

Advantages and disadvantages of establishing and running business in Hong Kong

The place of work of the company director can influence the source of profit generation

The management and employees of the company actually conducting their activities outside Hong Kong positively affects the possibility of applying the territorial principle of profit taxation. At the same time, key actions aimed at generating profit should be carried out outside Hong Kong

One example of bank details provided by payment systems in Hong Kong

The bank details provided by the Money Service Operators (MSO) or a Stored Value Facility Operators (SVFO) and the ones of a classic bank are no different. For example, this is how your company's bank details would approximately look like if you opened account in one of the such FinTech's:

Your company name:

"Your Company Limited"

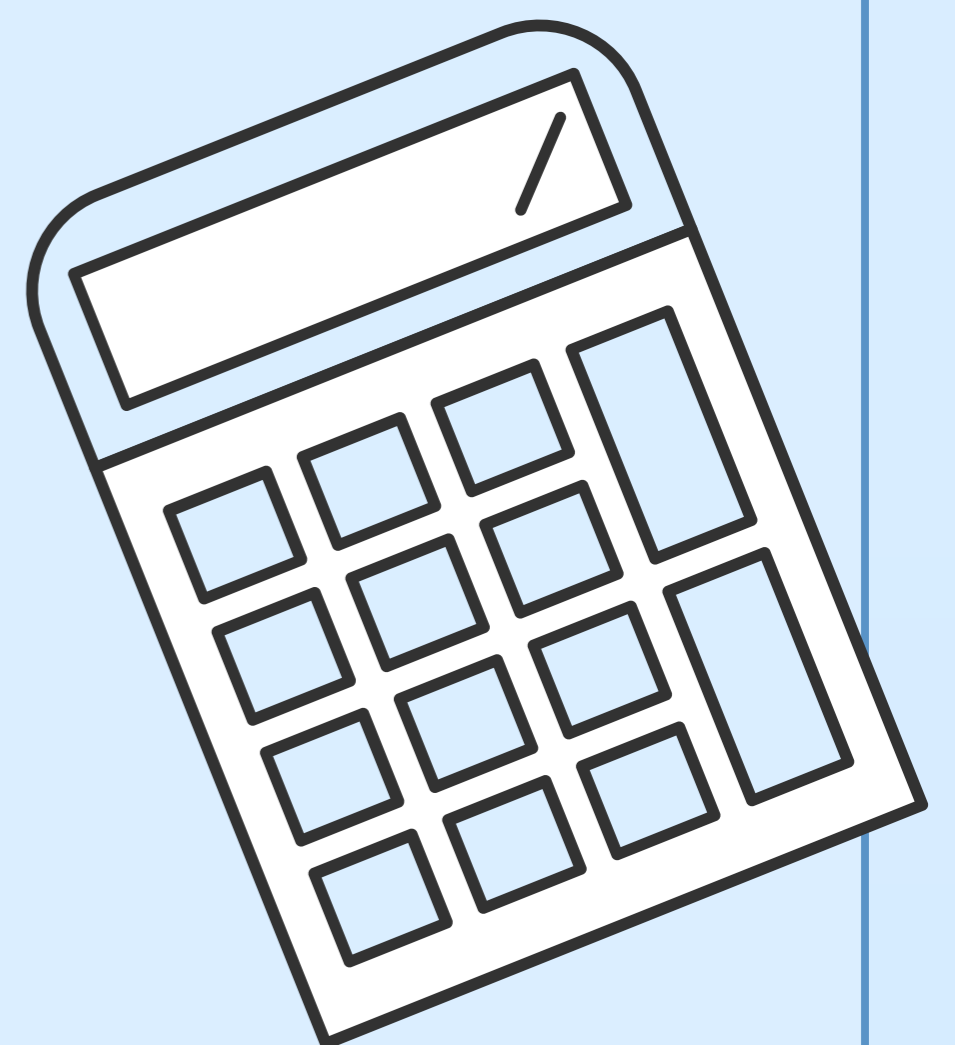
Bank account number: 7862872000001

Bank: DBS Bank (Hong Kong) Limited

SWIFT: DHBKHKHHXXX




Bank code: 016

Branch code: 478



Territorial source principle of taxation

The source of profits is formed on the basis of the following aggregate non-exhaustive factors:

-  the territory where the terms of contracts are physically negotiated
-  the territory where these contracts are signed;
-  the jurisdiction of the clients of the Hong Kong company;
-  the actual place of work of the key personnel of the Hong Kong company
-  the territory of the logistics routes and the jurisdiction of the ports used
-  the territory of origin of the goods or the relationship of the territory with the services provided
-  the territory of storage of goods
-  the territory from which orders are carried out

If all the answers refer to a territory other than Hong Kong, then the source of the profits is likely outside Hong Kong and therefore not subject to income tax

The company's profits sourced from mainland China

It should be noted that profits received by a Hong Kong company from sources in mainland China does not qualify as profit from a Hong Kong source. Mainland China and Hong Kong are treated as different economic entities within one country, which clearly demonstrates how the unique administrative status of “one country, two systems” works

Non-exhaustive conditions under which company profits may be recognized as sourced in Hong Kong



the company's director works in Hong Kong



the company's sales department works in Hong Kong



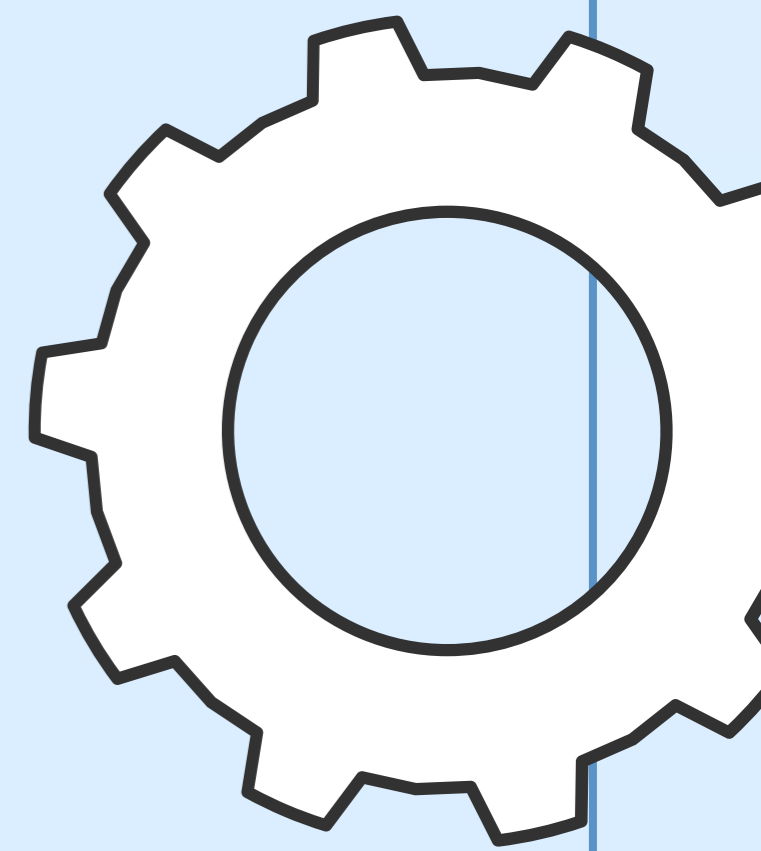
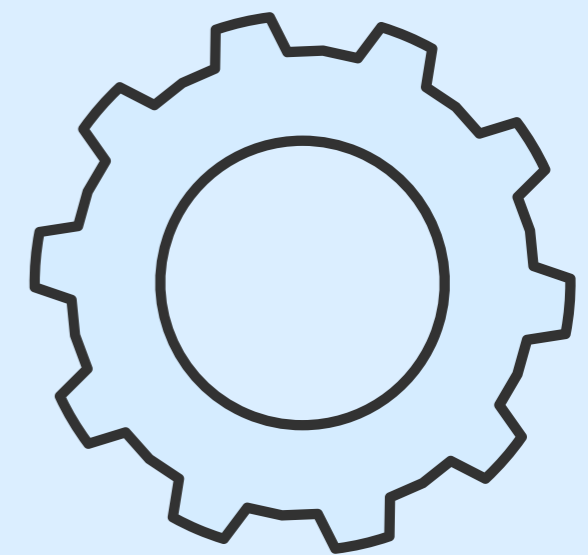
most clients are Hong Kong companies



logistics pass through Hong Kong



the company rents physical office in Hong Kong



Advantages of working with advertising accounts through a Hong Kong company

If you actively use contextual advertising in Google, when creating an account and paying for advertising on behalf of a Hong Kong company, VAT is not withheld, which allows you to save up to 25% of your total advertising budget (depending the VAT size in your country)

Hong Kong Tax Residence Certificate

An official tax residency certificate for a Hong Kong company can be obtained from the Hong Kong Inland Revenue Department literally from the first days of the company's existence, and if necessary, annually. The certificate is issued in relation to a specific country with which a double taxation agreement has been concluded. Also, the condition for issuing the certificate is that the company has profits

Hong Kong is a party to the Apostille Convention

If a country is not a party to the Apostille Convention, documents issued on its territory must undergo the full procedure of consular legalization, and separately for each country. In practice, this means that if you want to submit documents to banks in two countries that are not parties to the Apostille Convention, you must separately prepare two sets of documents with the full legalization procedure for each of them in different consulates

Renting a physical office for a company in Hong Kong

It is not required to rent a physical office in Hong Kong, while the registration address is provided when opening a company and is included in the cost. The company does not bear any additional costs associated with the high cost of real estate. In addition, the presence of an actual place of business of a Hong Kong company outside Hong Kong confirms that the source of its profit is generated outside Hong Kong

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