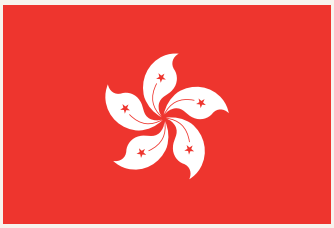
Country profile

Doing business in Hong Kong, SAR

2025

TMF GROUP



Hong Kong, SAR

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Country summary

The Hong Kong Special Administrative Region (SAR) of the People's Republic of China is one of the largest economic and financial hubs globally, fuelled by a particularly entrepreneurial population and an industrious workforce. The economy is based on trade, and Hong Kong, SAR has one of the world's busiest container ports. The SAR's international airport is considered to be the globe's busiest international cargo gateway. Hong Kong, SAR also increasingly benefits from the economic momentum of the Guangdong-Hong Kong-Macau Greater Bay Area. Once referred to as a "barren rock", Hong Kong, SAR is now known for its advanced financial services sector and robust legal environment, which have continued to thrive it was returned to China by the United Kingdom in July 1997.

The Global Financial Centres Index (GFCI) 36 report, published in September 2024, ranked Hong Kong, SAR third globally and first in the Asia-Pacific region. GFCI provides evaluations of future competitiveness and rankings for 121 financial centres around the world. The GFCI serves as a valuable reference for policy and investment decision-makers.

According to TMF Group's Global Business Complexity Index 2024, Hong Kong, SAR ranks as the 4th easiest jurisdiction in which to do business, with a GBCI ranking of 76. Hong Kong, SAR is a key player on the global stage. It is a member of the World Trade Organisation (WTO), the Asia Pacific Economic Cooperation (APEC) forum, the Asian Development Bank (ADB), and the World Customs Organisation (WCO).

1.1 Legal structures

A limited liability company is the most widely used form of business representation by foreign investors operating in Hong Kong, SAR.

1.2 Incorporation procedures

Every limited liability company is now required to be registered with the Companies Registry (CR) of Hong Kong, SAR, of which a certificate of incorporation will be made available, as well as a business registration certificate. The incorporation process is relatively simple and quick and can be done electronically or traditionally, via manual submissions (generally, the time required ranges from within one day to approximately a week).

1.3 Ongoing obligations

The accounts of Hong Kong, SAR companies must be audited by an independent auditor certified by the Hong Kong Institute of Certified Public Accountants (HKICPA) on an annual basis.

1.4 Tax implications*

- VAT: not levied.
- Corporate Income Tax: 16.5% (standard rate), 8.25% for taxable profits of first HK$2 million (on election and subject to conditions).

**Refers to general tax rates. Actual rates may vary.*

1.5 Labour environment

Employment Ordinance regulates the terms and conditions of employment and protects all employee rights in Hong Kong, SAR.

1.6 Compliance requirements

- In November 2014,* Hong Kong, SAR signed a Model 2 intergovernmental agreement (IGA) with the United States.
- Hong Kong, SAR adopted CRS on 1 January 2017 for improved tax transparency.
- So far, Hong Kong, SAR has signed eight FTAs and commencing a negotiation for an FTA with Peru in January 2023. It also has seven Tax information exchange agreements (TIEAs) with different jurisdictions.

Country fact sheet

GDP
US$382.05 billion (World Bank, 2023)

Population
7.53 million (World Bank, 2023)

Currency
Hong Kong dollar
(Sign: HK$; Code: HKD)

Key government departments
Hong Kong Companies Registry (CR)
Audit Commission
Inland Revenue Department
Labour Department

Language
English and Chinese (includes Cantonese, Mandarin/Putonghua, Shanghainese and Chiu-Chow dialects)

Key sectors
Financial services, trading and logistics, tourism, professional and producer services

GNI per capita
US$55,200
(World Bank, Atlas Method, 2023)

Legal structures

The most common types of foreign business entities that can be incorporated in Hong Kong, SAR include:

Limited company

A company can either be classified as private or public, and its liability can be limited either by shares or guarantee. Most investors in Hong Kong, SAR prefer a private company limited by shares, as the liabilities of the owners are then limited to the capital contributed to the company.

Private company

Most small to medium-sized enterprises (SMEs) in Hong Kong, SAR are set up as private companies limited by shares, with the shares held by their members (generally known as shareholders). There is a minimum of one and a maximum of 50 shareholders, who must be at least 18 years old. They can be of any nationality. There is no minimum share capital requirement, but according to the general norm for companies incorporated in Hong Kong, SAR they commonly have at least one shareholder with one ordinary share issued on their formation.

Public company

According to local rules, a company is considered a public one if it is not a private company and not a company limited by guarantee. At least one shareholder is required, and the number of shareholders can be more than 50. There are no nationality or residence requirements for shareholders. There are no maximum capital requirements, and capital may be in any currency.

Partnership

This type of entity is defined as a business that is established and co-owned by two or more people who join to carry out a for-profit enterprise. Partnerships in Hong Kong, SAR are governed by the Partnership Ordinance and there are two types: general and limited.

- **General partnership:** Every partner in the firm is personally liable for the debts and liabilities of the business. Additionally, each partner can be held responsible for the actions of another partner.
- **Limited partnership:** This consists of both general and limited partners. A general partner has unlimited liability for the firm's debts and is responsible for the day-to-day running of the business, while a limited partner's liability is limited to the amount of their unpaid share capital. However, limited partners cannot participate in the partnership's management.

In recent years, the Hong Kong, SAR government has also been actively promoting the city as a jurisdiction for funds and introduced the Limited Partnership Fund ("LPF") regime via the Limited Partnership Fund Ordinance (Chapter 637 of the Laws of Hong Kong, "LPFO"). The aim of this new law is to effectively replicate the success of the Cayman Islands as the global pre-eminent jurisdiction to set up private investment funds. Similar to an exempted limited partnership ("ELP") in the Cayman Islands, a LPF does not have an independent separate legal personality and acts through its general partner ("GP"). Similar to a Hong Kong, SAR company, an LPF must have a registered office in Hong Kong, SAR and its application for registration must be submitted by a Hong Kong, SAR law firm or a solicitor. Under the LPFO, the GP, among other duties and responsibilities, is statutorily required to appoint an investment manager, auditor, responsible person for anti-money-laundering measures, and ensure proper custody of assets. Annually, its filing requirements are also similar to a Hong Kong, SAR company, which include the filing of an annual return, along with other corporate changes of the fund.

Foreign company office

Any foreign company that wants to open a Hong Kong, SAR office can register it as a representative office, a subsidiary or a branch office.

Branch office

A branch office is an extension of the foreign parent company and is not a separate legal entity in its own right. Therefore, the foreign parent company is accountable and responsible for all debts and liabilities. The requirements for registering a branch office are approval of the company name, a local resident authorised representative, and an established place of business in Hong Kong, SAR. There is no minimum capital requirement.

Representative office

Foreign companies can also establish a representative office first, in order to gain market insight, exposure and a better understanding of the Hong Kong, SAR business environment before setting up a fully fledged office. It cannot engage in profit-making activities and is not treated as a legal entity. The parent company bears implicit liability for all its activities, and it can employ foreign managers and locally appointed support staff.

Subsidiary

Setting up a subsidiary is the most common type of entity and the preferred option for most foreign companies, as it provides limited liability and many tax advantages. A subsidiary is a separate legal entity from its foreign parent company, therefore the liabilities do not extend to the parent company. Additionally, locally incorporated companies can gain preferential access to the Mainland of China market and benefit from the free trade agreement with China.

Incorporation procedures

Hong Kong, SAR ranked 76th for the complexity of its business environment according to TMF Group's 2024 Global Business Complexity Index.

- The entity chosen for incorporation must be registered with a Hong Kong, SAR government organisation. Generally, company formation and business registration for a legal entity (either limited by shares or guarantee) or a branch office are completed with the Hong Kong Companies Registry (CR) under the Companies Ordinance.
- The CR registers both local and non-resident companies and deals with statutory returns, deregisters defunct solvent companies, and provides services and facilities for inspecting and obtaining company information kept by the registry.
- However, sole proprietors and representative offices are required to register with the Inland Revenue Department's Business Registration Office and they must obtain a business registration certificate.

Incorporation procedure for establishing a company in Hong Kong

S. No	Procedure	Time to complete	Associated costs
1	Choose a company name and obtain a certificate of incorporation, then deliver the application documents with the correct fees.	Less than one day (online procedure)	HK$1,720 application fee (or HK$1,545 in electronic form) + HK$250 for business registration levy + HK$2,000 business fee (waived for 21/22)
2	Sign up for Employee's Compensation Insurance and Mandatory Provident Fund (MPF) schemes with a private company or a bank. *Agency: Labour Department; Mandatory Provident Fund Schemes Authority (MPFA)*	1 day	No charge

3.1 Personnel

The officers required are as follows:

- **Companies limited by shares or guarantee:** These are governed by a board of directors, which must have at least one director for a private company and at least two directors for a public company. Companies listed on the Hong Kong Stock Exchange are required to have at least three independent non-executive directors and must have independent non-executive directors representing at least one third of the board. The appointment of directors is governed by the Companies Ordinance and the company's articles of association.
- A company must appoint at least one director who is a natural person, at least 18 years old, and not bankrupt or previously convicted for any malpractice. However, a corporate body can also be appointed as the director of a company once the minimum individual director requirement is met.
- There is no limit on the maximum number of directors, unless specified by the company's articles of association. There is no restriction on the nationality of the directors. A director of a company may, unless it is otherwise provided in the articles of the company or by any agreement with the company, resign as director at any time.
- A private company can have a corporate director if the company is not a member of a listed group and provided that the company has at least one other director who is a natural person.
- **Branch office:** One authorised representative (local resident).
- **Representative office:** A manager or chief representative who must be relocated from the parent company.
- A company is required to have a company secretary who must reside in Hong Kong, SAR (for natural persons) or have its registered office or a place of business in Hong Kong, SAR (for corporations). Company secretaries can be provided by licensed trust and company service providers and other professional firms. A company secretary may, unless it is otherwise provided in the articles of the company or by any agreement with the company, resign as company secretary at any time.
- In August 2018, the Stock Exchange of Hong Kong Limited announced changes to its listing rules that impose, among other requirements, greater pressure on the board or the nomination committee when appointing independent non-executive directors.

Ongoing obligations

4.1 Frequency of board/shareholder meetings

- According to the Hong Kong Companies Ordinance, limited liability companies are required to hold an annual general meeting of shareholders for each financial year no more than 15 months from the previous meeting, except under certain circumstances.
- A private company or a company limited by guarantee must convene an annual general meeting (AGM) for each financial year within nine months of the end of its financial year.
- In the case of any other company, it is six months after the end of its accounting reference period.
- However, if it is the company's first financial year, the company must hold an AGM within nine months after the first anniversary of its incorporation or three months after the end of the first financial year, whichever is later.
- For all other companies, an AGM must be convened within six months after the end of its financial year or three months after the end of that accounting reference period, whichever is the later.
- Regardless of the above, a company is not required to hold an AGM under the following circumstances.
- Everything to be discussed in the meeting must be provided by a written resolution. Copies of the documents required at the meeting are provided to each shareholder on, or before, the date of circulation of the written resolution. Single-member and dormant companies are not required to hold an annual shareholders' meeting. A written resolution, or a resolution at a general meeting, is passed by all members entitled to vote to dispense with the holding of annual general meetings.
- A general meeting must be convened by the board of directors, if requested to do so by shareholders representing at least 5% of the total voting rights of the company. Two or more shareholders holding at least 10% of the total voting rights may also call a general meeting independently. Shareholders must be given at least 21 days' notice before an annual general meeting, and other meetings may be called with a notice period of less than 14 or seven days.
- Either of the following can request the company to give notice of a resolution that may be moved and is intended to be moved at the AGM to those members who are entitled to receive such notice: at that meeting:
    - shareholder(s) holding at least 2.5% of the total voting rights of all the shareholders who have the right to vote on the resolution
    - at least 50 shareholders who have the right to vote on the resolution.
- Moreover, shareholders must be given at least 21 days' notice before an annual general meeting, and other meetings may be called with a notice period of less than 14 or seven days.

4.2 Audit requirements

- Except for dormant companies meeting the requirements of the Companies Ordinance, the accounts of Hong Kong, SAR companies must be audited by an independent auditor, who must be certified by the Hong Kong Institute of Certified Public Accountants (HKICPA). The government also has an audit commission. In addition, since 1 October 2019, auditors of public interest entities must also be registered with the Financial Reporting Council.
- All listed companies are required to set up an audit committee, whose main functions include assisting the board of directors to provide an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the company. Auditors are appointed annually and are eligible for reappointment for the next financial year at the end of the appointment period.

4.3 Filing requirements

- Both local and foreign companies (an incorporated subsidiary or registered branch) in Hong Kong, SAR are subject to annual filing requirements with the Inland Revenue Department (IRD) and Companies Registry. In addition to the yearly statutory audit, the Inland Revenue Ordinance (IRO) requires corporations in Hong Kong, SAR to submit audited financial records and an auditor's report as supplementary material when filing their PTR. As of 1 April 2023, small companies with a gross income of under HK$2 million (approx. US$250,000) are also required to submit audited financial statements along with the PTR.
- All limited liability companies incorporated in Hong Kong, SAR are required to prepare their audited annual financial statements in accordance with the Hong Kong Financial Reporting Standards (HKFRS) issued by the HKICPA, which are generally aligned with International Financial Reporting Standards (IFRS).
- The annual return should be delivered to the Registrar of Companies for registration within 42 days of the company's return date. Different types of companies have different return dates. A private company should,

except in the year of its incorporation, deliver an annual return in respect of every year within 42 days of the anniversary of the date of the company's incorporation.

- For a public company:
  - If the financial year begins before the commencement date of the Companies Ordinance (3 March 2014) and ends on or after that date, the annual return must be filed to the Registrar of Companies for registration once every year within 42 days of the date of the company's annual general meeting.
  - If the financial year begins on, or after, 3 March 2014, the annual return must be filed to the registrar for registration within 42 days of the company's return date. The return date for a public company is six months after the end of the company's accounting reference period.
- A guaranteed company's return date is nine months after the end of the company's accounting reference period.

4.4 Significant controllers register

- All companies incorporated in Hong Kong, SAR, except for companies listed on the Hong Kong Stock Exchange, are required to identify persons who have significant control over the company (significant controllers) and to maintain a significant controllers register (SCR) at the registered office of the company, or other place to be prescribed by regulations, to be accessible by law enforcement officers upon demand.
- A company must keep such a register even if that company has no significant controllers. Companies are also required to appoint a designated representative to provide assistance relating to the SCR to a law enforcement officer.
- The Companies (Amendment) Ordinance 2018 introduces new requirements on the keeping of significant controllers' registers by companies. The Amendment Ordinance commenced operation on 1 March 2018. The new requirements of a company are:
  - keep a SCR at the company's registered office or a prescribed place
  - take reasonable steps to identify the company's significant controllers, including the giving of notices and obtaining their required particulars
  - enter the required particulars of its significant controllers in the SCR
  - keep the required particulars in the SCR up to date
  - make the SCR available for inspection and providing copies to a law enforcement officer and significant controller whose name has been entered in the SCR.

Tax implications

The Hong Kong, SAR tax system is administered by the Hong Kong, SAR Inland Revenue Department (IRD) under the Inland Revenue Ordinance (IRO). The tax system differs from that applied in the People's Republic of China. Hong Kong, SAR is well known as one of the lowest-tax regimes in the world and has a territorial basis of taxation. Non-capital profits sourced in Hong Kong, SAR are subject to Hong Kong, SAR profits tax and foreign-sourced income is outside the scope of Hong Kong, SAR profits tax.

5.1 VAT and sales tax

- Hong Kong, SAR does not impose a sales tax, value added tax (VAT) or a goods and services tax (GST).

5.2 Withholding tax

- Hong Kong, SAR does not levy a withholding tax on dividends and or interest payments.
- Royalty payments made to non-residents for the use of, or the right to use, intangibles in Hong Kong, SAR, or outside Hong Kong, SAR where the royalty payments are deductible for Hong Kong, SAR tax purposes, are subject to a 16.5% (15% for a non-corporate person) withholding tax on 30% of the gross amount of the royalties paid, an effective rate of 4.95% (4.5% for a non-corporate person). If the royalty is paid to an affiliated non-resident and the intangibles are owned by a person carrying out business in Hong Kong, SAR, royalty payments are subject to a 16.5% withholding tax on the full amount.
- Hong Kong, SAR does not levy a branch remittance tax or payroll tax.

5.3 Corporate income tax

- The standard corporate income tax rate is 16.5% on the income generated in Hong Kong, SAR for public as well as private companies that are carrying out business in the SAR.
- The income tax rate is 15 for unincorporated businesses. Branches of foreign companies are taxed at the same rate as local companies.
- Upon the enactment of the Inland Revenue (Amendment) (No. 3) Ordinance 2018, a two-tiered profits tax regime has applied from year of assessment 2018-19 onwards for both corporations and unincorporated businesses.
- The applicable tax rates are as follows:

Tax Regime	Tax Rate	
	Corporations	Unincorporated Businesses
Single-Tier Tax Regime	16.5%	15%
Two-Tier Profits Tax Regime		
First HK$2 million	8.25%	7.5%
Over HK$2 million	16.5%	15%

- Effective from 1 January 2023, under the refined Foreign Source Income Exemption (FSIE) regime, four types of offshore income, namely (i) interest, (ii) dividends, (iii) disposal gains from the sale of equity interests (equity interest disposal gains), and (iv) IP income (collectively, "specified foreign-sourced income"), are deemed to be sourced from Hong Kong, SAR and chargeable to profits tax if the income is received in Hong Kong, SAR by a multinational enterprise (MNE) entity carrying on a trade, profession or business in Hong Kong, SAR (irrespective of its revenue or asset size) and the recipient entity fails to meet a relevant exception from the deeming provision.
- With effect from 1 January 2024, the scope of "specified foreign-sourced income" is expanded to include disposal gains on other types of assets (in addition to equity interests).

5.4 Hong Kong SAR's free trade agreements (FTAs)

- Hong Kong, SAR has signed eight FTAs, respectively with the Mainland of China (June 2003), New Zealand (March 2010), the Member States of the European Free Trade Association (EFTA) (June 2011), Chile (September 2012), Macao (October 2017), the Association of Southeast Asian Nations (ASEAN) (November 2017), Georgia (June 2018) and Australia (March 2019).
- The Closer Economic Partnership Arrangement (CEPA) is the FTA signed by China and Hong Kong, SAR. It covers four key areas: trade in goods, trade in services, investment, and economic and technical cooperation.
- Hong Kong, SAR will commence negotiations for an FTA with Peru in January 2023.
- Hong Kong, SAR has also concluded FTA negotiations with the Maldives.
- From 1 September 2023, the scope of service of the Free Trade Agreement Transhipment Facilitation Scheme (FTA Scheme) between China and Least Developed Countries will be extended for the traders in Hong Kong, SAR to receive Preferential Tariff Treatment.
- On 3 March 2024, Bahrain and Hong Kong, SAR signed an Investment Promotion and Protection Agreement (IPPA) to strengthen mutual investment protection, with a view to enhancing confidence of investors, expanding investment flows and further strengthening the economic and trade ties between the two places.
- Hong Kong, SAR has also signed an IPPA with Kuwait and the United Arab Emirates in the Middle East region, the Association of Southeast Asian Nations, Australia, Austria, the Belgo-Luxembourg Economic Union, Canada, Chile, Denmark, Finland, France, Germany, Italy, Japan, Korea, Mexico, the Netherlands, New Zealand, Sweden, Switzerland, Thailand and the United Kingdom.

FTAs	Entered into effect
Hong Kong-China (CEPA)	January 2004
Hong Kong-New Zealand	January 2011
Hong Kong-European Free Trade Association (EFTA)	October and November 2012
Hong Kong-Chile	October 2014
Hong Kong-Macau (CEPA)	October 2017
Hong Kong-Georgia	February 2019
Hong Kong-Australia	March 2019
Hong Kong-ASEAN	June 2019

5.5 Double taxation agreements (DTAs)

- DTAs prevent double taxation and fiscal evasion and promote cooperation between Hong Kong, SAR and other international tax administrations by enforcing their tax laws. In March 2018, India and Hong Kong, SAR signed a double-taxation avoidance agreement (DTAA) to improve transparency in tax matters and help to curb tax evasion and avoidance. In May 2018, another DTA was signed with Finland. The two latest DTAAs were signed with Georgia and Serbia in 2020.
- Hong Kong, SAR signed a CDTA with Mauritius on 7 November 2022. It represents the 46th CDTA signed by Hong Kong, SAR and is effective from the assessment year 2024/25. The DTA with Georgia is effective from the year of assessment 2022/23.
- Hong Kong, SAR signed a CDTA with Croatia on 24 January 2024. The earliest possible effective dates of the CDTA will be from the taxable year beginning on or after 1 January 2025 in Croatia and from the year of assessment 2025/26 (which begins on 1 April 2025) in Hong Kong, SAR.

5.6 Customs policy

- Hong Kong, SAR is a free port and as such does not levy any customs tariffs on imports and exports. However, excise duties are levied on four types of dutiable commodities: liquor, tobacco, hydrocarbon oil and methyl alcohol.
- **Liquor:** duty is payable on the following types of liquor at these rates, expressed as a percentage of the value.

Type of liquor	Rate
Liquor with an alcoholic strength of more than 30% by volume measured at a temperature of 20℃	100%
Liquor, other than wine, with an alcoholic strength of not more than 30% by volume measured at a temperature of 20℃	0%
Wine	0%

- **Tobacco:** duty shall be payable at the following rates.

Type	Rate
For each 1000 cigarettes	$3,306
Cigars	$4,258 / kg
Chinese prepared tobacco	$811 / kg
All other manufactured tobacco except tobacco intended for the manufacture of cigarettes	$4,005 / kg

- **Hydrocarbon oil:** duty shall be payable on hydrocarbon oil at the following rates per litre.

Type	Rate
Aircraft spirit	$6.51
Motor spirit (leaded petrol)	$6.82
Motor spirit (unleaded petrol)	$6.06
Light diesel oil	$2.89
Ultra Low Sulphur diesel	$2.89
Euro V diesel	$0.00

- **Methyl alcohol:** duty shall be payable on methyl alcohol and any admixture containing methyl alcohol at the rate of $840 per hectolitre measured at a temperature of 20℃ plus an additional $28.10 per hectolitre for every 1% by which the alcoholic strength by volume exceeds 30%.

5.7 Import restrictions

Certain goods are subject to approval from the relevant authorities before they can be imported into or exported from Hong Kong, SAR. These include:

- Animals and plants
- Controlled chemicals
- Dangerous drugs
- Dutiable commodities
- Explosives
- Firearms and ammunition
- Optical disc-mastering and replication equipment
- Ozone-depleting substances
- Pesticides
- Pharmaceutical products and medicines
- Prescribed articles
- Radio transmitting equipment
- Rice
- Sand
- Strategic commodities
- Rough diamonds
- Waste
- Hazardous chemicals
- Weapons

Goods whose import into Hong Kong, SAR is prohibited include:

- Food
- Infectious goods
- Motor vehicles
- Chinese herbal medicines and proprietary Chinese medicines
- Radioactive substances and irradiating apparatus
- Frozen or chilled meat and poultry
- Game, meat, poultry and eggs
- Smokeless tobacco products

Goods whose export from Hong Kong, SAR is prohibited include:

- Chinese herbal medicines and proprietary Chinese medicines
- Powdered formula

Labour environment

6.1 Social security system

- The Government passed the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Bill 2022 on 9 June 2022 to abolish the use of the accrued benefits of employers' mandatory contributions under the Mandatory Provident Fund (MPF) System to offset severance payment (SP) and long service payment (LSP).
- The new law abolishing the offsetting will come into effect on 1 May 2025. After the effective date, employers can no longer use the accrued benefits derived from their mandatory MPF contributions to offset an employee's SP/LSP.
- Accrued benefits derived from employers' voluntary MPF contributions as well as gratuities based on length of service can continue to be used to offset SP/LSP.
- To reduce the risk of large-scale dismissals before the transition date, the "grandfathering" arrangement will be put in place for the pre-transition portion of SP/LSP of employees who are already in employment before the transition date.
- Minimum MPF contributions for employers and employees which took effect from 1 June 2014:

Salary Range	Employer contribution	Employee contribution
Less than HKD7,100	5% of salary	Not required
HKD7,100 - 30,000	5% of salary	5% of salary
More than HKD30,000	HKD1,500 max	HKD1,500 max

- Employees can also voluntarily contribute more than the required 5%.
- Self-employed people earning HK$7,100 or more per month are also required to contribute 5% of their income towards the MPF, and may choose to do so monthly or annually, subject to a contribution of HK$1,500 per month or HK$18,000 per year.

6.2 Hiring/retrenchment issues

- An employment contract can be either verbal or written. However, the contract must state the significant terms and conditions of employment, such as wages, wage period and notice required to terminate the contract.
- The Employment Ordinance does not differentiate between temporary, part-time, substituted, permanent and full-time employees. All employees covered by the Employment Ordinance, irrespective of their designated job titles or working hours, are entitled to statutory rights and protection such as wage payment, restriction on deductions from wages and granting of statutory holidays. An employee who has been employed continuously by the same employer for four weeks or more, with at least 18 hours worked in each week, is regarded as being employed under a continuous contract.
- Both the employer and the employee can terminate the employment contract by giving a notice of termination or making a payment in lieu of the notice period.
  - A minimum notice period of one month is required, unless some other notice period (not less than seven days) is specified by the employment contract.
  - During a probationary period, a minimum notice period of seven days is required unless some other period (not less than seven days) is specified in the employment contract. However, both the employer and the employee may terminate the contract without notice or payment in lieu of notice during the first month of the probationary period.
  - An employer may summarily dismiss an employee without notice or payment in lieu of notice in cases in which the employee wilfully disobeys a lawful and reasonable order, misconducts themselves, is guilty of fraud or dishonesty, or is habitually neglectful in their duties.
  - An employee may terminate their employment contract without notice or payment in lieu of notice if they reasonably fear physical danger by violence or disease or are subjected to ill treatment by the employer, or they have been employed for not less than five years and are certified by a registered medical practitioner as being permanently unfit for the type of work proscribed.
  - An employer who unfairly dismisses an employee (eg due to pregnancy, trade union activities, or employees giving information to authorities, work-related injury) will face prosecution and a HK$100,000 fine. The employer will also be liable to claims for remedies from the employee.
- An employer cannot terminate an employee when:
  - The employee has given notice of her intention to take maternity leave (until she returns from maternity leave).
  - The employee is on paid sick leave.
  - The employee has given information to the relevant authorities related to a workplace accident.
  - The employee engages in trade union membership and activities.
  - The employee is injured at work (until a compensation agreement is reached).

- Workers who have been employed for two years and are dismissed owing to redundancy are entitled to a severance payment.
- Employees who have worked for five or more years and are dismissed owing to reasons other than redundancy or summary dismissal are also entitled to a long service payment.
- The calculation of both severance payment and long-service payment is the last full month's wages capped at HK$22,500 times two-thirds times reckonable years of service. The maximum amount is capped at HK$390,000.

6.3 Foreign personnel

- The Chief Executive-in-Council endorsed the enhancement of the coverage and operation of the Supplementary Labour Scheme (SLS). To reflect its enhanced features, SLS was renamed the Enhanced Supplementary Labour Scheme (ESLS) in June 2023. The Enhanced Supplementary Labour Scheme (ESLS) allows employers with genuine difficulties in finding suitable staff locally to import workers at technician level or below. However, the ESLS operates on the following cardinal principles.
    - Local workers must be given priority in filling job vacancies available in the job market.
    - Employers who are genuinely unable to recruit local workers to fill their job vacancies can be allowed to import workers at technician level or below.
    - Employers must undertake a four-week local recruitment exercise for each vacancy under application. Concurrently, the Labour Department (LD) will provide active job matching for the vacancies to identify suitable local job-seekers for referral to the employers for interview.
    - Upon completion of the recruitment exercise, LD will invite members of the Labour Advisory Board (LAB) to give views on the recommendation of LD. After conducting a comprehensive review of all relevant factors, including the views of LAB members, LD will determine whether to approve or refuse each application.
- The duration of the employment contract of a worker imported under ESLS shall not be longer than 24 months. Imported workers under the SLS are required to be paid at least the median monthly wages of local workers in comparable positions and be accorded no less favourable treatment as that enjoyed by local workers under the labour laws.
- Under the ESLS, the approval granted to an employer to import workers would not be automatically renewed. An employer who wishes to continue employing imported workers upon the expiry of their contracts are required to submit a new application to the Labour Department.
- Successful employers are required to pay a levy to the Employees Retraining Board to augment the provision of training and retaining for local workers. The levy payable in a lump sum in respect of each imported worker is HK$400 multiplied by the number of months covered by the SEC, up to a maximum of 24 months.
- However, imported workers admitted under this arrangement are not allowed to bring in their dependants. This entry arrangement does not apply to nationals of Afghanistan, Cuba, Laos, Korea (Democratic People's Republic of), Nepal and Vietnam.

6.4 Work permits

- Non-local employees require work permits to stay and work in Hong Kong, SAR. Application for work permits can be made to the Immigration Department under the following schemes, which are quota-free and non-sector-specific:
    - General Employment Policy (GEP): Applicable to foreigners (except for certain country's residents, eg, Mainland of China) who possess special skills, knowledge or experience that are not readily available in Hong Kong, SAR. The GEP is quota-free and non-sector specific.
    - Immigration Arrangements for Non-Local Graduates (IANG): Applicable to foreigners who have obtained an undergraduate or higher qualification in a full-time and locally accredited programme in Hong Kong, SAR. Persons who have obtained an undergraduate or higher qualification in a full-time programme offered by a higher education institution in the mainland cities of the Guangdong-Hong Kong-Macao may also apply to come and work in the HKSAR under the IANG.
    - Admission Scheme for Mainland Talents and Professionals (ASMTP): Applicable to residents of mainland China who possess special skills, knowledge or experience that are not readily available in Hong Kong, SAR.
- Frequent visitors who hold valid passports and are eligible to come to the HKSAR without a visa or entry permit may apply for an HKSAR Travel Pass. Applicants should have genuine needs to visit the HKSAR frequently and have come for visits trouble-free on three or more occasions (other than return from side trips to mainland China or Macau) in the 12-month period immediately preceding the application.

6.5 Leave and public holidays

- There are 14 statutory holidays in a calendar year in Hong Kong, SAR from 2024 onwards. The newly added statutory holiday is the first weekday after Christmas Day.
- The additional statutory holidays from 2026 and thereafter are tabulated as follows:

Year	New statutory holiday	Total statutory holidays
Starting from 2026	Easter Monday	15
Starting from 2028	Good Friday	16
Starting from 2030	The day after Good Friday	17

- Employees who have worked for one year are entitled to paid annual leave that depends on their tenure of service, and ranges from seven days for employees with a minimum of one year of service to 14 days for employees with nine or more years of service.

Period of employment	Number of days annual leave
At least 1 year but less than 3 years	7
At least 3 years but less than 4 years	8
At least 4 years but less than 5 years	9
At least 5 years but less than 6 years	10
At least 6 years but less than 7 years	11
At least 7 years but less than 8 years	12
At least 8 years but less than 9 years	13
At least 9 years	14

- During the first 12 months of employment employees accrue two paid sick days per month, increasing to four after one year of service, up to a maximum of 120 paid sick days calculated at 80% of the average daily earnings for the previous 12-month period prior to the first day of sick leave. For employees with less than 12 months service, the calculation is based on the average earnings received since the employment start date.
- A medical certificate must be issued by a medical practitioner or registered dentist as proof of the sick day that the worker claims.

6.6 Local office working hours and time zone

- Working hours are typically 9am to 6pm Monday to Friday, however, there is no statutory number of working hours and no statutory maximum hours in Hong Kong, SAR. Banks are generally open between 9am and 4.30pm from Monday to Friday and between 9am and 12.30pm on Saturday.
- The Employment Ordinance sets clear requirements for rest days. Employees are entitled to a rest period of at least one day in a seven-day period.
- Employment of individuals under the age of 15 years is prohibited, and individuals between 15 years and 18 years of age cannot work for more than eight hours a day (between 7am and 7pm only) with a maximum of 48 hours per week.
- Standard time zone: UTC/GMT +8 hours

6.7 Wages and salaries

- The statutory minimum wage (SMW) since 1 May 2023 is HK$40per hour. The monthly threshold amount for hours worked is HK$16,300 per month.
- In April 2024, the Chief Executive in Council approved the Minimum Wage Commission's recommendations to enhance the review process for the SMW. Key proposals include annual reviews of the SMW rate, a specific formula for these reviews, and an evaluation of the new mechanism five to 10 years after implementation. The first SMW rate derived under the new review mechanism will take effect on 1 May 2026.

6.8 Payroll cycles

- The payroll cycle in Hong Kong, SAR is monthly, with payments usually being made on the last working day of the month. However, wages are due on the last day of the wage period and must be paid as soon as is feasible but no later than seven days after the end of the wage period. In Hong Kong, SAR, it is customary to pay a 13th salary before the Chinese Lunar New Year or at the end of the year.

6.9 HR legislation

- Employment in Hong Kong, SAR is governed by several regulations such as the Employment Ordinance, the Mandatory Provident Fund Schemes Ordinance, the Employees' Compensation Ordinance, the Occupational Safety and Health Ordinance, and the Minimum Wage Ordinance.
    - The Mandatory Provident Fund Schemes Ordinance requires employers in Hong Kong, SAR to enrol employees in a Mandatory Provident Fund Scheme to which both the employer and the employee must make mandatory contributions.
    - The Employees' Compensation Ordinance governs the compensation for employees in the event of workplace injuries. According to the ordinance, employers are required to hold valid employees' compensation insurance policies and compensate employees for workplace-related injuries. Employees who are injured while working outside Hong Kong, SAR are also covered if they are employed in Hong Kong, SAR by local employers.
    - The Occupational Safety and Health Ordinance establishes guidelines for ensuring the health and safety of employees in industrial as well as non-industrial workplaces. It also prescribes measures to enhance workplace safety.
    - The Minimum Wage Ordinance establishes a statutory minimum wage across Hong Kong, SAR by minimising the loss of low-paid jobs in the SAR.

Compliance requirements

7.1 Base Erosion and Profit Shifting (BEPS)

- A mandatory transfer pricing regime and anti-BEPS changes to Hong Kong, SAR were introduced on 29 December 2017 after the Inland Revenue (Amendment) (No. 6) Bill 2017 (BEPS bill) was gazetted.
- According to the Automatic Exchange of Financial Account Information (AEOI) arrangement, the Hong Kong, SAR government proposes fundamental transfer pricing rules that empower the Inland Revenue Department (IRD) to adjust the profits or losses of an enterprise where the actual provision made or imposed between two associated persons departs from the provision that would have been made between independent persons and has created a tax advantage.
- The introduction of the mandatory documentation requirements based on the three-tiered approach of country-by-country (CbC) reporting, master file and local file remains the most significant proposal since the release of the Consultation Report on Measures to Counter BEPS (Consultation Report) back in July 2017.
- As per the 2023-24 budget, Hong Kong, SAR will apply the global minimum effective tax rate of 15% on inscope multinational enterprise (MNE) groups starting from 2025. Only inscope large MNE groups will be subject to the global minimum tax. The vast majority of corporate taxpayers, including local small and medium enterprises, will not be affected.
- As of January 2024, Hong Kong, SAR has signed comprehensive avoidance of double taxation agreements (CDTAs) with 48 jurisdictions and is in negotiations with 17 jurisdictions. The provisions of the Multilateral Instrument will take effect in Hong Kong, SAR on 1 April 2023 with respect to a covered tax treaty for taxes withheld at source, or on 1 April 2024 for other taxes. These are the earliest dates of application; the exact dates are subject to the completion of legislative and other relevant procedures of the Multilateral Instrument by Hong Kong, SAR's tax treaty partners.

7.2 Foreign Account Tax Compliance Act (FATCA)

- In November 2014 Hong Kong, SAR signed a Model 2 intergovernmental agreement (IGA) with the United States to facilitate compliance with the Foreign Account Tax Compliance Act (FATCA) by financial institutions in Hong Kong, SAR.

7.3 Common Reporting Standard (CRS)

- Hong Kong, SAR adopted CRS on 1 January 2017 for improved tax transparency. The CRS due diligence and reporting standards are consistent with the OECD framework.
- As of May 2024, Hong Kong, SAR has activated exchange relationships for CRS purposes with over 80 jurisdictions based on either a bilateral or multilateral competent authority agreement for CRS.

7.4 International Financial Reporting Standards (IFRS)

- IFRS is required for domestic public companies. Domestic companies whose securities trade in a public market are required to use Hong Kong Financial Reporting Standards (HKFRS), which are virtually identical to IFRS. A company that is domiciled in Hong Kong, SAR but incorporated outside Hong Kong, SAR is permitted to use either HKFRS or IFRS as directed by the board.
- In September 2024, the Hong Kong Institute of Certified Public Accountants (HKICPA) announced new exposure drafts for sustainability and climate-related reporting standards for businesses, fully aligned with the IFRS Foundation's International Sustainability Standards Board (ISSB). These standards are set to take effect in August 2025.

7.5 Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT)

The relevant authorities under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO) are:

- The Monetary Authority for the supervision of authorised institutions.
- The Securities and Futures Commission for the supervision of licensed corporations.
- The Companies Registry for the supervision of trust and company service providers.

The main pieces of legislation that are concerned with money laundering, terrorist financing and proliferation financing in Hong Kong, SAR are the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO), the Drug Trafficking (Recovery of Proceeds) Ordinance (DTROP), the Organised and Serious Crimes Ordinance (OSCO), the United Nations (Anti-Terrorism Measures) Ordinance (UNATMO), the United Nations Sanctions Ordinance (UNSO) and the Weapons of Mass Destruction (Control of Provision of Services) Ordinance (WMD(CPS)O).

7.6 Know Your Customer (KYC)

- According to the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) (Amendment) Ordinance (Cap. 615) (AMLO), which came into effect on 1 March 2018, it is a statutory requirement for all registered trust or company service providers (TCSPs) in Hong Kong, SAR to request documents for customer verification from prospective clients.
- The new compliance threshold brings Hong Kong, SAR's existing anti-money laundering legislation in line with international best practices framed by the Financial Action Task Force (FATF).
- The amendment states that designated non-financial businesses and professionals or DNFBPs are now subject to the same Know Your Customer (KYC) reporting norms as financial institutions.

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