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## Hong Kong—an Ideal Jurisdiction for Wealth Planning

Hong Kong, the Special Administrative Region of China located in southern tip of Mainland China is becoming a world centre for wealth planning and management, investment, trade and tax planning. It is recommended as the world freest place for business in the past eleven years (According to American Traditional Heritage Foundation 2005).

Often referred to as the bridge into the biggest potential market in the world—Mainland China, Hong Kong offers a stable political and financial platform that provides an unrivaled wealth of opportunities for offshore business. As the Asian economy that allows the most participation from foreign investors and professionals, it has the participation of over 62 of the largest 100 banks, several hundred financial institutes, more than 3000 Certified Public Accountants, law firms and numerous investment and consulting companies that make it the 3rd largest financial center and the 2nd largest free zone in the world. The Hong Kong dollar is pegged to the US dollar which ensures assets are protected against devaluation by the largest economy in the world.

Its success is largely due to its light yet extremely efficient legal system that was partially adapted from UK. Taxation is convenient for wealth planning and offshore business as there are no estate duties, no capital gain tax, withholding tax, sales tax and VAT. For profits sourced from Hong Kong, the only tax is 17.5 corporate income tax based on net profit with certain allowances deducted. This allows offshore companies to set up virtual offices in Hong Kong for operating international business. International companies in trade and investment fields register companies in Hong Kong for re-invoicing and financing purposes. Price and profit transferring through Hong Kong companies are well arranged, by doing which companies reduce costs. Hong Kong Corporation allows corporate members. In order to keep beneficiaries non-disclosed,

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offshore companies are used to be members. But to the public, Hong Kong registry is transparent that anyone may search information on members and directors in the Company Registry. With nominee or corporate arrangement, Hong Kong company keeps transparency and confidentiality of beneficiaries. For those originated from high tax countries, Hong Kong is the way to make cost-efficiency become true.

A modern, computerized Company Registry ensures a fast incorporation time of only 7 working days. Company names may be searched in the same day of request and registered in either English or Chinese or a combination of both. Law does not discriminate against foreign business as only the Secretary of a company needs be a resident of Hong Kong and its shareholder (s) and director(s) may be of any nationality and residence. Even though keeping standard accounting records is necessary, recording activities outside of the jurisdiction is simple and are not reported to the public or any foreign entity. One of the major advantages of utilizing a Hong Kong company is that there is no immediate suggestion of it being a tax haven as Hong Kong is major trading entity in its own right.

The jurisdiction offers very strong client confidentiality laws (Privacy Ordinance) and has refused to exchange information with the Organization for Economic Co-operation and Development. Hong Kong also refused to be a signatory to a recent European Union directive obliging financial institutions in certain tax havens to share information on clients. By refusing to sign this directive, Hong Kong can be considered a good long term solution for wealth planning, assets protection, tax planning and corporate structure for investment and trade.

For wealth planning and management, incomes such as dividends, profits and interests will be in the account of Hong Kong companies. The company may operate its account with private banks or commercial banks through internet banking services. For reinvestment purposes, the Hong Kong company may arrange loans to other special

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purpose vehicles concerning of tax reasons. The corporate credit card may be applied to general consumption. It facilitates operation of business and living of beneficiaries of Hong Kong companies. Many of professionals such as lawyers, CPAs and consulting companies manage and operate Hong Kong companies for international traders and investors. In capital market, Hong Kong and offshore companies conduct business in merger and acquisition, insurance policy holding, venture capital arrangement and etc. without concern about tax and foreign currency control. Recently Chinese government has confirmed to open retirement funds to invest in Hong Kong capital market. The Central Administration of Foreign Exchange issued a notice 75# last October liberalizing Chinese to set up Hong Kong and offshore companies for investing purposes. More funds are pouring to Hong Kong from China and other countries. Hong Kong is becoming an ideal jurisdiction of wealth planning.

#### Why Use Hong Kong for Wealth Planning?

No estate duty

No capital gain

No withholding tax

No tax on income outside the territory

Re-invoicing is legitimate

No foreign currency control

No information disclosure (Privacy Ordinance)

Virtual office is personalized operated

Efficient and integrated banking network

Convenient corporation formation and management

Offshore vehicle popularly used

Experienced professional staff support with international mind