PENA LIMITED

SETTING UP
PRIVATE LIMITED COMPANY
IN HONG KONG

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Hong Kong is a Special Administrative Region (SAR) of the People's Republic of China, has its own legislature, legal and judicial systems, and full economic autonomy. China is only responsibility for defence and foreign affairs.

The basic law is the constitutional law of the Hong Kong SAR, which sets out the policies of the Chinese government towards Hong Kong and how the SAR is to be administered. Under the basic law, Hong Kong exercises executive, legislative and independent judicial power.

Hong Kong participates independently in international trade and issues independent certificates of origin. It retains its border controls with China, its own customs procedures and the right to conduct international trade relations.

Hong Kong is a member in its own right of the World Trade Organization (WTO) and the Asia-Pacific Economic Co-operation (APEC) forum.

Hong Kong has concluded a Closer Economic Partnership Arrangement (CEPA) with Mainland China to facilitate access to Chinese markets for Hong Kong manufacturers and service-based companies. Under the CEPA, the mainland is committed to simplifying procedures and strengthening cooperation with Hong Kong on customs clearance, quarantine and inspection, quality assurance and food safety, and to facilitate investment. Nearly all goods produced in Hong Kong are able to enter the mainland at zero import tariffs.

I) SETTING UP A HONG KONG LIMITED COMPANY

The Companies Ordinance Cap. 622 regulates both public and private limited companies. There is no investment approval procedure and no restrictions on foreign investment in Hong Kong; foreigners can invest in any business and own up to 100% of the equity (except for state-owned activities and broadcasting and cable where foreign ownership may not exceed 49%).
Hong Kong's Basic Law safeguards "free movement of goods, intangible assets and capital".

Hong Kong-based companies can benefit from the free trade agreement with Mainland China known as the Closer Economic Partnership Arrangement (or 'CEPA'), which provides preferential trading terms. In addition, CEPA-qualified companies are eligible for preferential access to Mainland China markets across a wide range of service sectors.

A limited company has share capital and the shares carry a bundle of rights and obligations relating to the company. Limited liability means that the shareholder's personal liability to the company is limited to the par value of the shares or to an amount guaranteed by the shareholder. If the company enters into a transaction with another party and incurs a debt to that party, the shareholders are not obligated to repay the debt, unless they specifically agree to do so.

Capital & shares
No minimum capital or legal reserves is required.
Capital must be in cash (and may be used to procure franchises, plants, patents or know-how).
There is no limit on the amount of authorized or issued share capital, and share capital may be in any currency.
All shares must be registered. Ordinary and preferred shares, with varying voting rights and dividend entitlements, are possible.

Founders, shareholders
One founder or shareholder may form a private company, but there may not be more than 50 shareholders. There are no nationality or residence requirements.

Board of directors/management.
There are no nationality or residence requirements, except that the company secretary must ordinarily reside in Hong Kong (if an individual) or have a registered office in Hong Kong (if a corporation). One director may form a private company, but he/she is prohibited from also being the secretary of the firm.

Taxes and fees
The registration fee payable to the Companies Registry is HKD 1,720.
The fee payable to the Business Registration Office under the Inland Revenue Department for application of a Business Registration Certificate is HKD 2,250.

Control/meetings
Annual meetings must be held each calendar year and balance sheets and profit and loss accounts presented. No more than 15 months can elapse between meetings.
A majority of 50% + 1 share suffices for most decisions, unless the corporate articles provide otherwise.

Hong Kong limited company incorporation minimum requirements
1 Shareholder and 1 Director (can be the same people), 1 Company Secretary, 1 Registered Address, 1 Significant Controllers Register.
Please look at : http://www.pena.hk/pdf/hong_kong_ltd_incorporation_en.pdf

Accounting, filing and auditing requirements
Every limited liability company in Hong Kong must appoint an auditor at its annual meeting. Only persons qualified under the Professional Accountants Ordinance (PAO) are recognized as company auditors. There are specific procedures for the appointment and resignation of auditors and penalties for corporate officers who make false statements to auditors.

There is no requirement that private companies file annual financial statements, but proper books of account must be kept and maintained at the company's registered office. Companies must file annual returns specifying directors, members and the location of a registered office.

II) OPENING A BANK ACCOUNT

The process and documents required to open a company bank account vary, depending on the type of company and bank that you will choose.
Before you apply to open a company bank account, you must complete the registration and incorporation of your company because Certificate of Incorporation N° is requested.
If you are not Hong Kong ID or working visa holder, do not rent a real office in Hong Kong you only choice is HSBC group. Without business proofs related to China or Asia your request will systematically be rejected after one week for administrative reasons or HSBC business appetite no compliance.
Banks normally require a minimum deposit of HK$ 50,000.

The Hong Kong Association of Banks : http://www.hkab.hk/

III) OBTAINING LICENCES

Licences

Some businesses will require licences or registration to conduct a specific activity.
These include among others: restaurants, travel agencies, employment agencies, banks, fund managers, insurance brokers and lawyers.

Useful links:

Business Licence Information Search : http://www.success.tid.gov.hk/
Labour Department : http://www.labour.gov.hk/
Food & Environmental Health Department : http://www.fehd.gov.hk/
Travel Industry Council : http://www.tichk.org/
Hong Kong Monetary Authority : http://www.info.gov.hk/hkma
Securities and Futures Commission : http://www.sfc.hk/
Office of the Commissioner of Insurance : http://www.oci.gov.hk/
The Law Society of Hong Kong : http://www.hklawsoc.org.hk/

Intellectual property protection

Hong Kong is a leader in Asia in the protection and enforcement of intellectual property rights.
Stringent laws regulate patents, copyrights, trade marks and registered designs.
The Intellectual Property Department monitors the Intellectual Property regime and ensures enforcement. It investigates complaints against infringements and has extensive powers of search and seizure.

Patents

To protect your patent, you must register it under the Patents Ordinance. To qualify, the invention must be new, involve an inventive step and be capable of industrial application. Once registered, a patent may be freely assigned or licensed.
It is important to note that the Hong Kong Ordinance does not cover Mainland China. However, Hong Kong-based IP advisors may arrange for China-wide, or worldwide patent registration.

Trade Marks

Trade Marks or logos may be registered under the Trade Marks Ordinance. Even unregistered trade marks are afforded a certain amount of protection under Hong Kong's Common Law system.

Copyright

In order to be protected by copyright law, a work or performance must be original, recorded, be one of the categories stipulated in the Copyright Ordinance and be connected to Hong Kong. If a copyright exists in a subject matter, the protection is automatic. No registration is required, even if that work or performance originates from anywhere in the world.

Registered Designs

A registrable design includes features of shape, configuration, pattern or ornament applied to an article by any industrial process. It affects only the outward appearance of an article which must be new and have aesthetic appeal.
The Registered Design Ordinance establishes an independent designs registry in Hong Kong. Registration is for a total of 25 years, subject to renewal every five years. Registered designs can be freely assigned and licensed.

Duty, licenses and tariffs

There are no customs tariffs on goods imported into Hong Kong. All that is generally required is for an import/export declaration to be submitted to the Commissioner of Customs and Excise within 14 days. Some special rules apply for specific items, such as motor vehicles (on which first registration tax is payable).

IV) PROTECTING YOUR LEGAL POSITION

The legal system of Hong Kong is based on the rule of law and is upheld by an independent judiciary.
Hong Kong's legal system is still based on the English common law and the vast majority of the pre-1997 laws (or Ordinances) remain the same, and are available in Chinese and English.

Corruption

The Hong Kong government has a policy of zero tolerance for corruption. Education, prevention and investigation are led by the widely-respected Independent Commission Against Corruption (ICAC).

Dispute Resolution

There are several ways of solving disputes in Hong Kong. In fact, the city is recognised as one of the world's leading arbitration centres.

<u>1. Mediation</u>

Mediation is growing more popular as an alternative to litigation or arbitration. The Hong Kong International Arbitration Centre encourages mediation by promoting its benefits, training mediators and keeping a register of accredited mediators.

<u>2. Arbitration</u>

Arbitration is governed by the Arbitration Ordinance and operates a panel of international and local arbitrators. The Chartered Institute of Arbitrators and the Hong Kong Institute of Arbitrators are involved in developing and managing the industry. This has made Hong Kong a popular choice, in particular, for commercial, shipping and building arbitrations.

<u>3. Litigation</u>

Litigation in the courts is similar to that of the UK and other Commonwealth jurisdictions.
It comprises Small Claims Tribunals (up to HK$ 50,000 or approximately US$ 6,500 - € 5,000), District Courts and High Courts.

<u>Useful links</u>

Hong Kong Law Society: http://www.hklawsoc.org.hk/ (for a list of lawyers, legal advisor,...)
Hong Kong International Arbitration Centre: http://www.hkiac.org/
Hong Kong Institute of Arbitrators: http://www.hkiarb.org.hk/
Hong Kong Judiciary: http://www.judiciary.gov.hk/

V) UNDERSTANDING COMPANY TAX STATUS

Hong Kong's simple and business-friendly tax system is a major draw card for foreign investors.
The city imposes only three direct taxes : on profits, salaries and property.

1. Profits Tax

Persons including companies, partnerships and individuals carrying on business in Hong Kong are liable to tax on profits arising in or derived from Hong Kong.

The maximum profits tax rate for corporations is 16.5% and 15% for unincorporated businesses.

Deductible items include :

- all expenses incurred in the production of assessable profits
- losses of the company (may also be carried forward indefinitely)
- capital allowances on capital expenditure (varying between 4-20%) and plant and machinery, up to an immediate write off of 100%
- certain trademark and patent registration fees
- contributions to an employee retirement scheme, up to specified limits
- some costs attributable to scientific research Items exempt from profits tax
- interest income, other than that received by financial institutions, and dividends received from corporations
- capital gains

2. Salaries Tax

Salaries tax is charged on all income arising in, or derived from, Hong Kong. To be eligible, you must spend at least 60 days each fiscal year in Hong Kong.

The first HK$ 128,000 (or US$ 16,600 - € 12,800) earned is tax free. Further allowances are offered for parents of children, contributions to the Mandatory Provident Fund (MPF), self-education fees, mortgage interest and charitable donations. Employees who perform services both within and outside Hong Kong, and who have paid overseas tax, may have this portion of salary exempted from Hong Kong salaries tax.

The standard tax rate is 15%. Over and above the first tax-free HK$ 120,000, the progressive tax rate rises from 2% to a maximum 17%. The 17% is only applicable to taxable income part exceeding the first HK$ 240,000.

In addition, Hong Kong has no sales tax, no withholding tax and no tax on an individual's estate.

Inland Revenue Department: http://www.ird.gov.hk/

VI) HONG KONG'S TERRITORIAL SOURCE PRINCIPLE OF TAXATION

Hong Kong adopts a territorial source principle of taxation.

Profits from a Hong Kong trade or business are subject to a profits tax; income from employment or pensions is subject to a salaries tax; and income from property is subject to a property tax. Foreign-source income is not taxable even if remitted to Hong Kong.

Capital gains on transfers of capital assets are not taxed and no withholding tax is imposed on dividends paid out of profits after tax.

Hong Kong does not impose any direct payroll, turnover, value added, gift or capital gains taxes.

Only profits which have a source in Hong Kong are taxable here. Profits sourced elsewhere are not subject to Hong Kong Profits Tax. The principle itself is very clear but its application in particular cases can be, at times, contentious. To clarify the operation of the principle, we have prepared this simple guide on the territorial source principle of taxation. It gives a brief explanation of how the principle operates and provides simple examples for illustrative purposes of the tests applied to different types of businesses. If you wish to explore the subject in greater depth, we recommend that you consult your professional advisers.

a. Hong Kong's basis of taxation on profits from businesses

Hong Kong adopts a territorial basis for taxing profits derived from a trade, profession, or business carried on in Hong Kong. Profits Tax is only charged on profits which arise in or are derived from Hong Kong. In simple terms this means that a person who carries on a business in Hong Kong but derives profits from another place is not required to pay tax in Hong Kong on those profits.

b. Pre-conditions for liability to Profits Tax

Under the Inland Revenue Ordinance, a person is chargeable to Profits Tax under the following conditions:

- he carries on a trade, profession or business in Hong Kong;
- the trade, profession or business derives profits; and
- the profits arise in or are derived from Hong Kong.

The first two conditions are straightforward. Some elaboration is necessary for the third. Let us have a brief look at the basic principles for determining the source of profits.

c. Basic principles for determining the source of profits

The Courts have over the years considered the subject of the source of profits. The following principles have emerged from authoritative court decisions:

<u>Matter of fact</u>

The question of locality of profits is a hard, practical matter of fact. No universal rule can apply to every scenario. Whether profits arise in or are derived from Hong Kong depends on the nature of the profits and of the transactions which give rise to such profits.

<u>The operations test</u>

The broad guiding principle is that one looks to see what the taxpayer has done to earn the profits in question and where he has done it. In other words, the proper approach is to identify the operations which produced the relevant profits and ascertain where those operations took place.

<u>Gross profits from transactions</u>

The distinction between Hong Kong profits and offshore profits is made by reference to the gross profits arising from individual transactions. Only those business activities which directly produce the gross profits are taken into consideration in determining the source of profits. Activities such as general administration are normally not relevant.

<u>Place where decision is made</u>

The place where the day-to-day investment/business decisions take place is only one factor which has to be taken into account in determining the source of profits. It is not usually the deciding factor.

<u>Business presence overseas</u>

A business may maintain a presence overseas which earns profits outside Hong Kong but the absence of a business presence overseas does not, of itself, mean that all the profits of a Hong Kong business invariably arise in or are derived from Hong Kong. However, in the vast majority of cases where the principal place of business is located in Hong Kong and there is no business presence overseas, profits earned by that business are likely to be chargeable to Profits Tax in Hong Kong.

d. Profits of trading firms

Contracts for purchase and sale

The factor that determines the locality of profits from trading in goods and commodities is generally the place where the contracts for purchase and sale are effected. "Effected" does not only mean that the contracts are legally executed. It also covers the negotiation, conclusion and execution of the terms of the contracts.

Totality of facts

The proper way is to look at the totality of facts. In other words, all relevant facts have to be considered, not simply the purchase and sale of the goods.

“For example: How were the goods procured and stored? How were the sales solicited? How were the orders processed? How were the goods shipped? How was the financing arranged? How was payment effected?"

How relevant facts are considered

In considering the relevant facts the nature and quality of the activities matter more than their quantity. It is the cause and effect of such activities on the profits that is the deciding factor.

Irrelevant facts

Facts not directly related to the trading activities are considered irrelevant in determining the locality of profits. For example, renting office premises, recruiting general staff, setting up office, etc.

General practice

Where the contracts of purchase and sale are effected in Hong Kong, the profits are taxable here.

Where the contracts of purchase and sale are effected outside Hong Kong, the profits are not taxable here.

Where either the contract of purchase or the contract of sale is effected in Hong Kong, the initial presumption is that the profits are taxable here. However, the totality of facts will have to be examined to determine the source of profits.

Where the sale is made to a Hong Kong customer, the sale contract will usually be taken as having been effected in Hong Kong.

Where the effecting of the purchase and sale contracts does not require travelling outside Hong Kong but is carried out in Hong Kong by use of telephone, or other electronic means including the Internet, the contracts will be considered as having been effected in Hong Kong.

Trading profits are regarded as being either wholly taxable or wholly non-taxable here. Apportionment is not appropriate.

e. Profits of manufacturing businesses

The place of manufacture

The source of profits for a manufacturing business is the place where the goods are manufactured. The profits arising from the sale of goods manufactured in Hong Kong are fully taxable here. Where goods are manufactured partly in Hong Kong and partly outside Hong Kong, that part of the profits which relates to the manufacture of goods outside Hong Kong will not be regarded as arising in Hong Kong. The place where the manufactured goods are sold is not relevant.

Manufacturing under a processing or assembling arrangement with an entity in the Mainland of China

It is common for a Hong Kong manufacturer to enter into a processing or assembling arrangement with an entity in the Mainland of China. Under this arrangement the Hong Kong manufacturer normally provides the materials, technical know-how, management, production skills, design, skilled labour, training, supervision, etc. The Mainland entity provides the factory premises, land and labour for processing, manufacturing or assembling the goods.

Strictly speaking, the Mainland entity is a separate sub-contractor distinct from the Hong Kong manufacturer and the question of apportionment in respect of the latter's profits should not arise.

The Inland Revenue Department is, however, prepared to adopt a practical approach and to allow apportionment of profits on the sale of the goods concerned on a 50:50 basis. Only 50% of the profits are assessed as sourced in Hong Kong. This recognises the role played by the Hong Kong manufacturer in the Mainland manufacturing activities.

Manufacturing by an independent sub-contractor in the Mainland of China

In cases where the manufacturing work is contracted to an independent sub-contractor in the Mainland, paid for on an arm's length basis, and there is minimal involvement on the part of the Hong Kong business in the manufacturing work, then the manufacturing in the Mainland is not regarded as having been carried out by the Hong Kong business.

The profits of that manufacturing entity are therefore not taxable in Hong Kong. However, the profits made by the Hong Kong business on the sale of the goods will be fully taxable here.

f. Sale or purchase commissions

The place where service is performed

When a business earns commission by securing buyers for products or by securing suppliers of products required by customers, the activity which gives rise to the commission income is the arrangement of the business to be transacted between the principals.

The source of the income is the place where the activities of the commission agent are performed. If such activities are performed in Hong Kong, the income has a source in Hong Kong.

Factors such as the place where the principals are located, how they are identified by the commission agent, and the place where incidental activities are performed prior or subsequent to the earning of the commission are not generally relevant in determining the source of the commission income.

In the event that the commission income is earned by a person carrying on a business in Hong Kong but the activities which give rise to the commission are performed entirely outside Hong Kong, the commission is not taxable in Hong Kong.

g. Treatment of other profits

Some examples of the tests used to determine the source of the main types of other business profits are as follows:

Profits	Tax liability in Hong Kong
Rental receipts from real property	Taxable if the property is located in Hong Kong
Profits from the sale of real property	Taxable if the property is located in Hong Kong
Profits from the purchase and sale of listed shares	Taxable if the stock exchange where the shares are bought and sold is located in Hong Kong
Profits accruing to a business (other than a financial institution) from the sale of securities issued outside Hong Kong and not listed on an exchange	Taxable where the contracts of purchase and sale are effected in Hong Kong
Service fees	Taxable if the services which give rise to the payment of the fees are performed in Hong Kong
Royalties received by a business	Taxable if the relevant activities are carried out in Hong Kong
Royalties on intellectual property received from Hong Kong by a non-resident	Taxable if the intellectual property is used in Hong Kong
Interest accruing to a business (other than a financial institution)	Taxable if the lender provides the funds in Hong Kong to the borrower

h. Apportionment of profits and expenses

For manufacturing profits or service fee income involving substantial activities, both inside and outside Hong Kong, apportionment of profits is appropriate. A pragmatic arrangement with apportionment on a 50:50 basis is generally adopted across-the-board.

When apportionment is applied, it may lead to the question of how indirect expenses are to be allocated. Briefly speaking, when these expenses contribute to both Hong Kong and offshore profits they should be apportioned on the basis of the ratio that Hong Kong and offshore profits bear to total profits.

VII) TAXABLE INCOME AND RATES

Profits tax is levied on Hong Kong-source profits of businesses carried on in Hong Kong. Profits tax is levied at a rate of 16.5% here the company is carrying on business in Hong Kong and the relevant income is earned in or derived from Hong Kong.

Corporations, partnerships, trustees and bodies of persons carrying on a trade, profession or business in Hong Kong are subject to tax on all profits (excluding offshore profits and profits arising from the sale of capital assets). If property is sold as part of a profit-making scheme, tax is due on any profits made.

Assessable profit is the net profit for the basis period originating in Hong Kong, excluding offshore profits and profits arising from the sale of capital assets.

Income is considered sourced where the operation that generates it takes place.

In determining the source of profits, Hong Kong generally adopts the "operations test" which involves identifying the activities that are the most important in earning the profits and the place at which these activities are carried out.
Thus, all profits arising in or derived from Hong Kong are taxable, except :
(1) offshore income from operations that are substantially conducted outside Hong Kong;
(2) dividend receipts; and
(3) capital gains.
Interest – other than interest from bank deposits – accruing to a corporation conducting business in Hong Kong is subject to profits tax unless the credit is made available to the borrower outside Hong Kong.

Specified types of income from offshore funds managed outside Hong Kong are exempt from profits tax. A resident investor that holds an interest in the offshore fund may have its share of profits in the fund subject to tax in Hong Kong under a deeming provision if certain conditions are satisfied.
Special formulas apply in calculating taxable profits for the airline, shipping and insurance businesses.

a. Hong Kong Taxation and Investment
In addition to the above, income from the following is subject to profits tax:
· Fees from the exhibition or use in Hong Kong of cinema, television, film or tape, or any sound recording;
· Grants, subsidies or similar financial assistance connected with a business conducted in Hong Kong;
· Fees received for rental of movable property in Hong Kong;
· Royalties from the use of, or the right to use, certain types of intellectual property in Hong Kong; and
· Royalties from the use of or right to use certain types of intellectual property outside Hong Kong, but such royalties may be deductible as expenses of the payer in determining the latter's taxable profits.

b. Deductions
Expenses generally are deductible to the extent they are incurred in the production of profits that are chargeable to tax.
Deductible items include interest on borrowed funds that meets certain criteria, rent for buildings or land occupied, bad and doubtful debts incurred, depreciation (subject to certain limits), repairs to plant and premises, costs of implements used to produce taxable profits, fees to register trademarks or patents, costs to purchase patent or trademark rights, R&D expenses, payments for technical education (subject to certain rules), contributions to employee retirement schemes (limited to 15% of an employee's compensation during the relevant tax period) and approved charitable donations (limited to 35% of assessable profits).

If a company's profits are derived from both Hong Kong and non-Hong Kong sources that are not assessable to profits tax, the expenses attributable to the non-Hong Kong-source profits are not deductible and are added back to increase assessable profits.

No deduction is allowed for interest paid to a non-financial institution if the recipient is not subject to tax in Hong Kong on the interest.
In addition, no deduction is allowed for interest payments arising from a loan that is secured by

another loan or bank deposit of the borrower or its associates except when the interest from the other loan or bank deposit is subject to tax in Hong Kong. Nor is a deduction permitted for interest where there is an arrangement under which the interest will be paid, directly or through an interposed person, back to the borrower or its associate, unless the recipient is subject to tax in Hong Kong on the interest.

c. Depreciation

For capital expenditure incurred on the construction of industrial buildings and structures, the initial depreciation allowance is 20% of the capital expenditure, taken in the year of the expenditure. An additional 4% of the capital expenditure is allowed annually thereafter, until the total expenditure is written off.

The annual depreciation allowance for commercial buildings that do not qualify as "industrial buildings" is 4% of the cost of construction.

If the building (either industrial or commercial) is disposed of, a balancing allowance or charge equal to the difference between the disposal price and the written-down value on the disposal may arise.

Capital expenditure on the renovation or refurbishment of business premises may be deducted over five years in equal instalments, starting in the year the expenditure was incurred.

Expenditure on plant and machinery especially related to manufacturing, and on computer hardware and software, may be written off in the year the expenditure is incurred, except for assets purchased under hire-purchase arrangements or assets leased to other persons.

For other plant and machinery, the initial depreciation allowance is 60% in the year the expenditure is incurred. Thereafter, IRD prescribed rates of annual depreciation (of 10%, 20% or 30%) apply to "pools". For plant and machinery not specified by the IRD, the usual rate is 20%.

A balancing allowance is available only on the cessation of a business when the disposal proceeds of the assets are below the reducing value of the entire "pool" of assets. A balancing charge may arise, however, if the disposal proceeds of one or more assets exceed the reducing value of the whole "pool" of assets to which the disposed items belong.

Assets may be re-valued upwards, but tax depreciation is based on cost.

d. Losses

Losses attributable to carrying on a business that earns profits subject to profits tax may be carried forward indefinitely and set off against future taxable profits of the company.

There is specific anti-avoidance legislation to prevent the purchase of an unrelated loss company for the sole or dominant purpose of obtaining a tax benefit.

e. Capital gains taxation

Although there is no capital gains tax in Hong Kong, net gains on certain transactions deemed speculative might be liable for profits tax as trading income.

f. Tax year

The tax year starts on 1 April of every year and ends on 31 March the following year. For businesses, the basis period of tax computation is the accounting year ended in the tax year.

g. Filing and payment
Tax returns are issued annually on 1 April for companies to report their profits in the accounting year ended in the previous tax year. Upon receipt of the tax return, assessments are raised.
At the same time, companies are required to pay a provisional profits tax for the current tax year at a rate of 16.5% of the previous fiscal year's profits. This payment is used to offset against the final profits tax, which is payable in the following fiscal year on final assessment. Any excess payment is applied to the provisional profits tax payable for the following year.

If the provisional tax charged is considered excessive, an application may be made no later than 28 days before the due date or 14 days after the date of the issue of the assessment, whichever is later, to have all or part of the provisional tax collection held over.

h. Statute of limitations
The general statute of limitations is six years, which may be extended to 10 years in the case of fraud or wilful evasion. An assessment or additional assessment (as a result of any adjustments) may be made only within six years (where no fraud or evasion applies) after the relevant year of assessment. There are no provisions governing the time limit for the collection of tax.

i. Withholding taxes
Dividends
Hong Kong does not levy withholding tax on dividends.

Interest
Hong Kong does not levy withholding tax on interest.

Royalties
Royalty payments made to a non-resident for the use of or the right to use intangibles in Hong Kong, or where the royalty payments are deductible for the payer, are deemed to be taxable in Hong Kong. The amount deemed taxable is 30% of the gross amount of the royalties paid, resulting in an effective rate of 4.95% (4.5% for a non-corporate person).

If a royalty is paid to an affiliated non-resident and the intangibles were owned by a person carrying on business in Hong Kong, 100% of the royalty is deemed to be taxable, resulting in an effective rate of 16.5% (15% fora non-corporate person).

The payer of royalties to a non-resident is required to withhold the appropriate tax and remit that amount to the Hong Kong IRD.

Wage tax/social security contributions
There is no payroll tax in Hong Kong.

Minimum wage is HK$ 34,5/hour (01/05/2017). For employees whose monthly income is HK$ 6,500 or more, the employer is required to deduct 5% as the employee's contribution to the Mandatory Provident Fund (MPF) scheme and then pay an additional 5% as its own contribution.