

FAQ of Tax Consultation

Q : What tax does Hong Kong Company need to pay every year?

A :

The profits tax rate for the first \$2 million of profits of corporations will be lowered to 8.25 per cent. Profits above that amount will continue to be subject to the tax rate of 16.5 per cent. For unincorporated businesses (i.e. partnerships and sole proprietorships), the two-tiered tax rates will correspondingly be set at 7.5 per cent and 15 per cent. The company without profits needs to pay no Profits Tax.

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Q : Does Hong Kong imported/exported commodities need to pay tariff?

A :

Generally imported/exported commodities need not pay tariff, except tobacco, liquor and petroleum. But import/export commodities must be declared at customs.

Q : Can Proficient Merit provide services of Hong Kong accounting and tariff declaration?

A :

Yes. You need only to provide relevant information, and then we can process accounting, auditing and tariff declaration and other service on your behalf, at expenses to be determined by actual workload. For details, please contact us.

Q : What are the items of Hong Kong taxation?

A :

There are three kinds of Hong Kong taxation: Profits Tax, Salaries Tax and Property Tax. Profits Tax shall be 16.5% (2007/08:17.5%) of the taxable profits of the company; Salaries Tax shall be calculated by salary income at progressive tax rate, and paid up to 15% (2007/08:16%) of total salary income; Property Tax 15% (2007/08:16%) of the net rent income earned from owning properties after deduction of 20% standard tax relief for renovation and expenditure.

Q : How is the accounting year (base period of assessment) determined?

A :

The base period of assessment shall be one of the following periods:

- The year ended on 31 March or 31 December commonly
- The year ended by the end of other month as permitted

Q : What restriction will Inland Revenue Ordinance have on deduction for donation?

A :

Donation granted to recognizable charitable organization is permitted to be deducted, but total donation as required shall not be less than \$100 and not more than 35% (2007/08:25%) of assessable profits.

Q : Can the profits of Hong Kong Company offset the losses of previous year?

A :

Losses incurred in a taxable year can be carried forward and used to offset the profits of the company in subsequent years.

Q : What's Provisional Profits Tax payable?

A :

Profits Tax shall be levied according to the actual profits of the taxable year. Since the profits of one year shall be determined only after the end of year, Inland Revenue Department will levy provisional tax before the end of that year. After the profits of relevant year are assessed in the following year, the provisional tax already paid can be deducted from the Profits Tax payable of this year.

Q : In which case will Hong Kong Company be free from Profits Tax?

A :

If corporate profits do not arise from Hong Kong, and the company has not set up an office in Hong Kong nor hired Hong Kong employees, then its earned profits will be exempt from Profits Tax.

Q : My Hong Kong Company only opens account at bank, to collect and pay bills for other China Company, then does this Hong Kong Company need to process accounting, auditing and tax declaration?

A :

Yes. Because company incorporation is profit-oriented, even if Hong Kong only performs the role of collecting and paying for others, the company shall be deemed as agency service business, and the income shall be the commission for collection and payment for others.

Q : My Company only opens an account at a foreign bank in China and does not open account in Hong Kong; shall the business conducted by my Company be free from tax declaration?

A :

No. According to Hong Kong laws, every Hong Kong Company has the obligation to declare its financial condition to Inland Revenue Department, whether its business takes place in Hong Kong or not. If this Company does not have its source of income in Hong Kong, it can apply to Inland Revenue Department for exemption from taxation.

Source: Government Website