



<http://www.switzerland-family-office.com/relocation/relocation-to-hong-kong.html>

Relocation to Hong Kong

The fact that Hong Kong has been an autonomous region of China since 1997, has not in any way deterred affluent families from taking up residency in the former British colony. Hong Kong is situated on the southern border of China and is one of the most densely populated sovereign states of the world. Hong Kong is also considered to be one of the most competitive jurisdictions of the world and has one of the most liberal market economies.

Hong Kong's history

Hong Kong became a British colony after the first Opium Wars (1839-1842) fought between the British and the Chinese Qing Dynasty (the Qing Empire). The British actually occupied Hong Kong Island in 1841 and Hong Kong Island was officially ceded in perpetuity to the British on the 29th of August 1842 by virtue of the Treaty of Nanking. The British colony was expanded in 1860 with the cession of the Kowloon peninsula and in 1898 further expanded as a result of the 99-year lease of the New Territories.

By the early 1980's it became clear that the People's Republic of China (China) did not intend to extend the lease of the New Territories when it would come to an end (in 1997) and, furthermore that it intended also for Hong Kong Island and the Kowloon peninsula to become Chinese territory again. After several years of negotiations, the United Kingdom and China signed the Sino-British Joint Declaration on 19 December 1984, agreeing to hand over Hong Kong to China per 1 July 1997. The two jurisdictions agreed that Hong Kong would become a Special Administrative Region (SAR) for a period of 50 years, until 2047. During this period Hong Kong would maintain its own legislative, executive, and judiciary powers.

Hong Kong's government & economy

Hong Kong (officially: Hong Kong Special Administrative Region of the People's Republic of China) is an autonomous territory within China, but does not form part of mainland China. Next to Hong Kong there is only one other Special Administrative Region (SAR); Macau.

As a SAR, Hong Kong is autonomously governed. It has its own legal framework, monetary system; the Hong Kong dollar (HK\$), immigration policy and public security force. China is only responsible for Hong Kong's foreign affairs and its military defence.

Hong Kong is a common law jurisdiction. The Hong Kong Basic Law functions as the constitution of Hong Kong. The Chief Executive of Hong Kong is the head of state. He is advised by the Executive Council of Hong Kong, which functions like a cabinet. The Legislative Council of Hong Kong is the parliament; its members are elected by the permanent residents of Hong Kong.

Hong Kong has over seven million residents and is one of the most densely populated jurisdictions of the world. The main languages spoken in Hong Kong are Cantonese and English. The absolute majority of residents of Hong Kong are of Chinese origin.

Hong Kong's economy

Contrary to China's socialist economy, Hong Kong' economy is a true capitalist market economy. The basis for this difference is the 'One country, two systems' constitutional principle which was formulated by Deng Xiaoping, China's leader before the reunification of China with Hong Kong.

Hong Kong is one of the most liberal economies, ranking constantly at the top of the Index of Economic Freedom. It is also one of the worlds more prominent financial centres, has its own stock exchange, and is home to many corporate headquarters in the Asia-Pacific region.

Hong Kong is very much a service-based economy. Trading is one of the key services provided out of Hong Kong. Due to its location it functions as one of the gateways to China and acts as a distribution channel for products produced in China. Both its deep-water port and international airport play an important role in this.

Hong Kong has a credit rating of AAA or AA, depending on the rating agency.

Taxes in Hong Kong

- **Personal income tax:** Families relocating to Hong Kong find that Hong Kong is using a territorial basis of assessment for establishing one's income tax liability. This means that residents of Hong Kong have to pay personal income tax on income which is accruing in, or derived from Hong Kong. Income derived from a foreign source or accruing outside the jurisdiction remains tax exempt, even when remitted at a later stage.

The personal income tax rate is progressive. The maximum applicable rate is 17% (as of HK\$ 120.000). In addition to the already highly beneficial territorial tax system, several types of income are in any event fully exempted from tax; including such dividends and capital gains which are not considered income from trade.

- **Wealth tax:** The Hong Kong tax authorities do not levy a wealth tax on persons residing in the jurisdiction.
- **Inheritance and gift tax:** Hong Kong does not impose an inheritance or gift tax, or estate duty.
- **Stamp duty and VAT:** Hong Kong does not impose Value Added Tax. Stamp duty is payable on certain transactions, including the transfer of real estate.
- **Exit tax:** Hong Kong does not levy an exit tax, but when one intends to leave Hong Kong to relocate to another jurisdiction one needs to notify the Hong Kong tax authorities prior to leaving the jurisdiction.

Special tax treatment for foreigners relocating to Hong Kong

For foreigners taking up residency in Hong Kong there is no special tax regime available. Like other residents of Hong Kong immigrants can benefit from its highly beneficial territorial tax regime.

Benefits of living in Hong Kong

Hong Kong is a true international metropole, very much known for its impressive skyline. Although the city is densely populated one finds that several country parks offering abundant nature do surround it. Hong Kong also has some great beaches, and actually has more than 200 islands. Hong Kong boasts innumerable restaurants and bars. Food from all over Asia can be enjoyed in all neighbourhoods of the city day and night.

Public transport is well organised, mainly through its MTR rapid transit system and numerous bus lines, and most of Hong Kong's inhabitants therefore use public transport to get around the city. The Hong Kong ferry, and other independent ferry lines also play an important role in the daily life of Hong Kong's population.

Hong Kong has a subtropical climate, which is quite humid. Its summers are hot and humid, with average temperatures reaching well-above 30°C and regular tropical rain showers. Winters are mild. Autumn is considered the best season of the year.

The quality of the Hong Kong health system is good contributing to the life expectancy of the population which is currently the highest worldwide. There are both public and private hospitals, some of which are considered to be among the best in the world. Hong Kong's educational system is internationally considered to be one of the very best. Education is provided in Chinese (Cantonese) with written Chinese and English. Hong Kong has nine universities.

Visa and residency permit

Before considering relocation to Hong Kong one should first visit the jurisdiction to become familiar with it. Visitors from most jurisdictions do not need to obtain a visa before travelling to Hong Kong. It is nevertheless recommended that one verifies if a visa is necessary and how many days one is allowed to spend in Hong Kong without one. Visitors to Hong Kong need to be able to sustain themselves during their stay (without working) and to hold return (or onward) tickets.

Taking up residency in Hong Kong

Hong Kong was offering several ways to affluent families to relocate to and take up residency. It offered the possibility to take up residency on the basis of its Capital Investment Entrant Scheme and on the basis of an Investment as Entrepreneur (Business Investment Visa). Hong Kong's Capital Investment Entrant Scheme has been suspended with effect from 15 January 2015. This

left an Investment as Entrepreneur as the best option for affluent families to relocate to Hong Kong.

An investment as entrepreneur in Hong Kong, which would lead to obtaining a Hong Kong residency permit, is open to all who fulfil the criteria, except for Chinese residents of Mainland China and nationals from Afghanistan, Cambodia, Cuba, Laos, North Korea, Nepal and Vietnam.

The main conditions for becoming a resident of Hong Kong are

1. No security objection against the applicant and no criminal record
2. Good educational background; normally a first degree, however a proven track record could turn out to be sufficient (documentary evidence)
3. Applicant should make a substantial contribution to the economy of Hong Kong by establishing a business or joining in a start-up business

Although the application procedure for a business related residency permit in Hong Kong is relatively simple, it is recommended that applicants consult a local advisor or private bank to assist with it.

The third condition in more detail:

1. **Business plan.** A comprehensive business plan covering a two year period should be submitted. This should include forecasted profit and loss, cash flow, etc. It will be assessed if the business supports Hong Kong's economic development.
2. **Business turnover.** Should the applicant already be involved in relevant business in his/her home jurisdiction or elsewhere, profit and loss statements as well as balance (sheets) should be submitted with respect to the previous year (relevant experience will be taken into account).
3. **Financial resources.** Statements for personal and corporate bank accounts should be submitted by the applicant in order to demonstrate sufficient funds to run the new business.
4. **Investment sum.** Documentary proof evidencing the actual amount of capital investment should be submitted.
5. **Number of jobs.** The human capital side of the business should be set out. How many jobs, which functions.
6. **Introduction of new technology or skills (if applicable).** Explanation how these new technologies or skills can benefit the long-term development of Hong Kong.

Application procedure

1. The applicant should fill in an application form (ID 999A)
2. A sponsor should fill in an application form (ID 999B). The local sponsor can be an individual or a company.
3. Recent photograph
4. Photocopy of valid travel document
5. Proof of academic qualifications and work experience
6. Proof of financial means (personal and corporate)

7. Photocopy of employment contract(s)
8. 2-year business plan
9. Any additional proof with respect to the business under formation (and existing business in case the Hong Kong based business will be related to already existing business outside Hong Kong)
10. Photocopy of rental contracts/supporting documents with respect to the establishment of an office
11. Photocopy of HK Business registration certificate
12. Photocopy of documents filed with the Company Registry
13. Photocopy of the necessary licenses/certificates to operate the business
14. Payment of a fee

In every case all the documents must be duly completed and signed. In case of dependants part B of the application form ID 999A must be completed and signed by every dependant.

Upon successful completion of the application procedure one will be issued a visa/entry permit label. When arriving in Hong Kong this should be presented to the immigration officer. After one has actually relocated to Hong Kong one will initially be allowed to stay for 24 months based on the conditions of employment. Extension of the residency permit is possible under the condition that one still meets the eligibility criteria. Once one has ordinarily resided in Hong Kong for seven continuous years, one may apply for the right of abode.

Hong Kong citizenship

The possibility to obtain Hong Kong citizenship does not exist. There is also no special citizenship program. Due to the fact that Hong Kong is a SAR of the People's Republic of China one can in fact only apply for Chinese citizenship. As China does not allow its nationals to hold dual citizenship, one would need to renounce one's existing citizenship.

Inasmuch as there are no specific benefits to having Chinese citizenship, and the procedure to be followed is burdensome, most persons who relocate to Hong Kong settle for applying for permanent residency in Hong Kong (right of abode).

Leaving your home country and taking up residency in Hong Kong

Once one has established one's business in Hong Kong, its government has granted the residency permit and one has actually moved to Hong Kong, one will be considered a tax resident of Hong Kong if one ordinarily resides or spends at least 180 days a year in the jurisdiction.

Although the jurisdiction is internationally not considered a tax haven, affluent families who consider relocating to Hong Kong should still make sure that they pay enough attention to how they intend to exit their current home jurisdiction. Making sure that one is really leaving one's (former) home country is an essential element in any relocation strategy. This is even more important in the case of relocation to Hong Kong due to the fact that Hong Kong has a territorial tax regime.

Taking the step

If you are considering moving to Hong Kong, please make sure that a local private bank, multi-family office or dedicated lawyer guides you through the process. If you would like to receive more information about the benefits and possibilities of international relocation, please contact us. We look forward to serving you.

Disclaimer:

The information that is provided on this page with respect to the tax system and residency criteria is of general nature and should not be perceived as (tax or legal) advice, or the solicitation of tax or legal services. Although all information is regularly updated, some facts could be outdated.