

## **Hong Kong tax facts at a glance**

*Published in June 2019*

### **Salaries Tax**

Charged on Hong Kong sourced remunerations. The tax charge is the lower of:

- the standard rate of 15% applying to net chargeable income before personal allowances.
- the progressive rates (2% to 17%) applying to net chargeable income.

Possible tax reliefs, such as:

- “60 days exemption” rule for both Hong Kong and foreign employment.
- “Days-in-days-out” calculation rule for foreign employment.
- Housing benefit is subject to preferential tax treatment, generally at an equivalent rate of 10% of an employee’s non-housing remunerations.

### **Profits Tax**

Charged on Hong Kong sourced profits. Taxable/Assessable profits are arrived at after making tax adjustments (if any) on the accounting profits according to the tax laws and regulations.

Tax rates: Corporations – 16.5%; Others – 15%. The new two tier tax rate is applicable starting from 2018/19 year of assessment where a 50% reduction (e.g. 8.25% for corporations) is applied to the first HKD 2 million profits.

Tax losses: Carried forward indefinitely, subject to restrictions under the anti-avoidance rules.

Dividends and capital gains: Not taxable. No dividend withholding tax.

Possible tax reliefs, such as:

- Non-Hong Kong sourced/Offshore profits are not subject to profits tax.
- Approved charitable donations: Tax deductible up to 35% of assessable profits.

### **Property Tax**

Charged at the standard rate of 15% on 80% of the rent receivable by non-corporate owners of real properties in Hong Kong. Corporate lessors of real properties are subject to Profits Tax.

### **Tax Treaty Network**

Hong Kong has entered into 41 tax treaty with other countries, including the United Kingdom, China, etc. Preferential withholding tax rates are available in these tax treaties (if certain conditions are met), such as:

	Dividends	Interests	Royalties
United Kingdom	0%	0%	3%
China	5%	7%	7% (5% for aircraft and ship leasing business)

### **Other taxes/duties**

**Turnover taxes:** There is no sales tax e.g. VAT in Hong Kong.

**Stamp duty:** Share transfers: 0.2%; Land/Real estate transfer: different prescribed rates. Group stamp duty relief (i.e. exemption) is available for the transfer of immovable property or shares from one associated body corporate to another (≥90% shareholding).

**Estate duty:** No estate duty is charged in Hong Kong for the estates of those who die on or after 11 February 2006.

**Customs duties:** Various rates on liquor, methyl alcohol, tobacco and hydrocarbon oil.

NOTE: The above information is not exhaustive and intended for general reference only. It is advisable for you to seek further detailed advice on your particular scenario from our tax team. For enquiries, please contact our International Tax Director, Anthony Hung, at [anthony@masson-de-morfontaine.com](mailto:anthony@masson-de-morfontaine.com)

## **Hong Kong Legal facts at a glance**

*Published in June 2019*

### **Business Environment**

Hong Kong enjoys a free and relaxed business environment where the establishment of companies and doing business is straightforward and not heavily regulated except for a few business sectors.

### **Types of Companies**

Various types of companies may be established in Hong Kong depending on individual needs such as partnerships, unlimited companies and limited liability companies.

Partnerships:

- At least two and not more than twenty partners.
- Partners of a general partnership must be jointly responsible for debts and liabilities.
- Maximum liability of partners in a limited partnership is the amount of their capital contribution and in an unlimited partnership one or more of the general partners must be held responsible for unlimited debts and liabilities.

Limited Liability companies:

- Minimum of one individual director and one shareholder (individual or corporate).
- Ease of formation.
- Limited liability.
- Can be established with minimum capital contribution.
- Minimum annual reporting requirements.
- Subject to corporate income tax rates as set out in our Hong Kong Tax Factsheet (16.5%, 8.25% on the first 2 million profit)
- Establishment of company takes 5 working days.
- Local company secretary required.

### **Doing Business in Hong Kong and Mainland China**

Hong Kong boasts a dynamic business environment and highly developed legal and services sector. Hong Kong is a Special Administrative Region of Mainland China but on the whole has a separate legal system protected by the Basic Law and an independent judiciary.

Hong Kong is seen as the gateway to doing business in Mainland China as well as being a centre for outbound Chinese investment.

It is an important international financial centre.

Hong Kong imposes almost no restrictions on foreign investment.

No controls on foreign exchange.

Many companies choose Hong Kong incorporated companies as their preferred vehicles for investing in projects in Hong Kong and throughout the Asian region.

The Pearl River delta has become a major hub with hi-tech companies from all over the world establishing a presence there.

It has become more straightforward to establish companies in Mainland China and inbound investment remains strong.

NOTE: The above information is not exhaustive and intended for general reference only. It is advisable for you to seek further detailed advice on your particular scenario from our International Legal Director, Hongzhi Yang, at [hz@masson-de-morfontaine.com](mailto:hz@masson-de-morfontaine.com)