

# Hong Kong Company Guide

## Keeping your company in good standing

### **Congratulations!**

**Your Hong Kong private limited company has been successfully incorporated!**

Now you must take note of the formal duties required by law each year for your new Hong Kong company.

Startuppr's guide helps you manage your company effectively while maintaining its legal obligations.



# Annual and other requirements

## 1. Notification of Commencement of Business

Upon incorporation, the nature of business of all local limited companies is shown as "CORP" in their BRCs. Local limited companies are required to notify BRO in writing within 1 month of the date of actual commencement of the business their business name, description and nature of business carried on, business address and date of commencement of business. All newly incorporated companies in Hong Kong are obliged to notify the Inland Revenue Department (IRD), in writing of the company's nature of business, business description, business address, and date of business commencement.

**Due Date:** no more than 1 month after the date of business commencement.

**Note:** Business commencement does not mean that your company has incoming transactions. Whenever you start purchasing office equipment (such as computers, stationary, etc), providing consultation to your potential clients (by emails or phones), setting up a company website or printing name cards, your business can be deemed as operating. In any circumstances, if the company is operating, investing, or managing any subsidiary (like a holding company), it is also deemed as commenced business and filing is needed.

## 2. Annual Return (NAR<sub>1</sub>)

The annual return is related to your company particulars as a recapitulation (nothing related to your business or profits), which is reported to the Companies Registry (CR), must include a complete list of directors, company secretary and members, even the company structure has not been changed.

**Due Date:** Within 42 days after the company's return date.

**Note:** We remind you of this requirement by email 1-2 months before the due date. Failure on filing Annual Return will lead to prosecution. According to section 662 of the Companies Ordinance, if a company fails to comply with the provision, the company and every responsible person of the company are liable to prosecution and, if convicted, default fines. The maximum penalty is HK\$50,000 for each breach and, in the case of a continuing offence, a daily default fine of HK\$1,000.

## 3. Annual General Meeting (AGM)

An annual general meeting is mandatory each financial year of the company. A company must, in respect of each financial year, hold its AGM within the following period –

- ♦ in the case of a company limited by guarantee or a private company that is not a subsidiary of a public company, 9 months after the end of its accounting reference period; and
- ♦ in the case of any other company, 6 months after the end of its accounting reference period.

## 4. Significant Controllers Register (SCR)

Under the Amendment Ordinance (starting from 2018), all companies incorporated in Hong Kong (except listed companies) are required to:

- ♦ identify and ascertain a person who has significant control over the company; and
- ♦ maintain a Significant Controllers Register to be accessible by law enforcement officers upon demand.



The significant controllers register (also known as Register of Significant Controllers) must contain, among others, the required particulars of the significant controller(s) and contact details of the designated representative of the company. Also need to maintain up-to-date Register of Directors, Register of Company Registry, and Register of Members in the registered address.

**Note:** Failure on keeping the Significant Controllers Register will lead to prosecution. According to section 653M(1) and 653M(6) of the Companies Ordinance, if a company fails to comply with the provision, the company and every responsible person of the company are liable to prosecution and, if convicted, default fines. The maximum penalty is HK\$25,000 for each breach and, in the case of a continuing offence, a daily default fine of HK\$700.

## 5. Profits Tax Return (PTR)

The Inland Revenue Department (IRD, Hong Kong Government Tax Department) requires a tax filing for each newly incorporated company. The first Profits Tax Return (PTR) is issued by the IRD within 1-2 months before the 2nd anniversary date, or around 20 months from the date of incorporation.

**Due Date:** within 3 months of receipt of the first Profits Tax Return form.

**Note:** We will notify you by email as soon as we receive the Profits Tax Return for your company.

Profits Tax Return Rate – 8.25% on profits up to HKD\$ 2,000,000, and 16.5% on profits thereafter.

Offshore Profits Tax Exemption – If all the company's income is from outside Hong Kong, you may claim offshore exemption, relieving your firm of Hong Kong tax, the profit tax rate is 0%. In this case, Startupr will submit an offshore claim on behalf of your company. The IRD then issues a query letter requesting further information and documentation. If a company successfully demonstrates its sources of income as outside Hong Kong, such income will be exempt from Hong Kong tax.

"NIL" profits tax return – for firms which have **not** yet commenced any business in any country.

## 6. Initial Audit

An initial annual audit of the newly incorporated company must be conducted. Due within 18 months after incorporation. The company has the authority to choose its own fiscal year end, however the most common year ends in Hong Kong are March 31st or December 31st. The reason for this is these two financial year ends can enjoy tax filing extensions to November 15th and August 15th respectively.

## 7. Business Registration Certificate (BRC)

We help our client set up company through the e-incorporation service (the one-stop company and business registration service). Upon the approval, the Companies Registry will issue both Certificate of Incorporation and Business Registration Certificate (BRC) in electronic form (both in A4 size white paper PDF format) as official documents, which will not entertain any request for issue of paper certificates.

Each Hong Kong company must renew its business certificate every year on time. A business registration renewal demand note will be issued by the Business Registration Office approximately one month before the expiry date on the BRC.

**Due Date:** The expiration date of the current valid business certificate, usually is the anniversary date of the company.



**Note:** We remind you by email 1-2 months before the anniversary date. Failure on renew Business Registration Certificate will lead to prosecution. According to the Business Registration Ordinance, if a company fails to comply with the provision, the company and every responsible person of the company are liable to prosecution and, if convicted, default fines. The maximum penalty is HK\$5,000 and imprisonment for 1 year.

## Checklist

- Notification of Commencement of Business
  
- Annual Return (NAR<sub>1</sub>)
  
- Annual General Meeting (AGM)
  
- SCR and other registers
  
- Profits Tax Return (PTR)
  
- Annual Audit
  
- Business Registration Certificate (BRC)

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