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# Setting Up a Business in Hong Kong

The foreign investor's guide to navigating  
complexity in this exciting jurisdiction



We are the business behind business®.

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## Jurisdiction profile

Hong Kong is an economic powerhouse—one of the world’s main trade, business, and financial centers. According to the World Trade Organization (WTO), Hong Kong was the world’s tenth largest exporter of merchandise trade in 2023.

The Hong Kong government has identified the “four pillar” industries that contribute ~58% of the territory’s gross domestic product, including financial services, tourism, professional services, and trading and logistics. Hong Kong has also established itself as the premier stock market for companies from mainland China seeking to list abroad and as a key renminbi (RMB) offshore center. In 2021, it was the largest offshore RMB clearing center, sharing over 70% of the world’s RMB payments<sup>1</sup>.

In terms of foreign direct investment (FDI), Hong Kong was the world’s fourth-largest destination with \$112.7B USD in 2023, after the United States, mainland China, and Singapore, as well as the world’s ninth-largest investor with \$107B USD<sup>2</sup>.

The bond market in Hong Kong is Asia’s fifth largest after the mainland, Japan, South Korea, and India, with an outstanding principal amount of over \$350B USD as of September 2021, with issuances denominated primarily in RMB and Hong Kong dollars (HKD).

# Top takeaways for investors in Hong Kong

## A leading international financial center

One of the world's key financial centers, Hong Kong is the world's fifth most competitive global market in which to do business<sup>3</sup>. It's also home to Asia's second-largest foreign exchange market—and the world's fourth largest behind London, New York, and Singapore.

## A major Asian hub—including the gateway to China and the GBA

Hong Kong International Airport is the busiest for international cargo globally<sup>4</sup>, while its port is the world's eighth busiest for container shipping<sup>5</sup>.

The Guangzhou-Shenzhen-Hong Kong Express rail link is a 55km-long bridge that connects Guangdong, Hong Kong, and Macao and is the world's longest bridge-tunnel sea crossing. It puts the western Pearl River Delta region within a three-hour drive of Hong Kong.

And given Hong Kong's proximity to mainland China, the territory is often considered a gateway into the Asia-Pacific region and China's fast-growing markets. Hong Kong also provides convenience to businesses who expand and establish entities in China. The 2003 free trade agreement (Closer Economic Partnership Agreement, CEPA) offers favorable trading and investment conditions for Hong Kong companies conducting business in mainland China that apply to both goods and services, as well as to Hong Kong companies set up by foreign investors.

Not to mention, the Greater Bay Area (GBA) cities are only an hour away by train, car, or high-speed ferry from Hong Kong. Plus, set up in 2017, the Guangdong-Hong Kong-Macao GBA comprises the two Special Administrative Regions of Hong Kong and Macao, and nine municipalities. With a total population of over 72 million and gross domestic product (GDP) amounting to \$1.7T USD, the GBA aims to promote its strengths across a large number of sectors to become an international technology and innovation business hub.

## The Top Talent Pass Scheme and multicultural talent pool

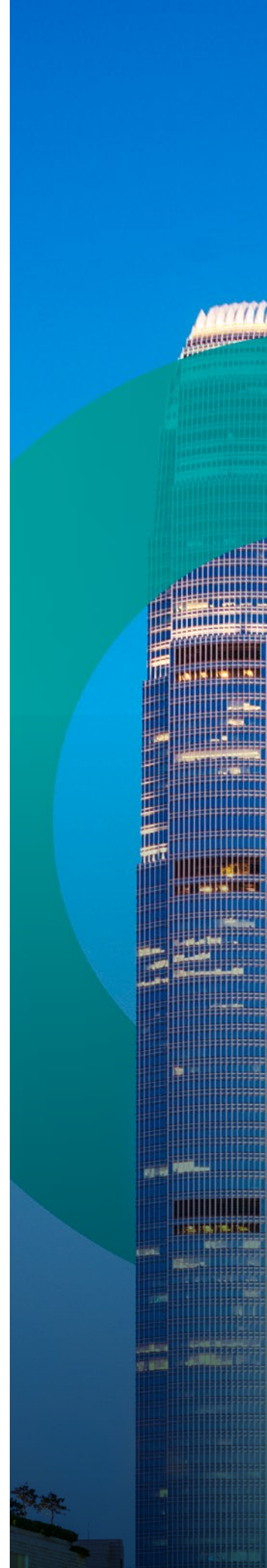
In October 2022, the government launched a new two-year program designed to attract talent to pursue careers in Hong Kong. Under the Top Talent Pass Scheme, applicants are not obliged to have secured a job offer before arriving in the city. The program is aimed at high earners as well as recent graduates from the world's 100 top universities with three years' work experience over the past five years.

As a result, the territory is home to a diverse talent pool. Many Hong Kong professionals are bilingual in English and Cantonese, while many also speak Mandarin, mainland China's official language.

<sup>3</sup> IMD, World Competitiveness Rankings

<sup>4</sup> Statista

<sup>5</sup> World Shipping Council





# Hong Kong at a glance

**Currency**

Hong Kong Dollar

**Business languages**

Chinese, Cantonese, Mandarin, and English

**Official languages**

Chinese and English

**Population**

7,490,000

**GDP**

\$406.78B USD

**GDP per capita**

\$53,610 USD

**Time zone**

Hong Kong Time

**Telephone country code**

+852

**Legal system**

Common Law: The legal system of the Hong Kong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) is based on the rule of law and the independence of the judiciary.

# How to do business in Hong Kong

Starting a company in Hong Kong is simple and swift—a business can be registered within a day. Foreigners can control up to 100% of the entity and be appointed as directors, even if they're not citizens or residents. Some sectors such as broadcasting restrict foreign investors.

Business entities available for foreign investors include:

<b>Limited company</b>	<p>Limited companies are the most common entity—and more specifically, a private limited liability. Owners can take advantage of all tax benefits and concessions available to businesses incorporated in Hong Kong. These include the CEPA free trade agreement with mainland China.</p> <p>A limited company must have at least one natural person director and one company secretary residing in Hong Kong as an individual or a company. If there is only one director, that person cannot also be company secretary at the same time.</p> <p>The company's registered office must be in Hong Kong. Shareholders and directors are not required to be Hong Kong residents.</p>
<b>Foreign branch office</b>	<p>A branch office is the choice for companies incorporated outside Hong Kong wanting to establish a business base in the territory.</p> <p>A branch office must be registered with the Companies Registry as a registered non-Hong Kong company within one month of establishment. The registration is also required to have a resident authorized representative appointed. A branch office is not a separate legal entity from its parent company and can leverage funds using its owners' credit rating.</p>
<b>Partnership</b>	<p>Investors can establish either a general or limited partnership.</p> <p>Every partner in a general partnership is personally liable for the business's debts and liabilities. In a limited partnership, the limited partners' liability is limited to their share capital, while the general partner has unlimited liability and is responsible for day-to-day running of the business.</p> <p>Since 2020, investors have been able to set up limited partnership funds (LPFs) for private equity and venture capital funds in Hong Kong. LPFs' flexibility and legal protections are comparable with those in other fund jurisdictions, such as Delaware and the Cayman Islands.</p> <p>The LPF regime aims to attract private capital to Hong Kong and bolster funding for corporates, including innovation and technology start-ups in the GBA.</p>

# Taxation

Hong Kong is one of the world's most tax-friendly jurisdictions, with some of the lowest rates in Asia. Value-added tax (VAT), capital gains tax, dividend tax, interest tax, and estate tax are not applied in Hong Kong. Allowances and deductions can further reduce taxable amounts. The system is very simple. The only direct taxes concerning business are:

<b>Profits tax</b>	<p>Corporations are liable only for a profits tax at a rate of 8.25% for the first \$2M HKD of profits. Above that, they're subject to a rate of 16.5%. Under Hong Kong's two-tier profits tax regime, only one entity in a group of connected entities can apply for two-tiered tax rates.</p> <p>For smaller businesses, such as partnerships and sole proprietorships, the two-tiered tax rates are 7.5% and 15%.</p>
<b>Salaries tax</b>	<p>Employment and pension income is taxed under a salaries tax. Individuals are taxed at progressive tax rates between 2% and 17% on their net chargeable income after deductions and allowances, or at a standard rate of 15% on their net income, whichever is lower. The tax year runs from April 1 to March 31 of the following year.</p>

Other tax considerations include:

<b>Foreign-sourced income exemption (FSIE) regime</b>	<p>Since 2023, Hong Kong has introduced FSIE for foreign-sourced dividend, interest, intellectual property income, and disposal gain in relation to shares or equity interest received in Hong Kong. FSIE targets entities that are part of a multinational group that receive foreign-sourced passive income in Hong Kong but have little economic substance in the jurisdiction.</p>
<b>Stamp duty</b>	<p>Stamp duty is charged at a 0.2% rate on the consideration or market value (whichever is higher) of Hong Kong stock transfer.</p>
<b>Tax treaties</b>	<p>Hong Kong has concluded 50 tax treaties with different jurisdictions (see Appendix).</p>
<b>Tax incentives</b>	<p>There are no specific incentives for foreign investment, although offshore funds may be exempt from profits tax in certain cases. Businesses that invest in innovation can apply for tax breaks. The tax deduction for the first \$2M HKD spent on research and development is 300%.</p>
<b>Free trade port</b>	<p>There are no tariffs for goods entering Hong Kong. However, oil, liquor, methyl alcohol, and tobacco are subject to excise duties.</p>



# Employment regulation

## 1 Contracts and termination

Employment contracts can be written or oral, but must include the main terms of employment, including wages, notice periods, and any year-end payments.

Employers and employees are free to negotiate the terms and conditions of employment, provided they don't violate Hong Kong employment law.

### Minimum wage and overtime

As of 2024, the minimum wage for non-domestic workers is \$40 HKD per hour<sup>6</sup>.

An employee on a permanent contract is entitled to at least one rest day every seven days. There is no legal requirement for overtime pay and extra pay for overtime can be outlined in the employment contract.

### Termination

Employment contracts can be terminated by the employer or employee giving the other party notice or payment in lieu of notice. The minimum notice period is seven days.

Employers may dismiss an employee without notice or payment in lieu of notice for serious misconduct or failure to improve performance despite repeated warnings. However, employers cannot dismiss sick or pregnant employees, staff who belong to unions, or injured employees without agreeing to compensation. Employers dismissing staff under these circumstances are liable for prosecution and a \$100,000 HKD fine.

Employees made redundant or laid off are entitled to severance pay if they have been employed for at least two years. Termination payments usually include:

- Outstanding wages
- Payment in lieu of notice, if any
- Untaken annual leave
- Severance payment, if applicable
- Any other payments under the employment contract

## 2 Social security system

Employees in Hong Kong must join a privately-run compulsory retirement savings fund, the Mandatory Provident Fund (MPF), with employers making a matching contribution of 5% of the monthly salary. This is subject to minimum and maximum relevant income levels. For employees paid monthly, the current minimum and maximum relevant income levels are \$7,100 HKD and \$30,000 HKD respectively<sup>7</sup>.

## 3 Foreign employees

Foreign employees need a visa to work in Hong Kong. To qualify for an employment visa (that takes six weeks to process), they must demonstrate skills, knowledge, or experience that are unavailable locally. They must also nominate a sponsor that must be a Hong Kong company or a foreign company registered in Hong Kong.

There is also a special migration visa scheme for foreign entrepreneurs who wish to relocate and run their own business in Hong Kong.

## 4 HR legislation

The Employment Ordinance, enacted in 1968, is the main legislation setting out minimum rights, benefits, and protection for employers and employees in Hong Kong.

Anti-discrimination rules protect employees against discrimination on the basis of gender, marital status, pregnancy, breastfeeding, disability, race, and family status.

Employers must comply with the Hong Kong Labour Department's ordinances ensuring the safety and health of employees at work.

<sup>6</sup> Hong Kong Labour Department

<sup>7</sup> Hong Kong Mandatory Provident Fund Scheme Authority





## How CSC can help you invest in Hong Kong

Before entering the Hong Kong market, foreign investors should rely on professional advice to navigate these complex matters. Working with a trusted partner is essential.

### Who we are

CSC provides knowledge-based solutions for every phase of the business life cycle, helping businesses form entities, maintain compliance, execute transaction work, and support real estate, M&A, and other corporate transactions in hundreds of U.S. and international jurisdictions.

We work with some of the world's largest banks and commercial lenders to reduce risk in their lien portfolios, improve their transaction speeds, and create a secure environment for their financial processing needs. We also provide solutions for secure real estate document preparation and recording.

We are the trusted partner for 90% of the Fortune 500®, nearly 10,000 law firms, and more than 3,000 financial organizations. Headquartered in Wilmington, Delaware, USA, since 1899, we are a global company capable of doing business wherever our clients are—and we accomplish that by employing experts in every business we serve.

## What we can do

CSC provides a wide range of financial and administrative services to clients operating and investing in the international business environment. We help companies expand globally, offering support with restructuring, outsourcing, and further developments.

We're experts in management and administration services for operational companies and holding structures across the globe. In Hong Kong, our multilingual team understands local rules, culture, and customs, and how they affect legal and regulatory requirements for businesses in this exciting jurisdiction. Our private client offering provides private clients and family offices solutions to adhere to global regulations and compliance across jurisdictions and asset types.

We also provide end-to-end support for alternative fund managers covering the formation, governance, and administration of alternative funds established in Hong Kong and other offshore jurisdictions.



### Entity solutions

- Corporate services
  - Formations and incorporations
  - Corporate secretary
  - Global treasury management
  - Domiciliation
  - Accounts and reporting
  - Director services
  - Tax Compliance services
- Special purpose vehicles (SPVs)
- Global subsidiary management
- Global payroll
- Private Client services



### Fund solutions

- Fund administration
  - Private equity
  - Private debt
  - Real estate
  - Infrastructure
  - Fund of funds
  - Hedge fund
- Shadow accounting
- Outsourcing
  - Middle office outsourcing
  - Loan administration
  - Reconciliation
  - Treasury management
- Regulatory and governance
  - Anti-money laundering (AML) and Know Your Customer (KYC)
  - Regulatory reporting
- Technology and consulting



### Digital brand and cyber risk

- Domain security
- Domain management
- Online brand protection



### Capital markets

- Trustee services
  - Indenture and note trustee
  - Successor trustee
  - Bankruptcy, insolvency, and restructuring
  - Specialized Trustee services
  - Delaware Statutory Trust
- Escrow services
- Independent director
- Loan agency
  - Administrative and facility agent
  - Collateral and security agent
  - Depositary agent and account bank
- SPV services
  - Transaction structuring and compliance
  - Domiciliation and management



# Appendix

## List of tax agreements currently in force

Hong Kong has signed Avoidance of Double Taxation Agreements (DTAs), limited DTAs, and Exchange of Information Arrangements (EOI Arrangements) with 50 jurisdictions. A DTA is a treaty between two countries that aims to prevent double taxation and fiscal evasion. DTAs typically cover income tax, withholding tax, and residency. The benefits include reduced tax liability, increased certainty, and encouraged cross-border investment. Tax rules differ from jurisdiction to jurisdiction. While some aspects of taxation may be universal or largely similar across different tax systems, there will inevitably also be significant differences.

In Hong Kong, we help clients incorporate their company in this exciting jurisdiction and keep up with its regulatory requirements. Our services allow foreign investors to focus on growing their business in Hong Kong and beyond.

Austria	France	Liechtenstein	Russia
Armenia	Georgia	Luxembourg	Saudi Arabia
Bangladesh	Guernsey	Macau	Serbia
Bahrain	Hungary	Mainland China	South Africa
Belarus	India	Malaysia	Spain
Belgium	Indonesia	Malta	Special Administrative Regions of the People's Republic of China
Brunei	Ireland	Mexico	Switzerland
Cambodia	Italy	Netherlands	Thailand
Canada	Japan	New Zealand	Turkey
Croatia	Jersey	Pakistan	United Arab Emirates
Czech Republic	South Korea	Portugal	United Kingdom
Estonia	Kuwait	Qatar	Vietnam
Finland	Latvia	Romania	







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