

Limited companies

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Advantages

People form company to achieve different purpose, such as tax planning, risk diversification, investment, market entry etc. We will discuss these further in separate sessions.

Generally, Hong Kong companies are being used because of following advantages:

1. With British legal system as background which is well adopted.
2. With English and Chinese as bilingual legal language.
3. With very low tax rate.
4. Tax exempt for income not incurred in Hong Kong (offshore income).
5. With very stable social and political environment.
6. With very active and freedom in financial activities. No restriction in fund transfer to and from most part of the world.
7. Close to and with excellent relationship with Mainland China.
8. With huge supply of high quality manpower.
9. Being international center of information exchange and transportation hub.
10. Save legal and government fee when transfer of asset is effected by transfer of shares of a company holding the asset, rather than transfer of the title of the asset directly.

Setup requirement

1. Minimum 1 shareholder.
2. Minimum 1 director.
3. Directors & shareholders can be same person.
4. No nationality restriction for shareholders and directors.
5. Corporate shareholder and director is allowed.
6. Minimum subscribed share capital is HK\$1.
7. Registered address in Hong Kong.
8. One Company Secretary and should either be Hong Kong resident or Hong Kong limited company.
9. Company name should not be same as those already in company register and can be
 - Only English
 - Only Chinese
 - English plus Chinese (but in daily use, quoting one of them is enough)

- For detail about company name registration, please refer to.

Setup procedure and required time

1. **Tailor made company**
2. **Ready made company**

1. Tailor made company	
Day 1	<p>Client to pass following information to Gee Kay Systems for name search:</p> <ul style="list-style-type: none"> • Detail and passport (ID) copy of at least 1 shareholder and 1 director. • Detail of registered address and company secretary. • At least 3 intended company names in order of preference. • 50% service fee as down payment.
Day 2	<ul style="list-style-type: none"> • Gee Kay Systems confirm to client whether the names can be used. • Gee Kay Systems send documents to client for signature.
Day 3	<ul style="list-style-type: none"> • Client to pass the signed document back to Gee Kay Systems for processing.
Day 10	<p>Documents will be available to client:</p> <ul style="list-style-type: none"> • Certificate of Incorporation. • Business Registration Certificate (full amount of service fee and disbursement should be settled before application of Business Registration Certificate). <p>When Certificate of Incorporation and business registration is available to client, the company is established and client can use the company to enter into business transaction.</p>
Day 13	<p>Whole set of company kit (green box) and processed documents will be available to client.</p>
<p>Important Note</p> <ul style="list-style-type: none"> • Time required as stated is working days, not calendar days. • If client can arrange to pass information, sign documents and payment within same day, the whole process can be shortened to 7 working days. 	

The whole incorporation process and service ends here and clients should have following items with them:

- Green box
- Certificate of Incorporation
- Business Registration Certificate
- Copies of shareholders, directors etc registration documents (Original is kept in government for public search.)

Courier fee for delivery of completed company registration material is not included yet in the standard service fee. Client needs to specify address and contact phone no. before exact courier fee can be quoted.

2. Ready made company

Day 1	<ul style="list-style-type: none"> • Client to choose preferred companies from ready made company list • Client to pass following information to Gee Kay Systems for document preparation: <ul style="list-style-type: none"> ○ Address and passport (ID) copy of at least 1 shareholder and 1 director. ○ Detail of registered address and company secretary. ○ Company name chosen from ready-made company list. ○ Full payment is required. • Gee Kay Systems send Certificate of Incorporation and company kit (green box) to client. <p>When Certificate of Incorporation is available to client, client can use the company to enter into business transaction, even though some registration process needs to handle in following days.</p>
Day 2	<ul style="list-style-type: none"> • Gee Kay Systems send documents to client for signature.
Day 3	<ul style="list-style-type: none"> • Client to pass the signed document back to Gee Kay Systems for processing.
Day 4	<ul style="list-style-type: none"> • Gee Kay Systems to pass processed documents to client plus Business Registration Certificate.

The whole incorporation process and service ends here and clients should have following items with them:

- Green box
- Certificate of Incorporation
- Business Registration Certificate
- Copies of shareholders, directors etc registration documents (Original is kept in government for public search.)

Courier fee for delivery of completed company registration material is not included yet in the standard service fee. Client needs to specify address and contact phone no. before exact courier fee can be quoted.

Setup cost

Fee Table - Hong Kong company formation cost

(Additional international courier fee may apply according to client's location)

		Package 1	Package 2	Package 3	Package 4
Ready made company	HK\$	8,650	8,150	6,150	4,150
Tailor made company	HK\$	8,650	8,150	6,150	4,150
Company formation handling		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Company Secretary parking		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Register Address parking		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Bank a/c opening service		<input checked="" type="checkbox"/>			
Including:					
Company formation service fee		1,000	1,000	1,000	1,000
Company Secretary parking		2,000	2,000	2,000	
Register Address parking		2,000	2,000		
Bank a/c opening service		500			
(1) Total		5,500	5,000	3,000	1,000
Disbursement					
- Certificate of Incorporation		1,800	1,800	1,800	1,800
- Business Registration Certificate (\$ 450 applicable till 31 Mar 09)		450	450	450	450
- company kit (Green Box)		700	700	700	700
- printing and copying		200	200	200	200
(2) Total		3,150	3,150	3,150	3,150
(1) + (2) Total	HK\$	8,650	8,150	6,150	4,150

Maintenance requirement & cost

Some of the key maintenance requirement of a Hong Kong limited company are:

1. Duty to Business Registration Office (BRO)
 1. Renew business registration yearly.
2. Duty to Company Registry (CR)
 1. File annual return once a year even though there is no change during the year in the shareholding, director or other information of the company.
 2. During the year, file to the CR of any changes in the shareholding, directors etc, that need to be filed according to the Companies Ordinance. The information need to be filed and ready for public search in order to protect the interest of the company and the public.
3. Duty to Inland Revenue Department (IRD)
 1. File tax return to the IRD once a year (Normally auditor's reported should be submitted together with tax returns).
 2. Maintain proper accounting books and records to produce financial statements for tax return filing for 7 years.
 3. Common misunderstanding
 1. Even a non-active company need to file tax return. It is the IRD to assess whether a company needs to pay tax or no need to file tax return.
 2. Proper books and records need to be maintained in order to support any financial statements. IRD may ask how your accounting system works and how you keep your records. If it is not properly handled, IRD may be suspicious of the figures in financial statements. In certain situation, penalty or / and estimated assessment will be levied.

Hong Kong company - annual maintenance cost

		HK\$	Note
Government fee	Business Registration Certificate renewal	2,600	
-	Company Registry annual return filing	105	

		2,705	

Service fee -	Registered address (#RA1)	1,500	1
	Company Secretary (#CS1)	1,500	2
	Accounting, auditing & tax filing (optional)		3

		3,000	

Total		5,705	
		=====	

Note 1 & 2 Minimum parking fee is quoted for easy reference. This may change according to different client's needs.

Note 3 HK\$2,500 is service fee for a no activity company. The actual fee depends on the business nature and number of transaction of the company.

Comparison with B V I companies

Generally, Hong Kong company is more suitable for doing business while BVI company is more suitable for asset holding. However as situation of client varies case-by-case, professional advice should be sought before making decision. Below comparison is highlight of certain areas and help client to consider using which type of company.

1. Setup requirement
2. Purpose and Benefit
3. Cost in formation, maintenance and cancellation

1. Setup requirement

Recommendation: BVI company is more simple in setup requirement.		
	Hong Kong Company	BVI Company
Minimum No. of shareholder	<ul style="list-style-type: none"> • 1 	<ul style="list-style-type: none"> • 1
Minimum No. of director	<ul style="list-style-type: none"> • 1 	<ul style="list-style-type: none"> • 1
Minimum issued share capital	<ul style="list-style-type: none"> • HK\$1 	<ul style="list-style-type: none"> • US\$1
Company Secretary	<ul style="list-style-type: none"> • 1 and should be Hong Kong resident 	<ul style="list-style-type: none"> • Not required
Nationality and address of shareholder and director	<ul style="list-style-type: none"> • No restriction 	<ul style="list-style-type: none"> • No restriction
Hong Kong registered address	<ul style="list-style-type: none"> • Required 	<ul style="list-style-type: none"> • Not required. • Keeping of Hong Kong corresponding address is useful for corresponding with registration agent.
Time required to incorporate	<ul style="list-style-type: none"> • Ready-made: 1 day • Tailor-made: 7 working days 	<ul style="list-style-type: none"> • Ready-made: 1 day • Tailor-made: 12 working days

2. Purpose and Benefit

Recommendation: BVI company is more suitable for holding of asset. Hong Kong company is more suitable for doing business.

	Hong Kong Company	BVI Company
Business image	<ul style="list-style-type: none"> Better 	<ul style="list-style-type: none"> Less good
Resistance of customer and client	<ul style="list-style-type: none"> Less resistance as registration is open for public search 	<ul style="list-style-type: none"> Higher resistance as registration is not open for public search
Risk reduction	<ul style="list-style-type: none"> Same 	<ul style="list-style-type: none"> Same
Tax benefit	<ul style="list-style-type: none"> Profits Tax rate 17.5% but exempt for profit not deriving from Hong Kong 	<ul style="list-style-type: none"> Profits Tax rate Zero but limited to profit not derived from BVI. Company may still subject to tax of another country.
Asset holding	<ul style="list-style-type: none"> Asset transfer can be achieved by share transfer. Has to pay stamp duty for share transfer. Updated financial statement is required for share transfer. 	<ul style="list-style-type: none"> Asset transfer can be achieved by share transfer. No stamp duty and no financial statement is required for share transfer.
Bank account opening	<ul style="list-style-type: none"> Easier and less requirement even for non-Hong Kong resident 	<p>More requirement and always request for</p> <ul style="list-style-type: none"> Personal banker's reference letter of directors. Disclosure of beneficiary owner. Purpose of opening bank account.

3. Cost in formation, maintenance and cancellation

Recommendation: No obvious advantage for Hong Kong over BVI company , and vice versa.		
	Hong Kong Company	BVI Company
Cost of formation	<ul style="list-style-type: none"> From HK\$6,300 	<ul style="list-style-type: none"> From HK\$7,400 (US\$950)
Annual maintenance	<ul style="list-style-type: none"> Business Registration HK\$2,600 Annual filing HK\$105 Accounting, tax filing and auditing required. Service fee starts from HK\$4,000 per year. Total annual fee starts from around HK\$7,000. 	<ul style="list-style-type: none"> License renewal US\$600 (US\$650 from Year 2005) No accounting, tax filing and auditing required
Business cancellation	<ul style="list-style-type: none"> No debt company can be de-registered at around HK\$2,000 Debt bearing company has to be winding up at around HK\$20,000 	<ul style="list-style-type: none"> Just not to pay license renewal

Closing a company - method & cost

There are several methods to close a limited company. However, they are not free for the choice of shareholders and directors. Specific conditions need to be met for the applicability of different method:

De-registration

This is the least costly way to bring a Hong Kong limited company to an end. The fee is HK\$2,000 (including government fee of HK\$420+HK\$350 = HK\$770) but some criteria applies:

- ceased business
- no outsider liability
- no outstanding liability to government, both in money and in document filing, e.g. tax return
- director to guarantee meeting criteria and keep record for future purpose

Winding up

There are different types of winding-up:

Members voluntary winding-up

Condition:

- Consent of and initiated by all members
- Financially solvent

Fee: from HK\$20,000 (including government and disbursement of around HK\$12,000)

Creditors voluntary winding-up

Condition:

- Approved and initiated by directors
- Financially in-solvent
- Not via court proceeding
- Liquidator appointed by directors or by creditors

Fee: from HK\$20,000 (including government and disbursement of around HK\$12,000)

Creditor Compulsory winding-up

Condition:

- Initiated by creditors
- Financially in-solvent
- Court proceeding
- Provisional / Liquidator appointed by court

Fee: Application fee payable to court around HK\$10,000 plus service fee at discussion.

Company / business / share transfer - how to & the cost

Being a shareholder of a limited company, you can transfer your business in 2 different ways:

1. Transfer the shares of the limited company;
2. Transfer the business operating by the limited company.

Transfer of shares is always the simplest method and in most cases, the lowest in cost. For example, being a shareholder of HSBC (the Hong Kong Bank and listed in Hong Kong Stock Exchange), you transfer your shares easily without the need of caring what HSBC is actually doing. The only thing you need to do is knowing the value of the HSBC you are transferring, because the stamp duty is based on this.

For a private limited company, you need to prove to the stamp office how much the share is worth. Usually, this can be done by the transfer agreement between buyer and seller, the audited financial statements or / and with a recent management account.

Stamp duty is charged at HK\$1 per HK\$1,000 of share value.

Transfer of share is a deal between shareholders.

Transfer of business is more complicated because your company will remain under your ownership. The transfer does not concern you as a shareholder. It is a transaction between your limited company and another company.

As situation differs very much in each specific case, it is advisable to contact us for detail suggestion. However, it is worthwhile to highlight that transfer of business need to comply with the law "[Chapter 49 - Transfer of Business Ordinance](#)" in order to protect the interest of both buyer and seller.