



Introduction to setting up in Hong Kong (HK)

AIIA Exporter Club event - Doing ICT Business in Hong Kong & Taiwan
February 2015

Why HK?

- Major financial and trading hub of Asia Pacific
- Gateway to China (CEPA)
- Asian and Western cultures (former British colony), expatriate community
- Free economy:
 - ✓ No restrictions on foreign investment
 - ✓ No restrictions on repatriation of profits and capital
 - ✓ No foreign exchange controls
 - ✓ Full range of financial services
 - ✓ Developed telecommunication systems
 - ✓ Simple territorial tax system – 16.5% corporate tax (narrow tax base)
 - ✓ Conforms to major IP conventions
 - ✓ Common law legal system

Setting up in HK

- Limited liability company
 - ✓ No restriction on foreign shareholders
 - ✓ No minimum share capital
 - ✓ Minimum one shareholder and director
 - ✓ One resident company secretary with HK registered office
 - ✓ Tailor made (6 days) or off the shelf (2 days)
 - ✓ 31 March year end
 - ✓ Annual audited accounts – submitted to IRD

- Alternatives
 - HK branch of foreign company
 - HK representative office of foreign company
 - Joint venture

Case study

Setting up in HK - Isolation



Setting up in HK – In context



Case study – in context

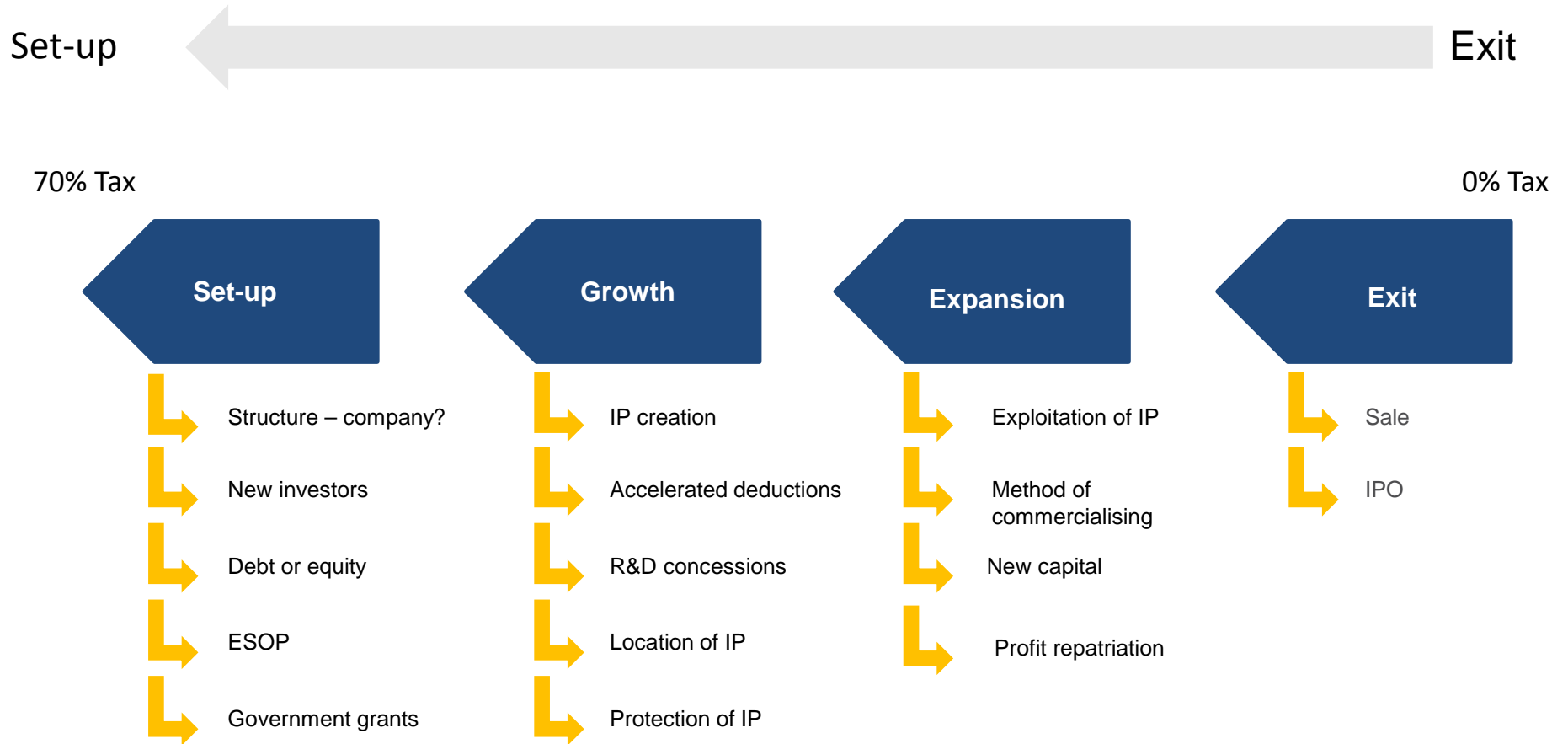
- Unfranked dividend on final repatriation
 - × ETR = 64.3% on Australian profit
 - × ETR = 57.4% on HK profit
 - × Cf. 49%

- Location of contracts
 - × Brains work in Australia
 - × Loss of Australian R&D tax incentive
 - × EMDG compromised

- Costs ?

Setting-up offshore: What I need to think about?

Begin with the end in mind



Tax

Aspect	Hong Kong	Australia
Global tax	X	✓
Corporate income tax rate	16.5%	30% NB: top-up
Transfer pricing documentation	X	✓
Thin capitalisation	X	✓
Controlled foreign companies	X	✓
Dividend withholding taxes	0%	30% if unfranked & no DTA
Interest withholding taxes	0%	10%
Royalty withholding taxes	4.95%	30% (if no DTA)
Research and development	✓	✓
Stamp duty	✓	✓
Customs duty	X	FTA?
Value added tax	X	10%
Capital gains tax	X	✓ (concessions)

Thank you



George Psarrakos

Tax Director

Melbourne

Tel **+61 3 9258 9473**

Mobile **+61 3 433 202 912**

george.psarrakos@crowehorwath.com.au

George provides strategic tax advice to private groups and small cap listed entities, both inbound and outbound. This includes advising on complex tax projects, managing ATO audits and transaction support. He holds a Bachelor of Commerce/Bachelor of Science, a Master of Taxation and is a Chartered Accountant and a Chartered Tax Advisor.

George and his team understand that every strategic and operational business decision you make has a tax cost attached to it – whether its cash, risk, time or administration. Managing these costs throughout the entire lifecycle of a business – from start-up, growth, expansion, exit or succession – means greater returns for stakeholders.

Our service offering

Audit	Tax	Advisory	Financial Advice
<ul style="list-style-type: none"><li data-bbox="81 404 378 432">▪ Audit and Assurance<li data-bbox="81 458 405 486">▪ Corporate Governance<li data-bbox="81 512 340 568">▪ Internal Audit and Risk Consulting	<ul style="list-style-type: none"><li data-bbox="533 404 836 432">▪ Specialist Tax Advice<li data-bbox="533 458 826 486">▪ Business Structuring<li data-bbox="533 512 861 568">▪ GST, State and Indirect Taxation<li data-bbox="533 594 782 649">▪ International Tax and Expats<li data-bbox="533 675 888 704">▪ Research & Development<li data-bbox="533 729 826 755">▪ Customs and Excise	<ul style="list-style-type: none"><li data-bbox="983 404 1164 432">▪ Accounting<li data-bbox="983 458 1250 486">▪ Business Advisory<li data-bbox="983 512 1253 541">▪ Corporate Finance<li data-bbox="983 566 1273 595">▪ Forensic Accounting<li data-bbox="983 621 1259 649">▪ Business Recovery<li data-bbox="983 675 1315 704">▪ Performance Consulting<li data-bbox="983 729 1331 755">▪ Mergers and Acquisitions	<ul style="list-style-type: none"><li data-bbox="1439 404 1760 459">▪ Estate and Succession Planning<li data-bbox="1439 485 1848 541">▪ Financial Advisory and Wealth Management<li data-bbox="1439 572 1736 601">▪ Lending and Finance<li data-bbox="1439 626 1818 655">▪ Risk and General Insurance<li data-bbox="1439 681 1808 709">▪ Superannuation and SMSF

Tel 1300 856 065

www.crowehorwath.com.au

The relationship you can count on

Disclaimer

Crowe Horwath (Aust) Pty Ltd is a member of Crowe Horwath International, a Swiss verein. Each member firm of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania. ABN 84 006 466 351

Disclaimer

While all reasonable care is taken in the preparation of this presentation, to the extent allowed by legislation Crowe Horwath (Aust) Pty Ltd accept no liability whatsoever for reliance on it.

All opinions, conclusions, forecasts or recommendations are reasonably held at the time of compilation but are subject to change without notice by Crowe Horwath (Aust) Pty Ltd. Crowe Horwath (Aust) Pty Ltd assumes no obligation to update this presentation after it has been issued.

You should seek professional advice before acting on any material.

Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

Crowe Horwath (Aust) Pty Ltd ABN 84 006 466 351.