



2024

DOING BUSINESS IN SINGAPORE VS HONG KONG

A comparative guide on ease of doing business in Singapore v. Hong Kong

DOING BUSINESS - SINGAPORE VS. HONG KONG

Hong Kong and Singapore rank among the world's independent economies and are considered tax paradise for business enterprises. Both jurisdictions have world-class banking and financial systems. The Hong Kong and Singapore governments are committed to providing new entities with a solid infrastructure and tax incentives through a sound and transparent legal system.

Both jurisdictions have competitive advantages with each other when conducting business.

Location

Both Singapore and Hong Kong are strategically located at the heart of the Asian continent, with most Asian countries accessible within a five to seven hours flight radius. However, if one needs to tap into the Mainland Chinese market, one will find that Hong Kong is perfectly situated on the southeast coast of Mainland China, flanking the mouth of the Pearl River Delta. With Hong Kong as a base, one can travel back and forth to Beijing, Shanghai and other major Chinese cities in one single day.

Singapore's Changi Airport and The Hong Kong International Airport are considered the best in the world and provide you easy access to major cities in the Asia Pacific, North America, Europe and the Middle East. Singapore is also home to the busiest port in the world and having the most extensive international port connections makes Singapore the top docking destination for trade. On the other hand, Hong Kong is confined to being a focal point of all maritime activities in southern China. In recent years Singapore has surpassed Hong Kong as the world's busiest container port.

Comparison in Nutshell:

- Low corporate tax rate: In Hong Kong, the corporate tax is 8.25% on assessable profits up to \$2,000,000; and 16.5% on any part of assessable profits over \$2,000,000, while in Singapore, the corporate tax is flat 17%.
- No Withholding tax: Hong Kong imposes a 0% withholding tax on dividends or (potential) interest income, while Singapore imposes a 15% withholding tax on gross income of non-resident professionals with few exemptions.
- No tax on worldwide income: Hong Kong has no tax on world income, means 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, whereas, Singapore resident individuals of Singapore are taxed on their worldwide income.

- No VAT or GST: Hong Kong has no value-added tax or goods and service tax, while Singapore levies a 7% GST.
- Simple tax system: Hong Kong has a simple tax system, on the other hand, Singapore has a more complex system with potential tax incentives and exemptions.

Hong Kong also has the advantage of having the China-Hong Kong Closer Economic Partnership

Agreement (“CEPA”). CEPA provides market access freedoms to China with lower entry thresholds and reduced ownership and financial restrictions.

To understand in more detail, we hereinafter provide the differences and similarities between the two jurisdictions.

I. TABLE OF DIFFERENCES -

POINTS OF DIFFERENCE	HONG KONG	SINGAPORE
Government Authority	Companies Registry	Accounting and Corporate Regulatory Authority
Director and Company Secretary Requirements	Minimum of one (1) director (local or non-resident) who must be a natural person i.e., not a corporate entity. Company Secretary who is a Hong Kong resident.	Minimum of one (1) local director who must be a natural person i.e., not a corporate entity. Company Secretary who is a Singapore resident.
Currency and Exchange	1 USD = 7.85 HKD	1 USD = 1.34 SGD
Company Name	Prior company name approval is not required but the name must not conflict with an existing business.	The company name must be approved before incorporation.
Paid-Up Capital	HK\$ 1.00	S\$1
Electronic Filing	e-Registry	BizFile

Tax System	Purely Territorial	Territorial tax system + tax on certain foreign-source income that is subject to tax upon remittance to Singapore.
Filing of annual tax return	For newly formed companies, the PTR must be filed within 18 months from the incorporation date, then every 12 months after the first tax return is filed.	Include two filings: <ul style="list-style-type: none"> • Estimated Chargeable Income that must be filed within 3 months of the company's financial year end • Corporate income tax return, which must be filed by November 30 for paper filing or by December 15 for electronic filing.
Foreign-sourced income tax	Only on few entities.	Singapore resident companies are taxed on profits derived abroad.
Corporate Tax Rate	<ul style="list-style-type: none"> • 16.5% for Corporations on profits over HK\$2 million. • Progressive Rates up to 15% for unincorporated businesses. • Tax Exemption/ Concessional Rate of 8.25% of applicable to profits derived from certain securities or types of business on profits up to HK\$2 million 	<ul style="list-style-type: none"> • 17% headline tax for Corporations. • Schemes like Start Up Tax Exemption, Partial Tax Exemption apply for startups..
Individual Tax Rate	Progressive rate 2-17%	Progressive rate 0-22%
Available Entities for Doing Business	<ul style="list-style-type: none"> • Limited Company (Ltd) • Branch Office • Representative Office (RO) • Sole-proprietorship/Sole Trader • General partnership/ordinary business partnership • Limited partnership 	<ul style="list-style-type: none"> • Private company limited by shares (Pte Ltd) • Public company limited by guarantee • Limited liability partnership (LLP) • Branch office • Representative office (RO) • Sole-proprietorship/Sole Trader

<p>What is Taxable</p>	<ul style="list-style-type: none"> • Only Hong Kong sourced taxable profit from a business carried on in Hong Kong. • Offshore profits, capital gains, dividends and most Hong Kong bank deposit interest income are exempt from tax even if they are remitted to Hong Kong. 	<ul style="list-style-type: none"> • General partnership/ordinary business partnership • Limited partnership • Income derived by companies in Singapore • Foreign income on a remittance basis • Exemptions for certain foreign-sourced incomes apply • Double taxation is eliminated • through the provision of a • foreign tax credit for taxes • suffered by the taxpayer • abroad on the remitted
<p>Calculating Taxable Income</p>	<p>Corporate taxable income is measured by net revenue reduced by expenses. Generally, all expenses incurred in the production of taxable profits are deductible. Capital expenditure on equipment and buildings qualifies for tax depreciation allowances, but (with some exceptions) not spending on intangibles of a capital nature.</p>	<p>Corporate taxable income is determined by taking income and subtracting deductible expenses, capital allowances (tax amortization) and approved donations. Unutilized losses, capital allowances and donations may also be carried forward, subject to meeting prescribed conditions.</p>
<p>Withholding Tax</p>	<p>Dividends – No withholding Tax. Interest Payment - No withholding Tax.</p> <p>Royalty – At 4.95% or 16.5%* on royalties paid to a non-resident person for the use of or right to use intellectual properties.</p>	<p>Dividends – No withholding Tax. Interest payment – 15% on gross interest if interest is paid to a non-resident that does not have business operations in Singapore. Royalty – 10% on gross payment if paid to a non-resident that does not have business operations in Singapore.</p>
<p>VAT/GST</p>	<p>None.</p>	<p>8% Standard Rate on local delivery of goods and services.</p>

Stamp Duty	Stamp duty is charged on the transfer of Hong Kong stock by way of sale and purchase at 0.26% of the consideration (or the market value if it is higher) per	The buyer or transferee must pay a stamp duty of 0.2% on the shares' purchase price or net asset value (NAV) (whichever is higher).
Financial statements	transaction. A Hong Kong company must annually file its Annual Return to the Companies Registry within 42 days of the incorporation date anniversary.	Singapore laws require all companies to file an Annual Return with ACRA within 30 days of holding an AGM.

II. TABLE OF SIMILARITIES -

POINT OF SIMILARITIES	SINGAPORE AND HONG KONG
Registered Office	Registered office address in both jurisdictions (no PO box)
Foreign Ownership	Up to 100% foreign ownership
Shareholders	Minimum 1 shareholder Maximum 50 shareholders
Capital gains Tax	0%
Tax on dividends	0%
Capital Gains Dividends	Tax Exempt
Inheritance (Estate Duty) Double Taxation Relief	Yes
Shareholder	At least 1 registered shareholder

Banking Systems	Boast world-class banking systems.
Controller register	Each company incorporated must keep an internal significant controller register. Controllers in most cases are also persons who hold more than 25% of the issued shares.
Annual Compliance Requirements	Company has to conduct the first AGM within 18 months from the date of incorporation.

FINAL THOUGHTS

For incorporating companies and business startups that want to expand in Asia in general, Hong Kong is the best option. With pro-business policies and government tax incentives, Hong Kong makes starting a new business both easy and cost-effective.

How we can help?

our team of professionals can assist clients in developing a comprehensive business plan that outlines their goals, target market, products or services, financial projections, and marketing strategies which can help them articulate their vision and make informed decisions about their company setup.

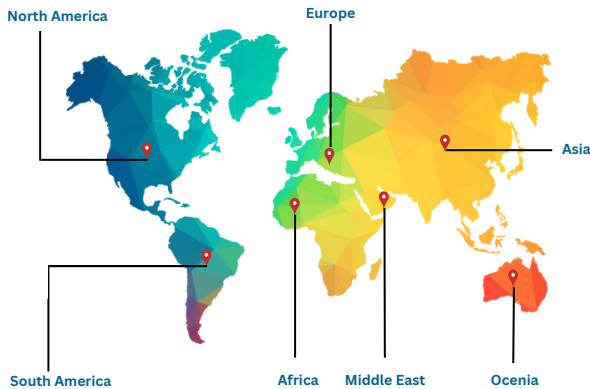
Our experts can conduct market research to help clients understand their industry, competition and potential customers and can provide insights into market trends, customer preferences and competitive advantages to support their business strategy.

Our team can guide clients in choosing the appropriate legal structure for their company, such as sole proprietorship, partnership, limited liability company or corporation and can explain the benefits and drawbacks of each option based on their specific needs and circumstances.

Our professionals can assist in facilitating connections between clients and potential business partners, suppliers or industry experts and assist them in expanding their network and explore collaborative opportunities.



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