



GLOBAL
EMPLOYER
GUIDE

HONG KONG





Basic Country Facts

Full name

- Hong Kong Special Administrative Region of the People's Republic of China

Capital

- N/A

Main Languages

- Cantonese
- English

Population

- 7.451 million

Monetary unit

- Hong Kong dollar

Internet domain

- .hk

International dialing code

- +852

Currency

- Hong Kong dollar



STATUTORY LABOR REQUIREMENTS

Probation Period

- A probationary period in Hong Kong usually lasts from 1 to 3 months.

Annual Leave

- By law, Hong Kong employees are entitled to 7 vacation days after serving a period of 12 months.
- This increases progressively to a maximum of 14 days after 9 years of service.
- Most employers provide at least 14 vacation days to white-collar professionals, and senior executives may command more (3-4 weeks).

Public Holidays

- The first day of January (1st January)
- Lunar New Year's Day (25th January)
- The third day of Lunar New Year (27th January)
- The fourth day of Lunar New Year (28th January)
- Ching Ming Festival (4th April)
- Good Friday (10th April)
- The day following Good Friday (11th April)
- Easter Monday (13th April)
- Birthday of the Buddha (30th April)
- Labor Day (1st May)
- Tuen Ng Festival (25th June)
- Hong Kong Special Administrative Region Establishment Day (1st July)
- National Day (1st October)
- The day following the Chinese Mid-Autumn Festival (2nd October)
- The day following Chung Yeung Festival (26th October)
- Christmas Day (25th December)
- The first weekday after Christmas Day (26th December)



Maternity Leave

- An employee is eligible for 10 weeks' paid maternity leave, if:
 - she has worked for the employer for at least 40 weeks prior to the date of the scheduled leave
 - she has given notice of her intention to take leave
 - she has presented a medical certificate with the expected date of confinement if required to do so by her employment.
- If the employee has worked for fewer than 40 weeks, she is eligible for 10 weeks of maternity leave without pay, as long as she gives proper notice as above.
- Maternity pay is given at a rate of 4/5ths of the average daily wages earned by the employee in the prior 12 months, or time since hire if the employee has been with the company for less than 12 months.
- Maternity leave can be taken from four weeks before the expected date of confinement, with the agreement of the employer.

Paternity Leave

- Male employees who have been employed no less than 40 weeks and provided notice to the employer are eligible for paternity leave.
- Male employees must notify the employer at least 3 months prior to the expected date of delivery of the child.
- The employee is guaranteed 3 days of paternity leave which may be taken from four weeks before the expected due date until 10 weeks after the birth.
- Employees are generally entitled to paternity pay at a rate of 4/5ths of their average wages.

Sick Leave

- In Hong Kong, an employee is generally entitled to a sick leave allowance if s/he has taken at least four consecutive days, has a medical certificate, and has accumulated a sufficient number of paid sick days.
- Paid sick days may be accumulated at a rate of two days for each month of employment for the first year, and four days per month for each year thereafter.
- No more than 120 paid sick days can be accumulated.
- Sick pay is granted at a rate equivalent to 4/5ths of the average daily wages earned by the employee in the prior 12 months, or time since hire if the employee has been with the company for less than 12 months.

Work Hours

- There is no legislation governing the number of working hours per week, but there is a requirement that employees are entitled to one rest day in every period of seven days.
- According to the statistics of the International Labor Organization ("ILO") and relevant governments, working hours in Hong Kong averaged at 42 hours per week in 2018

Overtime

- Employees who work more than 40 hours in a week are usually paid an overtime rate of "time and a half" or 1.5 times their usual rate for the extra hours.
- But there is no such legislation in Hong Kong and any overtime pay is on a company basis.



Notice Period

- The minimum notice that may be specified is seven days unless the contract includes a probationary period
- In the absence of an agreed notice period, either party may terminate the contract on not less than one month's notice.

Severance

- An employee is eligible for Severance Payment if they have worked more than 24 months and less than 5 years in a continuous contract and the termination reason was either for:
 - Redundancy
 - lay off
 - a fixed-term contract was completed and not renewed due to redundancy.
- An employee is eligible for Long Service Payment if they have worked for more than 5 years and the termination reason was for one of the following reasons.
 - The employee is dismissed but not due to serious employee misconduct or redundancy*
 - A fixed-term contract was completed and not renewed
 - Death of the employee
 - Retirement of an employee who is 65 or older
 - Employee resignation due to ill health
- The formula for the severance payment is two-thirds of the employee's monthly wages for every year of service with a maximum payment of HK\$390,000.

13th Month

- In Hong Kong, a 13th month or "End of Year Bonus" is not required but is often granted to employees in Hong Kong.
- An annual bonus or commission may be equal to 2-3 month's salary when the economy is strong.

Income Tax

- Individuals earning income that arises in or is derived from a Hong Kong office or Hong Kong employment, or from services rendered in Hong Kong during visits of more than 60 days in any tax year, are subject to salaries tax.
- Hong Kong observes a territorial basis of taxation; therefore, the concept of tax residency has no significance in determining tax liability, except in limited circumstances.
- Taxable income consists of all cash emoluments, including bonuses and gratuities.
- Benefits in kind are largely non-taxable, unless they are convertible into cash or specifically relate to holiday travel or the education of a child.
- The provision of accommodation by an employer creates a taxable benefit equal to an amount ranging from 4% to 10% of the employee's other taxable income, depending on the type of accommodation.
- An employee is subject to salaries tax if his or her employment income is sourced in Hong Kong, even if he or she is not ordinarily resident in the territory
- Three separate income taxes are levied in Hong Kong instead of a single unified income tax.

Profits tax

- Under the two-tiered profits tax rates regime, the rate of tax for the first HKD2 million of profits of unincorporated businesses is reduced by half (that is, reduced from 15% to 7.5%).
- The remainder of the profits continue to be taxed at the normal rate of 15%.

- However, each group of “connected entities” can only elect one entity in the group to benefit from the two-tiered regime for a given year of assessment.
- In this regard, an entity is defined to include a natural person and a “connected entity” of another entity if any of the following circumstances exist:
 - One of them has control over the other
 - Both of them are under the control of the same entity
 - If the first entity is a natural person carrying on a sole proprietorship business, the other entity is the same person carrying on another sole proprietorship business.
- “Control” generally refers to one entity holding directly or indirectly of more than 50% of the issued share capital, voting rights, capital or profits of another entity

Property tax

- levied at a flat rate of 15% on rental income, after a standard deduction of 20%

Salaries tax

- levied on net chargeable income (assessable income less personal deductions and allowances) at progressive rates ranging from 2% to 17%, or at a flat rate (maximum rate) of 15% on assessable income less personal deductions, whichever calculation produces the lower tax liability.

Taxable income (HKD)	Tax Rate (%)	Tax Due (HKD)	Cumulative Tax Due (HKD)
First 50,000	2	1000	1000
Next 50,000	6	3000	4000
Next 50,000	10	5000	9000
Next 50,000	14	7000	16000
Remaining	17	-	-



Social Security

- There are no social security/social insurance taxes in Hong Kong (SAR).
- Employers are required to make arrangements for all employees aged between 18 and 65 normally residing and working in Hong Kong (SAR) to join a mandatory provident fund (MPF) scheme.
- However, exemption from the MPF requirements is available to any person entering Hong Kong (SAR) for the purpose of being employed or self-employed (i.e. on a valid employment visa) for a limited period (13 months or less) or who is a member of an overseas retirement scheme.

	Mandatory Provident Fund
Paid by employer	5% of relevant income, maximum contribution of HKD1,500 a month
Paid by employee	5% of relevant income, maximum contribution of HKD1,500 a month
Total	10% of relevant income, maximum contribution of HKD3,000 a month



Deductible Expenses

- To be deductible for purposes of salaries tax, expenses must be incurred wholly, exclusively and necessarily in the production of a taxpayer's assessable income.
- Depreciation allowances (capital allowances) may also be claimed on plant and machinery used in the production of assessable income.
- For salaries tax, certain education expenses paid to specified institutions are deductible up to HKD100,000 per year.
- Approved charitable donations are deductible up to 35% of assessable income.
- Home mortgage interest is deductible, up to HKD100,000 per year for a maximum of 20 years.
- Mandatory contributions to "recognized retirement schemes," as defined, are deductible up to HKD18,000 per year.
- Effective from 1 April 2019, qualifying premiums paid to a Qualifying Deferred Annuity Policy and/or tax-deductible Mandatory Provident Fund contributions are deductible, up to the aggregate of HKD60,000 per taxpayer per year.
- Premiums paid into a Voluntary Health Insurance Scheme are deductible, up to HKD8,000 per qualified insured person per year.

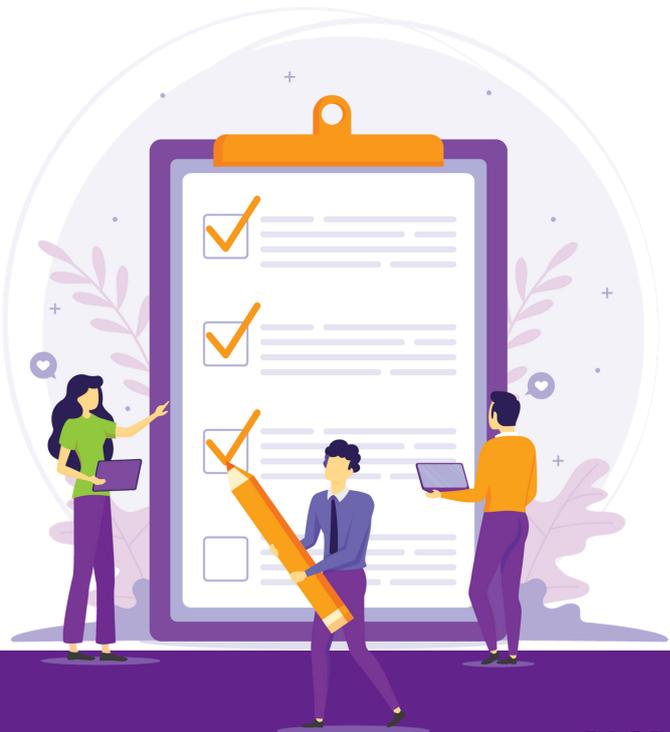
Personal Deductible Expenses

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 - Premiums paid into a Voluntary Health Insurance Scheme are deductible, up to HKD8,000 per qualified insured person per year.
- Personal allowances are also available under salaries tax to individuals with an income level at below the "break-even" point (that is, the point where the standard rate of 15% applies)
 - For the 2019-20 tax year, the following are the amounts of personal allowances available.





Personal allowances	HKD
Aged 60 and above Residing with taxpayer	100,000
Not residing with taxpayer Aged 55 to 59	50,000
Residing with taxpayer	50,000
Not residing with taxpayer	25,000
Elderly residential care expenses	Up to 100,000
Disabled dependent allowance	75,000
Dependent brother and sister allowance	37,500
Single-parent allowance	132,000



Immigration

- An applicant is not allowed to take up any employment in Hong Kong under a visitor visa.
- Work visas are granted for a particular job with a particular employer.
- Generally, the employer must demonstrate that the applicant has recognized professional qualifications, has relevant work experience, and is uniquely qualified for the job.
- A work visa is generally valid for an initial period of up to two years and may be renewed.
- The first extension is granted for a maximum period of three years and followed by a second extension for a maximum period of three years.
- If an applicant has been allowed to take up employment as a professional in Hong Kong for not less than two years and had assessable income for salaries tax of not less than HKD2 million in the previous tax year, the applicant may apply at any time for an extension of stay for a maximum period of six years under the top-tier employment stream.
- After seven consecutive years of employment in Hong Kong, an individual may apply for permanent residence.
- This enables him or her to work in Hong Kong without a work visa.
- A prospective employee should complete application Form ID990A, and send it, with a photograph attached, to the local sponsor in Hong Kong or directly to the Hong Kong Immigration Department.
- This application should be sent with specified documents, including, but not limited to, the following:
 - A photocopy of the applicant's travel document containing its date of issue, date of expiration and details of the re-entry visa (if applicable).
 - The name, contact address and telephone number of the applicant's local sponsor in Hong Kong.
 - An up-to-date résumé of the applicant's qualifications and work experience. This must be accompanied by certification of the applicant's academic qualifications by a university, as well as by proof of the applicant's previous working experience.
 - A copy of the applicant's service contract or letter of appointment with a detailed description of the position, salary and assignment period.
 - A letter, with supporting proof from the applicant's employer (if possible), stating the reason why the post cannot be filled locally.
 - The most recent financial statements of the employer.
 - Form ID990B completed and signed by the local sponsor.
 - A copy of the local sponsor company's business registration certificate.
 - Copies of the marriage certificate and birth certificates of the children, if dependent visas are sought.
- At the port of entry in Hong Kong, the official work visa is endorsed on the applicant's passport or travel document with the effective period stated on a landing slip.
- Extensions of the visa may be obtained subsequently if applied for before the expiration date.
- A foreign national wishing to invest in or start a business in Hong Kong must apply for an employment (investment) visa.
- To obtain this type of visa, the applicant must demonstrate that the business that he or she proposes to invest in and carry on will benefit the Hong Kong economy.
- Because the application procedure for the employment (investment) visa is more complicated than for other visas, it generally requires from four to eight weeks for the Immigration Department to process.

Type of Visa	Documentation	Validity	Eligibility
Work Visa	<ul style="list-style-type: none"> Completed application Form ID990A A photocopy of the applicant's travel document An employee's resume Proof of academic qualification A copy of the applicant's service contract or letter of appointment The most recent financial statements of the employer. Form ID990B completed and signed by the local sponsor. A copy of the local sponsor company's business registration certificate. Copies of the marriage certificate and birth certificates of the children, if dependent visas are sought. 	<ul style="list-style-type: none"> 2 year (can be extended) 	<ul style="list-style-type: none"> Work visas are granted for a particular job with a particular employer. Generally, the employer must demonstrate that the applicant has recognized professional qualifications, has relevant work experience, and is uniquely qualified for the job
Investment Visa	<ul style="list-style-type: none"> Completed application form Passport copy Proof of academic qualifications and relevant working experience Company's employment contract or appointment letter A thorough and detailed two-year business plan A copy of the Business Registration Certificate obtained from the Inland Revenue Department and business registration particulars of the company you are going to invest in or have already invested in. A copy of proof of your overseas residence 	<ul style="list-style-type: none"> 1 year (can be renewed) 	<ul style="list-style-type: none"> To obtain this type of visa, the applicant must demonstrate that the business that he or she proposes to invest in and carry on will benefit the Hong Kong economy.



Value Added Tax (VAT)

- There is no Value Added Tax, VAT, GST or any other sales tax in Hong Kong.

Withholding Tax

Dividends

- There is no withholding tax on dividend distributions from a Hong Kong entity to a resident or nonresident

Interest

- There is no withholding tax on interest payments from a Hong Kong entity to a resident or nonresident

Royalties

- Royalties for the use of, or the right to use, most types of IP in Hong Kong, or where the royalty payments are deductible 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% (for a corporation) in general
- If a royalty is paid to an affiliated nonresident and the IP previously was 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% (for a corporation).
- The two-tier tax rates regime also applies to a nonresident recipient

Technical Service Fee

- There is no withholding tax on fees for technical services paid from a Hong Kong entity to a resident or nonresident



Type of Payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	0%	0%	0%
Interest	0%	0%	4.95%/16.5%	4.95%/16.5%
Royalties	0%	0%	0%	0%
Fees for technical services	0%	0%	0%	0%



Termination

- A contract of employment may be terminated by resignation, dismissal by the employer, constructive dismissal, the expiry of a fixed term or by mutual agreement, among other reasons.
- A contract of employment may be terminated by the employer or employee through giving the other party due notice or payment in lieu of notice.
- The procedure, formalities and costs which apply on a termination of employment are determined by an individual's employment contract and the Employment Ordinance.
- An employer must also ensure that any reason for dismissal does not constitute discrimination on a prohibited ground (i.e. sex, race, pregnancy, marital status, family status and disability).
- There is no qualifying period for discrimination claims.
- An employer may only terminate a contract of employment without notice or payment in lieu of notice if an employee, in relation to his/her employment willfully disobeys a lawful and reasonable order, is guilty of gross misconduct or misconduct that is inconsistent with the due and faithful discharge of his/her duties, is guilty of fraud or dishonesty or, is habitually neglectful in his/her duties.
- Summary dismissal is also allowed on any other ground on which the employer would be entitled to terminate the contract without notice at common law.
- An employer and employee can agree to terminate an employment agreement by mutual consent. In such cases a settlement agreement will often be entered into to achieve finality or to deal with any risk that the employee may subsequently bring proceedings.



Statutory Benefits

- These are mandatory benefits as postulated by law
- These include probationary period, annual leave, public holidays, maternity leave, paternity leave, sick leave, notice period and severance pay
- Statutory benefits also include social security benefits

Statutory Benefits

Probationary Period

Annual Leave

Public Holidays

Maternity Leave

Paternity Leave

Sick Leave

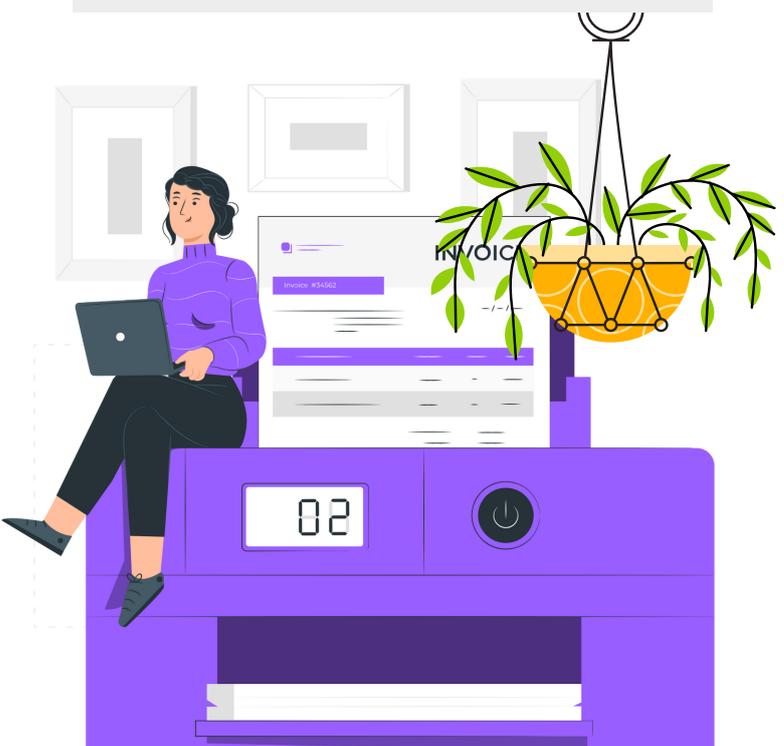
Notice Period

Severance Pay

Social Security Benefits

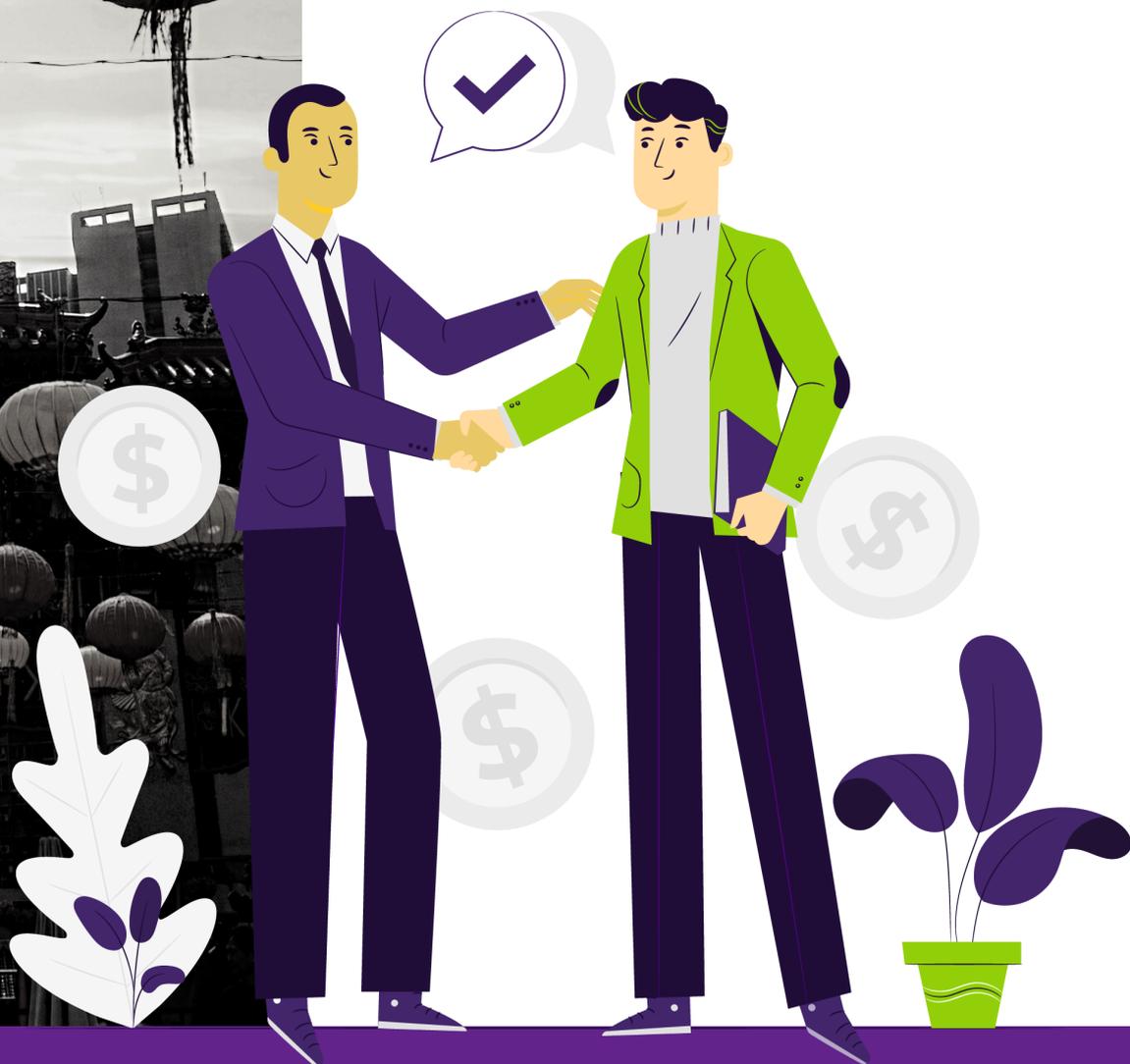
Payments and Invoicing

- The tax year in Hong Kong runs from 1 April to 31 March.
- Penalties apply for breaches of time limits in filing returns.
- Individual taxpayers are usually issued composite tax returns and are required to report all income from the various sources subject to profits tax, salaries tax or property tax.
- Salaries tax is automatically levied separately on the employment income of married couples and is paid separately by each spouse.
- However, a married couple not wishing to be assessed separately may elect joint assessment on their salaries, or, if beneficial, elect a combined assessment of their income from all sources under personal assessment.
- No payroll or withholding tax requirements apply for purposes of salaries tax, except for a taxpayer who is about to leave Hong Kong for over one month (other than in the course of his or her employment).
- Profits, property and salaries tax all operate under a system of prepaid tax, known as provisional tax.
- When the actual income for the tax year is determined, a final tax assessment is issued, giving credit for provisional tax already paid.
- The final tax assessment is combined with a provisional tax assessment for the following year.
- The final tax is payable at the same time as the 75% installment of provisional tax for the following year.



Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Hong Kong ranked 3rd in the World in 2019 in terms of ease of doing business.



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