

BENEFITS OF HONG KONG AS A CORPORATE DOMICILE

Hong Kong is a leading international domicile for trading and investment companies, as well as the principal trade and financial gateway to the Mainland Chinese market. As of January 2012, over 940,000 private limited companies and almost 11,000 public companies have been registered with the Hong Kong Companies Registry. Many of these companies are being used for cross-border transactions.

Financial Centre Rating

Hong Kong is a preeminent banking centre with over 70 of the 100 largest banks in the world having local operations within the territory. In 2011 Hong Kong finished ahead of both New York and London in the global capital market for the third consecutive year, raising a total of US\$34.8 billion from 102 IPOs.

In 2012 and for the 17th consecutive year, the Heritage Foundation and Wall Street Journal's Index of Economic Freedom rated Hong Kong with the highest economic freedom score out of 184 countries around the world. The Index of Economic Freedom placed particular emphasis on Hong Kong's efficient legal and tax systems, competitive trade regime and overall business freedom.

Rule of Law

Hong Kong's constitution, or Basic Law, protects the fundamental rights of individuals and the capitalist system inherited from British colonial rule. Although Hong Kong is part of the People's Republic of China ("PRC"), Hong Kong enjoys a high degree of autonomy from the PRC under the "One Country, Two Systems" policy including the right of final adjudication by the Hong Kong Court of Final Appeal. Common law case law is used in Hong Kong and the Hong Kong Companies Ordinance is based on UK Company Law.

Experienced Professionals

Hong Kong is recognised as the legal, accounting and corporate administration capital of Asia with a total headcount of more than 18,000 qualified professionals in these industries.

There are 771 local law firms and over 9,000 qualified lawyers in Hong Kong. In addition, more than 70 registered foreign law firms have set up a presence in Hong Kong to advise on legal matters outside the scope of Hong Kong law. And with the implementation of the Closer Economic Partnership Agreement ("CEPA"), Hong Kong law firms have led the way in the expansion of legal services in China with the establishment of representative offices across the PRC and the development of exclusive partnerships with local Chinese law firms.

There are more than 1,400 CPA firms in Hong Kong with well-over 3,700 practising members of the Hong Kong Institute of Certified Public Accountants. The Hong Kong CPA industry is well represented by all of the "Big Four" firms, other international firms and local CPA firms.

Tax Treaty Status

As of March 2012, Hong Kong has concluded 23 Double Tax Agreements ("DTA") with foreign countries, which far exceeds the Organisation for Economic Cooperation and Development's ("OECD") minimum threshold of 12 DTAs as recommended in the internationally agreed tax standard. Hong Kong's current DTA network includes countries such as Mainland China, France, Japan, Luxembourg and the United Kingdom. The network will soon be expanded to include other international trading partners such as India, Saudi Arabia and the United Arab Emirates.

CLIENT MEMO

Hong Kong companies can be effectively used by multi-national corporations, private equity funds, family offices and small and medium-sized businesses as an intermediate holding company in a global tax planning structure or an international subsidiary with business operations in Asia.

Favorable Tax Regime

Hong Kong has a simple and efficient tax system that taxes income on a territorial basis. This means that income is only subject to tax in Hong Kong if it has, or is deemed to have, a source from within the territory. The current profits tax rate in Hong Kong is 16.5% for companies with profits derived from a Hong Kong source.

There are many practical examples of the territorial tax 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 profits if the trading company can demonstrate to the satisfaction of the Hong Kong Tax Authorities that the profits are derived from outside of Hong Kong. There are no taxes in Hong Kong on dividends, interest or capital gains and distributions made outside of the territory are free of withholding tax. There is also no estate tax in Hong Kong.

Preferred China Status

Hong Kong's preferential China status was firmly established after CEPA was signed by Hong Kong and Mainland China in 2003. Qualifying products, companies and individuals in Hong Kong can enjoy unparalleled access to the Mainland Chinese market to strengthen the trade and investment cooperation between Hong Kong and China per the CEPA provisions. In all, 28 service sectors enjoy the benefit of conducting business in China with either a reduction or removal of geographical, financial or ownership restraints.

Trident Corporate Services (Asia) provides full local management and administration services for companies that wish to take advantage of the CEPA provisions including the appointment of a local director, secretary, accounting and bookkeeping service, Mandatory Provident Fund administration (the MPF is Hong Kong's retirement protection scheme), payroll administration, bank account operation and assistance with setting up a local office.

Cost Competitive

The set-up costs and ongoing administration fees of a Hong Kong company are comparable to other corporate domiciles with similar annual compliance requirements. However, Hong Kong, unlike other international domiciles, does not differentiate between onshore and offshore companies. In terms of flexibility, a single Hong Kong entity can be used to conduct all types of business activities such as holding global investments and bank accounts, international trading and conducting local business activities within the territory.

Please contact us to discuss how we can help you in Hong Kong.

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