subsidiaries must have at least two individuals as directors. There are no restrictions on the nationality or residence of directors. Meetings may be held in or outside Hong Kong.

Reserve Director

Where a company has only one shareholder who is also the sole director, the company can nominate in a general meeting a reserve director who will act in the place of the sole director in the event of the sole director’s death.

Secretary

A company secretary must be appointed. An individual who is ordinarily resident in Hong Kong can be appointed secretary. A corporate secretary must have its registered office or a place of business in Hong Kong.

Registered Office

A company must maintain a registered office in Hong Kong.

Business Registration

Every company is required to obtain a registration certificate by applying to the Commissioner of Inland Revenue. The certificate is valid for a twelve month period and must be renewed annually.

Annual Meetings

A private single member company is not required to hold an annual general meeting. Or, a private company by passing the members’ unanimous resolution is allowed to dispense with holding of an annual general meeting in respect of a particular financial year, and a copy of the resolution is required to be delivered to the Company Registry for the registration.

Otherwise, a general meeting of shareholders must be held at least once every calendar year. At that time the Profit and Loss Accounts and Balance Sheet of the company are laid before the shareholders together with the directors’ and auditors’ reports.

Public Filings

The names and personal particulars of the directors and secretary must be filed with the Companies Registry. If shares other than founder member shares are issued, a Return of Allotment must be filed with the Registrar, disclosing the identities of the members and their shareholdings. Where nominee shareholders and directors are used, the beneficial shareholders need not be disclosed.

Accounts & Audit

Every company is required by law to appoint an auditor or firm of auditors. An auditor must be qualified by virtue of the Hong Kong Professional Accountants Ordinance and be completely independent of the company.



Trident Trust Hong Kong

TRUSTS – KEY FACTS

The trust is a well-established concept in common law originating in England during the Middle Ages. It is established under the concept of “dual ownership” – where the legal title is vested in a Trustee, with beneficial ownership being vested in the Beneficiaries. In most cases the establishment of a Trust, if done in good time, can better serve an individual’s succession needs, than setting up a standalone Company.

Trident Trust Company (HK) Ltd is registered as a trust company under Part VIII of the Hong Kong Trustee Ordinance to provide professional trustee services. Trident Trust can establish a Trust with a resident professional Hong Kong Trustee and provide Trust administration services to the Trust or in support of a Private Trust Company.



Revised Trust Law

In 2013, Hong Kong enacted a number of important amendments to its trust legislation, in the first major revision in 80 years to its Trustee Ordinance. The changes:

- protect Hong Kong trusts from forced heirship rules
- allow settlors to reserve certain powers
- enable Hong Kong trusts to be settled for an unlimited amount of time
- provide trustees with greater default powers
- place a greater duty of care on trustees and provide more protection for beneficiaries
- enable beneficiaries to appoint and remove trustees

The revised legislation enhances the position of the jurisdiction for professional advisers and their clients looking to use Hong Kong as:

- An administrative centre for trusts established in other jurisdictions (e.g. BVI, New Zealand)
- The advisory centre for trusts to be established in other jurisdictions
- The domicile and/or administrative centre for trusts established under Hong Kong law

Private Trust Companies

Hong Kong trust law provides that there is no requirement to obtain a licence to act as a Hong Kong trustee. There is no requirement for a Hong Kong trustee to be resident or administered in Hong Kong, or for it to be a Hong Kong Company.

This offers a good foundation to establish a Private Trust Company (“PTC”) structure, usually to hold the family business or listed company shares. Correct administration of the PTC is crucial to ensuring successful succession planning and protection provided by the “Family Trust”.

Trident Trust can provide professional support to the PTC, as trustee of the “Family Trust”, to ensure that the Trust is properly administered.

CORPORATE RETIREMENT SCHEMES

Hong Kong is one of the world's top trading hubs and financial services centres. It has well established corporate retirement scheme legislation and supervision. This, combined with the Hong Kong system of taxation and the network of Double Taxation Agreements, makes Hong Kong an ideal location for the establishment and administration of Group retirement schemes.

Corporate and Group retirement schemes can be created in Hong Kong under the Occupational Retirement Schemes Ordinance ("ORSO"). An employer who operates, contributes to or otherwise participates in a retirement scheme in Hong Kong must make an application for registration or exemption with the regulator of the retirement scheme, the Mandatory Provident Fund Schemes Authority ("MPFA"), within three months. Trident Trust Company (HK) Ltd can act as trustee to most types of corporate retirement schemes established as trusts under the ORSO.

There are several reasons for an employer to set up such a retirement scheme for its employees:

- to provide an incentive for attracting and retaining staff
- to enjoy tax relief available under the Hong Kong Inland Revenue Ordinance in respect of contributions made by the employer
- to provide tax advantages to expatriate staff who intend to return to certain countries with which Hong Kong has a Double Taxation Agreement

Specific features of ORSO schemes include:

- Extension to other Group Companies. Other companies that are part of the same group under Section 67 of ORSO may apply to become "Participating Employers". This extends the potential membership to all the eligible employees and directors of these group companies.
- ORSO Exempted retirement scheme. Retirement Schemes with not more than either 10% or 50 of their members, whichever is less, who are Hong Kong permanent identity card holders, may apply to the MPFA for exemption from requirements such as the investment restrictions and audit requirements. Subject to the Trustee agreeing to hold the asset, the Exempted ORSO retirement scheme may invest in private company shares, real estate and a wide range of investments.
- There are no legal limits to the amounts that employers may contribute to ORSO retirement schemes. There are, however, limits to the amounts that may be deductible for tax. Members may also make voluntary contributions if the scheme rules allow for it.
- Members can be paid benefits in accordance with the governing rules of the retirement scheme on retirement (as defined in the Inland Revenue Ordinance), incapacity or on termination of employment. In case of the Member's death, the benefit will be paid to his beneficiaries in accordance with the governing rules.





To discuss how we can assist you with your Hong Kong requirements, please contact us in Hong Kong, London, New York, Singapore, Switzerland or Dubai.

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